



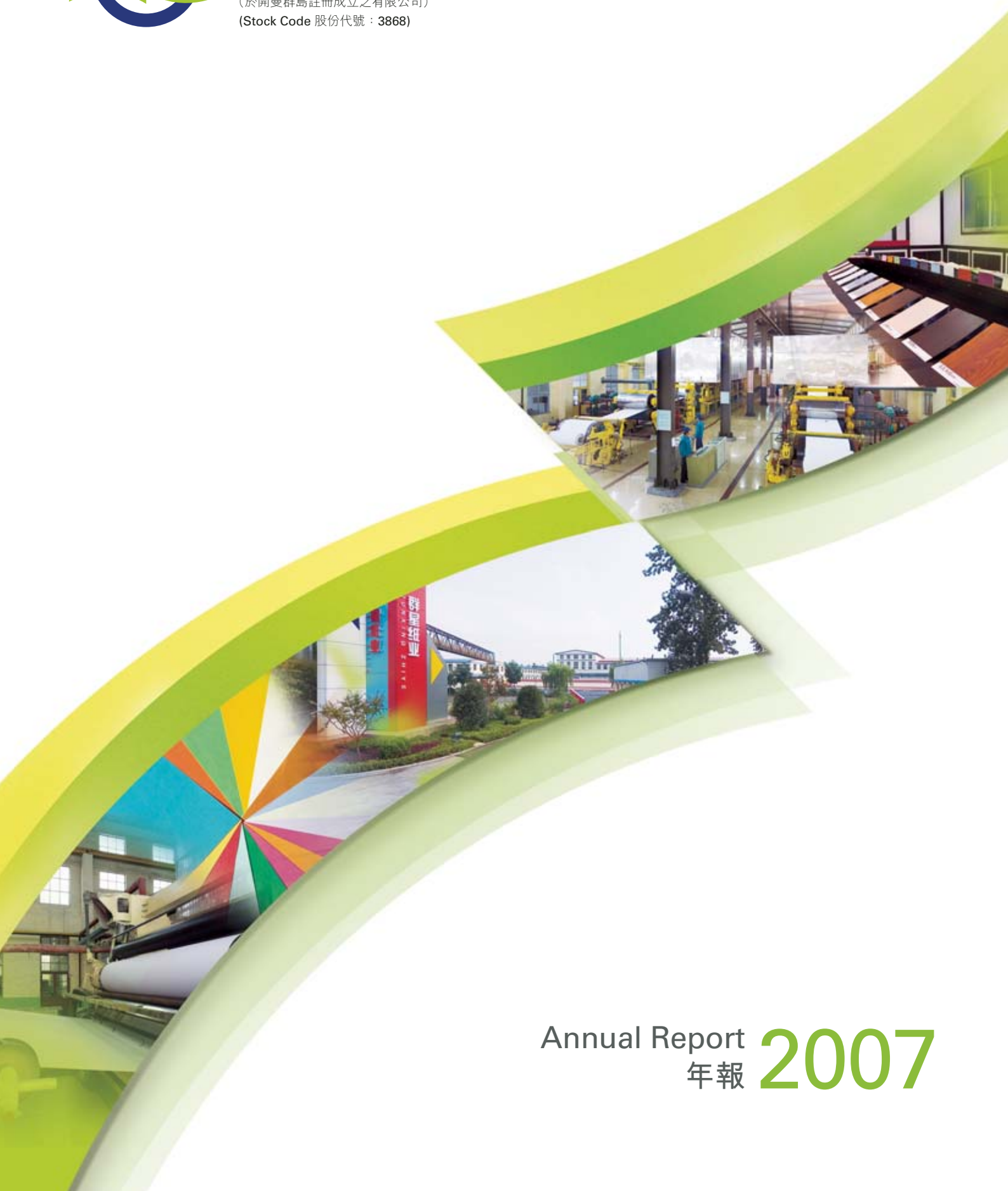
Qunxing Paper Holdings Company Limited

群星紙業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 3868)



Annual Report 年報 **2007**

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Corporate Profile

企業簡介

Qunxing Paper Holdings Company Limited (Stock Code: 3868) was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 2 October 2007. We are the largest decorative base paper manufacturer in the People's Republic of China (the "PRC"), specialising in the production of decorative base paper products and printing paper product.

We developed and marketed more than 80 types of decorative base paper products under our own brand name with different specifications which are customised for various industrial and consumers' needs. Our decorative base paper products, being intermediate products, are commonly used as decorative layer to furnish the surface of laminated board, a decorative material which has wide applications in interior decoration of buildings, transportation vehicles, processed products such as fortified wooden floorboard, furniture and composite office and household wares. Our printing paper product is mainly used for photocopying and office printing.

We currently own and operate seven highly automated paper Production lines nos. 1 to 7 located in Zouping County, Binzhou City, Shandong Province, the PRC with an aggregate designed annual production capacity of approximately 200,000 tonnes. Two more highly automated Production lines nos. 8 and 9 with an aggregate designed annual production capacity of approximately 60,000 tonnes are under construction. With our highly automated production facilities, we are able to provide one-stop service for a wide range of decorative base paper products.

We have an experienced sales and marketing team serving six sales regions which cover over 125 customers located in 13 provinces, autonomous regions and municipalities in the PRC. We are also committed to developing overseas markets in order to broaden our revenue streams so as to sustain long-term business growth.

We believe that, with our highly automated production lines, effective quality control systems and professional workforce, we are well-positioned to capture the rapid growth in the market demand for decorative base paper products and printing paper product in the PRC.

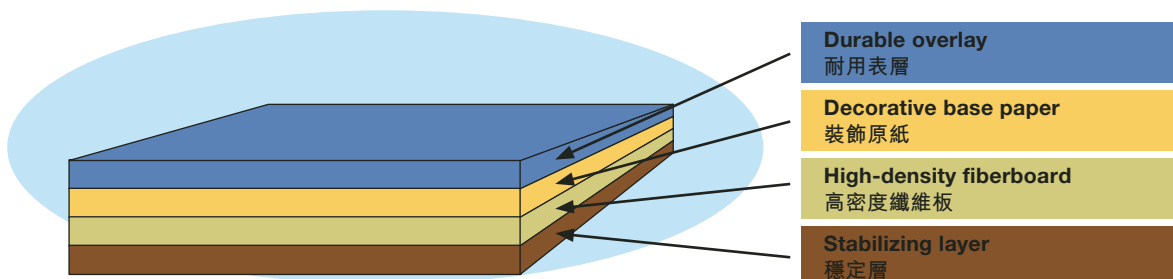
群星紙業控股有限公司(股份代號: 3868)於二零零七年十月二日在香港聯合交易所有限公司主板上市。本集團為中華人民共和國(「中國」)最大的裝飾原紙製造商，專門生產裝飾原紙產品及印刷用紙產品。

本集團以其本身品牌開發及銷售逾80種裝飾原紙產品，包括不同規格，為工業及消費客戶的要求度身訂造。本集團的裝飾原紙產品為中介產品，一般用作粉飾人造板的裝飾表層，裝飾原紙為一種裝飾物料，廣泛應用於樓宇及運輸工具的內部裝飾、加工產品(如強化木地板)、傢俬及綜合辦公室和家居用品。本集團的印刷用紙產品主要用作複印及辦公室印刷。

本集團目前於中國山東省濱州市鄒平縣擁有及營運七條高度自動化紙張生產線(第1至7號)，其總設計年度產能約為200,000噸。本集團現正興建另外兩條總設計年度產能約為60,000噸的高度自動化紙張生產線(第8及第9號)。憑藉高度自動化生產設施，本集團得以提供各類型裝飾原紙產品的一站式服務。

本集團擁有一支經驗豐富的銷售及市場推廣團隊，為六個銷售地區服務，覆蓋位於中國13個省份、自治區及市逾125名客戶。本集團亦銳意拓展海外市場，以擴大收益來源，從而維持業務之長遠增長。

本集團相信，憑藉本集團高度自動化的生產線、行之有效的品質監控系統以及專業的工作團隊，本集團足可抓緊中國裝飾原紙產品及印刷用紙產品市場之需求快速增長的機遇。



Structure diagram of a laminated board
人造板的結構圖

Corporate Information

公司資料

BOARD OF DIRECTORS

Executive Directors

Dr. ZHU Yu Guo (*Chairman*)
Mr. ZHU Mo Qun (*Vice-Chairman*)
Mr. SUN Zhen Shui

Non-executive Director

Ms. SUN Rui Fang

Independent Non-executive Directors

Mr. ZHAO Wei
Mr. WANG Lu
Mr. KWONG Kwan Tong

BOARD COMMITTEES

Audit Committee

Mr. KWONG Kwan Tong (*Committee Chairman*)
Mr. ZHAO Wei
Mr. WANG Lu

Executive Committee

Dr. ZHU Yu Guo (*Committee Chairman*)
Mr. ZHU Mo Qun
Mr. SUN Zhen Shui

Nomination Committee

Mr. ZHU Mo Qun (*Committee Chairman*)
Mr. ZHAO Wei
Mr. WANG Lu
Mr. KWONG Kwan Tong

Remuneration Committee

Dr. ZHU Yu Guo (*Committee Chairman*)
Mr. ZHAO Wei
Mr. WANG Lu
Mr. KWONG Kwan Tong

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Mr. AU-YEUNG Kwong Wah
CPA (Hong Kong), CPA (Australia)

董事會

執行董事

朱玉國博士(*主席*)
朱墨群先生(*副主席*)
孫振水先生

非執行董事

孫瑞芳女士

獨立非執行董事

趙偉先生
王魯先生
鄭焜堂先生

董事委員會

審核委員會

鄭焜堂先生(*委員會主席*)
趙偉先生
王魯先生

執行委員會

朱玉國博士(*委員會主席*)
朱墨群先生
孫振水先生

提名委員會

朱墨群先生(*委員會主席*)
趙偉先生
王魯先生
鄭焜堂先生

薪酬委員會

朱玉國博士(*委員會主席*)
趙偉先生
王魯先生
鄭焜堂先生

合資格會計師兼公司秘書

歐陽廣華先生
CPA(香港)、CPA(澳洲)

LEGAL ADVISERS**As to Hong Kong law**

Chiu & Partners

As to Cayman Islands law

Conyers Dill & Pearman

法律顧問**香港法律**

趙不渝馬國強律師事務所

開曼群島法律

康德明律師事務所

PRINCIPAL BANKERS IN HONG KONG

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Asia) Limited

香港主要往來銀行

恒生銀行有限公司

中國工商銀行(亞洲)有限公司

PRINCIPAL BANKERS IN THE PRC

Bank of China, Zouping Sub-branch

Agricultural Bank of China, Changshan Sub-branch

Industrial and Commercial Bank of China, Zouping Sub-branch

China Construction Bank, Zouping Sub-branch

中國主要往來銀行

中國銀行，鄒平支行

中國農業銀行，常山支行

中國工商銀行，鄒平支行

中國建設銀行，鄒平支行

AUDITORS

KPMG

*Certified Public Accountants***核數師**

畢馬威會計師事務所

*執業會計師***COMPLIANCE ADVISOR**

ICEA Capital Limited

合規顧問

工商東亞融資有限公司

FINANCIAL CALANDER

Six-month interim period end : 30 June

Financial year end : 31 December

財務日誌

六個月中期結算日 : 六月三十日

財政年度結算日 : 十二月三十一日

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

註冊辦事處

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3103-5, Enterprise Square Two

No. 3 Sheung Yuet Road

Kowloon Bay

Hong Kong

香港主要營業地點

香港

九龍灣

常悅道3號

企業廣場2期3103-5室

Corporate Information (Continued) 公司資料(續)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

San Li He
Chang Shan Town
Zouping County
Shandong Province
The PRC

中國總辦事處及主要營業地點

中國
山東省
鄒平縣
長山鎮
三里河

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
George Town
Grand Cayman
KY1-1107
Cayman Islands

主要股份過戶登記處

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
George Town
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

香港股份過戶登記分處

卓佳證券登記有限公司
香港
皇后大道東28號
金鐘匯中心26樓

STOCK CODE

The Stock Exchange of Hong Kong Limited: 3868

股份代號

香港聯合交易所有限公司：3868

WEBSITES

www.qxpaper.com
www.irasia.com/listco/hk/qunxingpaper/

網址

www.qxpaper.com
www.irasia.com/listco/hk/qunxingpaper/

INVESTOR RELATIONS CONTACT

iPR Ogilvy Ltd.
Units 2608-10, 26/F., The Center
99 Queen's Road Central
Hong Kong

投資者關係聯絡資料

iPR奧美公關
香港
皇后大道中99號
中環中心26樓2608-10室

Financial Highlights

財務摘要

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	Change 變動
Operating Results	經營業績			
Turnover	營業額	1,125,524	950,844	18.4%
Profit from operations	經營溢利	371,637	163,317	127.6%
Profit before taxation	除稅前溢利	350,572	142,692	145.7%
Profit attributable to equity shareholders	權益股東應佔盈利	350,572	93,937	273.2%
Per Share Data	每股數據			
Basic earnings per share (RMB cents)	每股基本盈利(人民幣分)	42	13	223.1%
Dividend per share (RMB cents)	每股股息(人民幣分)	10.126	–	n/a 不適用
Financial Position	財務狀況			
Total assets	資產總值	2,517,922	716,013	251.7%
Cash and cash equivalents	現金及現金等價物	1,792,158	67,265	2,564.3%
Total liabilities	負債總值	476,272	627,175	(24.1)%
Total equity	權益總值	2,041,650	88,838	2,198.2%
Financial Ratios	財務比率			
Gross profit margin	毛利率	25.2%	19.4%	5.8% pts 個百分點
Net profit margin	淨溢利率	31.1%	9.9%	21.2% pts 個百分點
Return on assets	資產回報率	13.9%	13.1%	0.8% pts 個百分點
Return on equity	權益回報率	17.2%	105.7%	(88.5)% pts 個百分點
Current ratio	流動比率	7.0	0.3	23.3 times倍
Quick ratio	速動比率	6.8	0.2	34 times倍
Gearing ratio	資產負債比率	9.4%	46.4%	(37.0)% pts 個百分點

Chairman's Statement

主席報告書



Dr. ZHU Yu Guo 朱玉國博士
Chairman 主席

Dear Shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of Qunxing Paper Holdings Company Limited (the "Company" or "Qunxing Paper"), I am pleased to present to you the first annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 since our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 October 2007.

Business Review

Our Group is the largest decorative base paper manufacturer in the PRC. The year 2007 marked a milestone for Qunxing Paper. The initial public offering of new shares of the Company in October 2007 received overwhelming market response and was oversubscribed by 857 times, raising net proceeds of approximately HK\$1,492.8 million (equivalent to approximately RMB1,445.5 million). The success of our initial public offering provided us with new funds for business development and enabled us to access to international capital markets, thus making us well-positioned to capture additional growth opportunities as they arise. Moreover, the listing enabled us to align ourselves with international best practices in various areas such as internal control and corporate governance. Qunxing Paper will not only strive to affirm its leading position in decorative base paper industry in the PRC, but also to establish a sound system of corporate governance.

致各位股東：

本人謹代表群星紙業控股有限公司(「本公司」或「群星紙業」)之董事會(「董事會」或「董事」)，欣然向閣下提呈本公司及其附屬公司(統稱「本集團」)於二零零七年十月二日在香港聯合交易所有限公司(「聯交所」)主板上市以來，截至二零零七年十二月三十一日止年度之首份全年業績。

業務回顧

本集團為中國最大的裝飾原紙製造商。二零零七年標誌著群星紙業的重要里程碑。本公司於二零零七年十月首次公開發售新股份，市場反應熱烈，超額認購857倍，籌集所得款項淨額約為1,492,800,000港元(相等於約人民幣1,445,500,000元)。首次公開發售之成功為本集團提供新資金作業務發展，並有助本集團於國際資本市場集資，有利本集團抓緊其他發展機遇。此外，上市讓本集團能與不同範疇(如內部監控及企業管治)的國際最佳守則接軌。群星紙業不單致力鞏固其於中國裝飾原紙業之領導地位，亦著重建立良好的企業管治制度。

Business Review (Continued)

Even more encouraging is the remarkable results we achieved in 2007. During the year, both our turnover and profit attained new records. Turnover of the Group amounted to RMB1,125.5 million, representing an increase of approximately 18.4% over that of the last year. Profit attributable to shareholders for the year was RMB350.6 million, representing a growth of approximately 273.4% as compared to the last year. Basic earnings per share was RMB42 cents.

Our encouraging results during the year were mainly attributable to the strong demand for decorative base paper products in the PRC. According to the National Bureau of Statistics of the PRC, the country gross domestic product (GDP) reached RMB24,661.9 billion in 2007, rising approximately 11.4% on a year-on-year basis, which represents the fifth consecutive year with a growth rate of over 10%. The rapid growth of personal disposable income and rising living standard in the PRC stimulated demand for quality housing and greater floor space, resulting in a booming property market in the PRC. Such development fueled the growth of the PRC's furniture and construction material industry, which in turn led to an increase in demand for laminated board, a material widely used as decorative materials in the furniture and construction materials industry. As our decorative base paper products constitute a major raw material to furnish the surface of laminated board, sales of our decorative base paper products recorded significant growth during the year.

業務回顧(續)

本集團於二零零七年之業績更是令人鼓舞。年內，本集團之營業額及溢利均創新高。本集團之營業額達至人民幣1,125,500,000元，較去年同期上升約18.4%。年內股東應佔溢利較去年同期增加約273.4%至人民幣350,600,000元。每股基本盈利為人民幣42分。

主要受惠於中國對裝飾原紙產品之強勁需求，本集團於年內取得輝煌業績。根據中國國家統計局資料，中國國內生產總值於二零零七年達至人民幣246,619億元，按年增長約11.4%，更是連續五年升幅超過10%。中國人均可支配收入迅速增長及生活質素提升，均刺激對優質房屋及更大起居空間之需求，令中國之物業市場蓬勃發展，從而促進中國傢俱及建築材料業之增長，繼而令於傢俱及建築材料業廣泛使用作裝飾物料之人造板需求增加。由於本集團之裝飾原紙產品乃修飾人造板表面之主要原材料，故本集團之裝飾原紙產品銷售於年內錄得顯著增長。



The initial public offering of Qunxing Paper on 2 October 2007 had received an overwhelming market response with an over-subscription rate of 857 times.

群星紙業於二零零七年十月二日作首次公開發售，市場反應熱烈，超額認購率為857倍。

Business Review (Continued)

Currently, the supply of decorative base papers in the PRC is, to a large extent, dependent on import. Existing domestic supply obviously falls short of the market demand. In view of this huge market potential, the Group will endeavour to expand its production capacity of decorative base paper products in order to capture new business opportunities and to take advantage of economy of scale. Assigning an equally high priority, the Group will also put more efforts in strengthening its brand building, product research and development and quality control system.

During the year, the Group maintained its position as a leading decorative base paper manufacturer in the PRC. To date, the Group has invested and is operating seven highly automated Production lines nos. 1 to 7 with an aggregate designed annual production capacity of approximately 200,000 tonnes, comprising approximately 150,000 tonnes of decorative base paper products and approximately 50,000 tonnes of printing paper product.

To cater for the rapid growth of market demand for decorative base paper products, construction of our Production line no. 7 was completed in December 2007 and its commercial production has commenced in early March 2008, two months ahead of the original schedule. With a designed annual production capacity of 30,000 tonnes, Production line no. 7 brings the total designed annual production capacity of our decorative base paper products to 150,000 tonnes. At the same time, two more Production lines nos. 8 and 9 are under construction and are expected to provide additional designed annual production capacity of 60,000 tonnes in total. These new production facilities will further expand the Group's total production capacity and contribute to our turnover growth, thus strengthening our leading position in the PRC's decorative base paper market and enhancing our competitiveness.

The Group is actively seeking opportunities to broaden our distribution channels in the PRC. To date, the Group has designated six sales regions in the PRC, namely, Shandong, Sichuan, Guangdong, Beijing, Jiangsu and Zhejiang. The Group has over 125 customers covering 13 provinces, autonomous regions and municipalities in the PRC. In addition, the Group is committed to developing overseas markets in order to broaden our revenue streams so as to sustain long-term business growth.

業務回顧(續)

現時，中國之裝飾原紙供應大部分依賴進口，本地現有供應顯然落後於市場需求。鑑於中國市場潛力龐大，本集團將致力提升自身裝飾原紙產品之產能，以抓緊新商機及進一步發揮規模經濟優勢。同樣至為重要的是，本集團將繼續投放資源以強化集團的品牌、產品研發，以及品質控制系統。

年內，本集團保持其於中國裝飾原紙製造商之領導地位。本集團迄今已投資及營運七條高度自動化的第1至7號生產線，設計年度總產能約為200,000噸，包括約150,000噸裝飾原紙產品及約50,000噸印刷用紙產品。

為應付市場對裝飾原紙產品需求之急速增長，第7號生產線已於二零零七年十二月建成，並較原定時間提前兩個月於二零零八年三月初開始商業生產。第7號生產線之設計年度產能達30,000噸，令本集團裝飾原紙產品之總設計年度產能推至150,000噸。同時，本集團正興建另外兩條生產線，即第8及第9號生產線，預期該等生產線將提供額外設計年度產能共60,000噸。該等新生產設施能進一步拓大本集團之總產能，從而帶動營業額增長，並鞏固本集團於中國裝飾原紙市場之領導地位及提升本集團之競爭力。

本集團現正積極尋找機會以拓展於中國之分銷渠道。本集團迄今已選定六個銷售地區，分別為山東、四川、廣東、北京、江蘇及浙江。本集團擁有逾125名客戶，分佈於中國十三個省份、自治區及市。此外，本集團矢志發展海外市場以拓展集團之收入來源，從而維持業務之長遠增長。

Outlook

The PRC is currently the world's second largest production and consumption country of paper products. On the back of positive market conditions and the rapid growth of the PRC's economy, the demand for paper products will remain robust, hence creating huge growth potential for the paper industry in the PRC. The Group plans to further strengthen its leading market position and capture this promising market potential by expanding our production capacity, expanding into new regional markets, refining our production technologies and processes as well as enhancing our proprietary research and development capabilities.

Leveraging our proven track record, established market position, as well as the expertise of our management, the Group is committed to becoming a leading manufacturer of decorative base paper products and printing paper product in the region, and ultimately, generating lucrative returns to our shareholders.

Appreciation

The achievements of the Group are attributable to the concerted efforts of our management and staff. On behalf of the Board, I would like to take this opportunity to thank our management and staff for their hard work, loyal service and contributions and to our shareholders, business associates and investors for their valuable support during the year.

ZHU Yu Guo

Chairman

The PRC, 17 March 2008

展望

中國現時為全球第二大紙品生產及消耗國。受惠於中國有利的市場環境及迅速發展的經濟，紙品之需求將持續強勁，中國造紙業具有龐大的增長潛力。本集團計劃進一步鞏固其市場領導地位，並透過增加產能、擴充至新地區市場、改良生產技術和工序，以及提升專利研發能力，把握潛力雄厚的市場發展前景。

憑藉本集團之過往佳績、已確立的市場地位及管理層之專業知識，本集團矢志成為區內裝飾原紙產品及印刷用紙產品之龍頭製造商，並最終為股東帶來可觀回報。

致謝

本集團之成就有賴管理層及員工的共同努力。本人謹藉此機會代表董事會向管理層及員工對於過去一年辛勞工作、忠誠服務及貢獻致以謝意，並向股東、業務合作夥伴及投資者的寶貴支持表示感謝。

主席

朱玉國

中國，二零零八年三月十七日

Management Discussion and Analysis

管理層討論及分析



Mr. ZHU Mo Qun 朱墨群先生
Vice-Chairman 副主席

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of our Group as at and for the year ended 31 December 2007 and the accompanying notes set out in this annual report.

在閱讀下述討論與分析時，請一併參閱本年報載列之本集團於二零零七年十二月三十一日及截至二零零七年十二月三十一日止年度經審核綜合財務報表及其附註。

Overview

Our Group is principally engaged in the manufacture and sale of decorative base paper products and printing paper product. According to China Paper Association, our Group is one of the few domestic paper manufacturers in the PRC who are capable of manufacturing quality decorative base paper products, and was ranked by China Paper Association as the largest decorative base paper manufacturer in terms of the actual annual production capacity in the PRC since 2005.

By leveraging the production capacity expansion and the technical know-how in the manufacture of quality decorative base paper products, our Group continued to achieve encouraging growth in the business during the year. Turnover increased by approximately 18.4% from RMB950.8 million for the year ended 31 December 2006 to RMB1,125.5 million for the year ended 31 December 2007 and the profit for the year increased by approximately 273.4% from RMB93.9 million for the year ended 31 December 2006 to RMB350.6 million for the year ended 31 December 2007. The basic earnings per share for the year increased to RMB42 cents (calculated based on the weighted average number of ordinary shares as at 31 December 2007) from RMB13 cents for last year (calculated based on the 750 million shares in issue before the initial public offering of our Company's new shares).

概覽

本集團主要從事製造及銷售裝飾原紙產品及印刷用紙產品。根據中國造紙協會的資料，本集團為中國少數有能力製造優質裝飾原紙產品的國內紙張製造商之一，而按實際年度產能計算，我們獲中國造紙協會評為自二零零五年以來中國最大裝飾原紙製造商。

憑著本集團的產能擴充及製造優質裝飾原紙產品的專業技術知識，本集團於本年度的業務繼續取得令人鼓舞的增長，營業額從截至二零零六年十二月三十一日止年度的人民幣950,800,000元上升約18.4%至截至二零零七年十二月三十一日止年度的人民幣1,125,500,000元；年度溢利從截至二零零六年十二月三十一日止年度的人民幣93,900,000元上升約273.4%至截至二零零七年十二月三十一日止年度的人民幣350,600,000元。每股基本盈利從去年的人民幣13分（按本公司首次公開發售新股份前已發行股份750,000,000股計算）上升至本年度的人民幣42分（按於二零零七年十二月三十一日普通股加權平均數計算）。

Overview (Continued)

The increase in turnover and net profit for the year was mainly attributable to the increase in our Group's production capacity as a result of the commercial operation of Production lines nos. 5 and 6 since April 2006, the improvement of our products' gross profit margin and the tax concession entitled to our principal operating subsidiary in the PRC, Shandong Qunxing Paper Limited ("Shandong Qunxing"), since January 2007.

The expansion of production capacity in recent years

Our production capacity has been expanded significantly in recent years through establishing new production facilities as well as re-engineering and modifying the existing production facilities with a view to improving the production efficiency. With the highly automated production facilities at our production base located in Zouping County, Binzhou City, Shandong Province, the PRC, we are able to provide one-stop service for a wide range of decorative base paper products.

During 2004 to 2006, we owned and operated six highly automated Production lines nos. 1 to 6, with an aggregate designed annual production capacity of approximately 170,000 tonnes. In order to tap the continuously growing demand for decorative base paper products in the PRC market, we commenced the construction of Production line no. 7 with a designed annual production capacity of 30,000 tonnes in May 2007. The construction was completed in December 2007 and the commercial production has commenced in early March 2008.

Subsequent to the commencement of the commercial operation of Production line no. 7, the aggregate designed annual production capacity of our Group increased to 200,000 tonnes, representing an increase of approximately 81.8% since 2004.



概覽(續)

本年度之營業額及淨溢利均告上升，主要是因為第5及第6號生產線從二零零六年四月開始進行商業投產令本集團的產能增加、本集團產品毛利率得到改善以及本集團在中國的主要營運附屬公司山東群星紙業有限公司(「山東群星」)自二零零七年一月起享有稅務優惠所致。

近年產能的提升

透過設立新生產設施，以及重整和改善現有生產設施以提高生產效率，我們的產能近年來得以顯著擴大。我們設於中國山東省濱州市鄒平縣的生產基地配備高度自動化的生產設施，使我們得以提供各類型裝飾原紙產品的一站式服務。

於二零零四年至二零零六年期間，我們擁有及經營六條高度自動化生產線第1至6號，其總設計年度產能約為170,000噸。為了適應中國市場對裝飾原紙產品持續增加的需求，我們於二零零七年五月動工興建設計年度產能為30,000噸的第7號生產線。該建設於二零零七年十二月完工，並已於二零零八年三月初開始作商業投產。

隨著第7號生產線投入商業營運，本集團的總設計年度產能增加至200,000噸，自二零零四年起增加約81.8%。



We currently own and operate 7 highly automated production lines in our production base located in Shandong Province, the PRC. 本集團目前於中國山東省的生產基地擁有及營運七條高度自動化的生產線。

Qunxing Paper Holdings Company Limited 群星紙業控股有限公司

Overview (Continued)**The expansion of production capacity in recent years** (Continued)

The following table sets forth our designed annual production capacity as of the dates indicated.

概覽 (續)**近年產能的提升** (續)

下表載列所示日期我們的設計年度產能。

Production line no(s). 生產線編號	As at 31 December 於十二月三十一日				2007 二零零七年
	2004 二零零四年	2005 二零零五年	2006 二零零六年	(in tonnes) (噸)	
1, 2, 3, 4	1, 2, 3, 4	110,000	110,000	110,000	110,000
5, 6	5, 6	–	–	60,000	60,000
7 (construction completed in December 2007)	7 (於二零零七年 十二月建成)	–	–	–	30,000
		110,000	110,000	170,000	200,000

Our Group believes that the increase in the production capacity in recent years has strengthened our market position and enhanced our competitiveness in the market. It is our Group's plan to keep expanding the production capacity in the future, and such plan was approved by 山東省輕工業辦公室 (Shandong Province Light Industry Council*) in January 2007 as one of the approved projects for paper manufacturing industry in the PRC under 人造板工業十一五規劃分析報告(The Outline for Development of the Laminated Board Industry under the Eleventh Five Year Plan*). Accordingly, we constructed Production line no. 7 in 2007 and the commercial production of which has commenced in early March 2008. Our Group has also started the construction of two new Production lines nos. 8 and 9 in February 2008 and the two production lines are expected to be completed by late 2008. The designed annual production capacity of each of the two new production lines is 30,000 tonnes. Upon the completion of the construction of Production lines nos. 8 and 9,

本集團相信，近年產能的上升使我們的市場地位得以加強，並提昇我們的市場競爭力。本集團計劃在未來繼續擴展產能，山東省輕工業辦公室於二零零七年一月批准此計劃作為人造板工業十一五規劃分析報告內中國造紙業獲批項目之一。因此，我們於二零零七年興建第7號生產線，該生產線已於二零零八年三月初開始商業生產。本集團亦已於二零零八年二月開始興建兩條新生產線(第8及第9號生產線)，預期此兩條生產線將於二零零八年底竣工。此兩條新生產線各自的設計年度產能均為30,000噸。待第8及第9號生產線完成興建



We developed more than 80 types of decorative base paper products under our own brandname.
本集團已開發逾80種自家品牌的裝飾原紙產品。

* for identification purpose only 僅供識別



Our wastewater treatment system processes about 1.7 million cubic meters of wastewater annually. 本集團的污水處理系統每年足以處理約1,700,000立方米污水。

Overview (Continued)

The expansion of production capacity in recent years (Continued)

the designed annual production capacity of the Group will increase up to 260,000 tonnes. Furthermore, our Group also planned to construct another four new Production lines nos. 10 to 13. Production lines nos. 10 and 11 are expected to start construction in July 2008 and to complete by early 2009, whereas Production lines nos. 12 and 13 are expected to start construction by early 2009 and to complete by late 2009. The designed annual production capacity of each of the four new production lines is 30,000 tonnes.

The increase of equipment utilisation rate

The following table illustrates information on the utilisation rates and actual and planned hours of operation for our production lines over the past years.

概覽(續)

近年產能的提升(續)

後，本集團的設計年度產能將提升至260,000噸。此外，本集團亦計劃興建另外四條新生產線(第10至13號生產線)。第10及第11號生產線預期於二零零八年七月開始動工並於二零零九年初竣工，而第12及第13號生產線預期於二零零九年初開始動工並於二零零九年底竣工。上述四條新生產線的每條設計年度產能均為30,000噸。

設備使用率的增加

下表顯示近年來本集團各生產線之使用率、實際及計劃運作時間的資料。

Production line no. 生產線編號	Year ended 31 December 截至十二月三十一日止年度											
	2004 二零零四年			2005 二零零五年			2006 二零零六年			2007 二零零七年		
	Actual hours of operation 實際營運 小時	Planned hours of operation ⁽¹⁾ 計劃營運 小時 ⁽¹⁾	Equipment Utilisation ⁽²⁾ 設備 使用率 ⁽²⁾	Actual hours of operation 實際營運 小時	Planned hours of operation ⁽¹⁾ 計劃營運 小時 ⁽¹⁾	Equipment Utilisation ⁽²⁾ 設備 使用率 ⁽²⁾	Actual hours of operation 實際營運 小時	Planned hours of operation ⁽¹⁾ 計劃營運 小時 ⁽¹⁾	Equipment Utilisation ⁽²⁾ 設備 使用率 ⁽²⁾	Actual hours of operation 實際營運 小時	Planned hours of operation ⁽¹⁾ 計劃營運 小時 ⁽¹⁾	Equipment Utilisation ⁽²⁾ 設備 使用率 ⁽²⁾
1	6,163	7,776	79.3%	6,660	7,776	85.6%	7,558	7,776	97.2%	7,872	8,040	97.9%
2	6,646	7,776	85.5%	6,840	7,776	88.0%	6,034	7,776	77.6% ⁽³⁾	7,608	7,752 ⁽³⁾	98.1%
3	6,031	7,128	84.6%	6,770	7,776	87.1%	7,294	7,776	93.8%	7,824	8,040	97.3%
4	3,017	3,240 ⁽³⁾	93.1%	7,284	7,776	93.7%	7,740	7,776	99.5%	7,872	8,040	97.9%
5							5,033	5,832 ⁽⁴⁾	86.3%	7,920	8,040	98.5%
6							5,477	5,832 ⁽⁴⁾	93.9%	7,968	8,040	99.1%
7										— ⁽⁶⁾	— ⁽⁶⁾	— ⁽⁶⁾

Management Discussion and Analysis (Continued) 管理層討論及分析(續)

Overview (Continued)**The increase of equipment utilisation rate** (Continued)

Notes:

- (1) Planned hours of operation takes into account, among other things, planned maintenance shutdowns and shutdowns for equipment optimisation.
- (2) Equipment utilisation rates represent the actual hours of operation as a percentage of the planned hours of operation.
- (3) Commercial operation of Production line no. 4 commenced in August 2004.
- (4) Commercial operation of Production lines nos. 5 and 6 commenced in April 2006.
- (5) The decrease in the equipment utilisation rate is due to the re-engineering works carried out in this production line during the years.
- (6) Commercial operation of Production line no. 7 commenced in early March 2008.
- (7) The average age of the machinery and equipment is approximately 3.5 years.

The production lines normally operate on a continuous basis, subject to the temporary stoppage, as and when necessary, for the purposes of machine cleaning, recalibration for different product specifications as well as regular inspection and maintenance work which generally lasts for, in aggregate, three days each month and an annual maintenance which lasts for about a week. As increase or decrease in the equipment utilisation rates will have an impact on the product volume and, thus, can have a significant effect on the unit costs and gross profit margins, we therefore plan the production schedules carefully so as to minimise the shutdown time required for making adjustments to the paper making machines for product and specification changes.

概覽(續)**設備使用率的增加**(續)

附註：

- (1) 計劃營運小時計及(其中包括)因進行計劃維修及設備優化而需停產的時間。
- (2) 設備使用率指實際營運小時佔計劃營運小時的百分比。
- (3) 第4號生產線已於二零零四年八月開始商業營運。
- (4) 第5及第6號生產線已於二零零六年四月開始商業營運。
- (5) 設備使用率下降因該生產線於年內進行重整工程所致。
- (6) 第7號生產線於二零零八年三月初開始商業營運。
- (7) 機械及設備的平均壽命為約3.5年。

生產線一般會持續運作，但可能會因清潔機器、調整不同產品規格的設定以及進行定期檢查及維修工作而暫時停產，定期檢查及維修時間每個月為期合共三日，而年度維修則維持約一週。由於設備使用率的增減將對產量造成影響，並會對單位成本及毛利率有重大影響，我們會因此仔細計劃作出生產安排，以減少因應產品及規格的變動而調整造紙機器所需的停產時間。

Description of the major components of the results of operations

Turnover

Turnover for the year ended 31 December 2007 increased by approximately 18.4% from RMB950.8 million in the year ended 31 December 2006 to RMB1,125.5 million during the year ended 31 December 2007. The increase in turnover during the year ended 31 December 2007 was mainly attributable to the combined effects of (i) the increase in overall sales volumes by approximately 23.0% from 91,625 tonnes to 112,681 tonnes, out of which sales volumes of the printing paper product, the product line launched in July 2006, increased by approximately 107.6% from 19,503 tonnes for the six months ended 31 December 2006 to 40,494 tonnes during the year ended 31 December 2007; and (ii) the increase in the average selling prices of the decorative base paper products by approximately 4.0% from RMB11,566 per tonne to RMB12,028 per tonne.

Cost of sales

Cost of sales represents the production costs of goods sold during the year. These production costs comprise cost of raw materials, direct labour costs and manufacturing overheads, which include depreciation charges, utility expenses, consumables, repairs and maintenance and other overhead related expenses.

The cost of sales increased by approximately 9.8% from RMB766.7 million in the year ended 31 December 2006 to RMB842.1 million in the year ended 31 December 2007. The increase in the cost of sales was primarily due to the increase in the raw material costs, which are the major component of our cost of sales, as a result of the increased sales volume. Moreover, production overheads such as electricity and steam expenses also increased in line with the increase in production volume. Depreciation expenses also increased due to the establishment of Production lines nos. 5 and 6 in April 2006.

經營業績各主要部份的概況

營業額

截至二零零七年十二月三十一日止年度的營業額由截至二零零六年十二月三十一日止年度的人民幣950,800,000元增加約18.4%至截至二零零七年十二月三十一日止年度的人民幣1,125,500,000元。營業額於截至二零零七年十二月三十一日止年度上升，主要是由於下列因素：(i)整體銷售量由91,625噸上升約23.0%至112,681噸，其中印刷用紙產品的銷售量(該產品於二零零六年七月推出)由截至二零零六年十二月三十一日止六個月的19,503噸上升約107.6%至截至二零零七年十二月三十一日止年度的40,494噸；及(ii)裝飾原紙產品的平均售價由每噸人民幣11,566元上升約4.0%至每噸人民幣12,028元。

銷售成本

銷售成本指於年內出售貨品的生產成本。該等生產成本包括原料成本、直接勞工成本及製造成本，包括折舊費用、公用事業費用、消耗品、維修及保養以及其他相關的經常性開支。

銷售成本由截至二零零六年十二月三十一日止年度的人民幣766,700,000元增加約9.8%至截至二零零七年十二月三十一日止年度的人民幣842,100,000元。銷售成本增加主要因為作為我們的銷售成本主要部份的原料成本隨銷量上升而增加所致。此外，經常性生產開支如電力及蒸汽等費用亦因產量增加而相應增加，折舊費用亦因第5及第6號生產線於二零零六年四月開始作商業投產而增加。

Description of the major components of the results of operations (Continued)

Cost of sales (Continued)

The results of operations are subject to price fluctuations of raw materials used in the production process. The principal raw materials for the production of both of the decorative base paper products and printing paper product are wood pulp and titanium dioxide powder. For the two years ended 31 December 2006 and 2007, the purchase of wood pulp amounted to approximately RMB310.5 million and RMB363.1 million, respectively, representing approximately 40.5% and 43.1% of the total cost of sales for the respective years and the purchase of titanium dioxide powder amounted to approximately RMB237.5 million and RMB208.9 million, respectively, representing approximately 31.0% and 24.8% of the total cost of sales for the respective years. For the two years ended 31 December 2006 and 2007, the Group purchased wood pulp at the average price per tonne (value added tax inclusive) of approximately RMB6,056 and RMB6,100, respectively, and titanium dioxide powder at the average price per tonne (value added tax inclusive) of approximately RMB12,887 and RMB13,079, respectively. The prices of both wood pulp and titanium dioxide powder had increased steadily and moderately during the two years. Nevertheless, the increase in the prices of both wood pulp and titanium dioxide powder during the two years have not posed material impact on the Group's financial results because of the increase in the average selling prices of the Group's products and enhancement of the economies of scale through the expansion of the Group's production scale.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 54.0% from RMB184.1 million for the year ended 31 December 2006 to RMB283.5 million for the year ended 31 December 2007, while the gross profit margin of the Group increased from approximately 19.4% to approximately 25.2% during the year.

經營業績各主要部份的概況(續)

銷售成本(續)

經營業績受制於用於生產過程的原料價格的波動，生產裝飾原紙產品及印刷用紙產品所需的主要原料是木漿及鈦白粉。截至二零零六年及二零零七年十二月三十一日止兩個年度，購買木漿分別耗資約人民幣310,500,000元及人民幣363,100,000元，分別約佔相關年度總銷售成本40.5%及43.1%；而購買鈦白粉則分別耗資約人民幣237,500,000元及人民幣208,900,000元，分別約佔相關年度總銷售成本31.0%及24.8%。截至二零零六年及二零零七年十二月三十一日止兩個年度，本集團購買木漿的每噸平均價格(包括增值稅)分別約為人民幣6,056元及人民幣6,100元，而購買鈦白粉的每噸平均價格(包括增值稅)分別約為人民幣12,887元及人民幣13,079元。木漿與鈦白粉於兩年期間的價格升幅平穩且溫和。然而，因為本集團產品的平均售價上升以及本集團的經濟規模透過擴大生產規模得以提升，木漿及鈦白粉價格於兩年期間之升幅並未對本集團的財務業績構成重大影響。

毛利及毛利率

本集團的毛利由截至二零零六年十二月三十一日止年度的人民幣184,100,000元增加約54.0%至截至二零零七年十二月三十一日止年度的人民幣283,500,000元，同時本集團的毛利率由約19.4%增加至本年度約25.2%。

Description of the major components of the results of operations (Continued)

Gross profit and gross profit margin (Continued)

The following table sets forth the gross profit margin of each category of the products for the two years ended 31 December 2006 and 2007:

經營業績各主要部份的概況(續)

毛利及毛利率(續)

下表載列截至二零零六年及二零零七年十二月三十一日止兩個年度各產品類別的毛利率：

Products 產品	Year ended 31 December 截至十二月三十一日止年度	
	2007 二零零七年	2006 二零零六年
Decorative base paper products 裝飾原紙產品		
– Premium coloured decorative base paper – 高檔有色裝飾原紙產品	35.1%	25.8%
– Premium white decorative base paper – 高檔無色裝飾原紙產品	26.4%	17.8%
– Ordinary coloured decorative base paper – 普通有色裝飾原紙產品	25.9%	20.3%
– Ordinary white decorative base paper – 普通無色裝飾原紙產品	18.4%	17.4%
Printing paper product 印刷用紙產品	18.3%	13.3%

The increase in overall gross profit margin of premium coloured and premium white decorative base paper products was mainly due to the increase in sales of such products, which have higher margins, during the year ended 31 December 2007. Apart from that, the average selling prices of the decorative base paper products were increased by approximately 4.0% from RMB11,566 per tonne to RMB12,028 per tonne.

Other revenue

Other revenue, which represented the interest income earned from the bank deposits, increased from RMB726,000 for the year ended 31 December 2006 to RMB122.0 million for the year ended 31 December 2007. The increase was mainly due to the interest income earned from subscription monies during the initial public offering of the Company in October 2007 which amounted to RMB106.9 million.

Selling expenses

The selling expenses consist primarily of sales and marketing staff salaries and benefits, traveling and sundry expenses. The selling expenses slightly decreased by approximately 1.0% from RMB9.6 million for the year ended 31 December 2006 to RMB9.5 million for the year ended 31 December 2007. As a percentage of turnover, our selling expenses were maintained at approximately 1.0% for each of the two years ended 31 December 2007. It was in line with the existing policy of the Group to allocate approximately 1.0% of the sales as the annual budget for the marketing activities and the expenses to be incurred in soliciting new customers in the six designated sales regions in the PRC.

截至二零零七年十二月三十一日止年度高檔有色及高檔無色裝飾原紙產品的整體毛利率上升，主要是因為該等有較高利潤的產品銷售增加所致。此外，裝飾原紙產品的平均售價由每噸人民幣11,566元上升約4.0%至每噸人民幣12,028元。

其他收益

其他收益指從銀行存款所賺取的利息收入，其他收益由截至二零零六年十二月三十一日止年度的人民幣726,000元增加至截至二零零七年十二月三十一日止年度的人民幣122,000,000元。該增加主要是因為於二零零七年十月本公司作首次公開發售的認購款項所賺取的利息收入達人民幣106,900,000元所致。

銷售開支

銷售開支主要包括銷售及市場推廣員工薪酬及福利、差旅及雜項開支。銷售開支由截至二零零六年十二月三十一日止年度的人民幣9,600,000元輕微下降約1.0%至截至二零零七年十二月三十一日止年度的人民幣9,500,000元。截至二零零七年十二月三十一日止兩個年度，我們的銷售開支佔營業額的百分比維持在每年約1.0%的水平，這與本集團將銷售額約1.0%分配作為於中國六個指定銷售地區進行市場推廣活動及尋求新客戶所產生開支的年度預算的現行政策一致。

Description of the major components of the results of operations (Continued)

Administrative expenses

The administrative expenses consist primarily of administrative and management staff salaries and benefits, depreciation of non-production related fixed assets, research and development cost, pension contributions and the city maintenance and construction tax at the rate of 5.0% on the applicable value-added tax and certain educational surcharge at such rate as determined in accordance with relevant regulations applicable to domestic enterprises in the PRC.

The administrative expenses increased by approximately 99.2% from RMB11.9 million for the year ended 31 December 2006 to RMB23.7 million for the year ended 31 December 2007. The increase in administrative expenses was mainly due to (i) the increase in administrative staff costs, employee benefits and pension expenses by approximately 96.0% from RMB2.5 million for the year ended 31 December 2006 to RMB4.9 million for the year ended 31 December 2007, which was resulted from additional employees for the expansion of operation as Production lines nos. 5 and 6 commenced commercial production in April 2006 and the corresponding change in the employee composition after our listing in October 2007 which resulted in an increase in personnel expenses; and (ii) the increase in the city maintenance and construction tax and educational surcharge by approximately 59.5% from RMB3.7 million for the year ended 31 December 2006 to RMB5.9 million for the year ended 31 December 2007. Such increase was in line with the increase of the taxable income and the expansion of business.

Finance costs

Finance costs consist primarily of interest expenses on the bank borrowings. The amount was increased by approximately 2.4% from RMB20.6 million for the year ended 31 December 2006 to RMB21.1 million for the year ended 31 December 2007. The slight increase in interest expenses was mainly due to the increase in the effective interest rates on bank borrowings, although the average bank borrowing of the Group was decreased during the year.

經營業績各主要部份的概況(續)

行政開支

行政開支主要包括行政及管理員工的薪酬及福利、非生產相關固定資產的折舊、研究及開發成本、退休金供款及按適用增值稅率5.0%計徵的城市維護建設稅及根據適用於中國內資企業的相關法規釐定的比率計徵的若干教育費附加。

行政開支由截至二零零六年十二月三十一日止年度的人民幣11,900,000元增加約99.2%至截至二零零七年十二月三十一日止年度的人民幣23,700,000元。行政開支增加主要因為：(i)第5及第6號生產線於二零零六年四月開始商業生產後因業務擴充聘請之額外員工及二零零七年十月本公司上市後員工組成之改變令員工開支上升，從而令行政職員成本、員工福利及退休金開支由截至二零零六年十二月三十一日止年度的人民幣2,500,000元增加約96.0%至截至二零零七年十二月三十一日止年度的人民幣4,900,000元；及(ii)城市維護建設稅及教育費附加由截至二零零六年十二月三十一日止年度的人民幣3,700,000元增加約59.5%至截至二零零七年十二月三十一日止年度的人民幣5,900,000元。此增幅與應課稅收入的升幅及業務的增長趨勢一致。

融資成本

融資成本主要包括銀行借款的利息支出。利息支出由截至二零零六年十二月三十一日止年度的人民幣20,600,000元增加約2.4%至截至二零零七年十二月三十一日止年度的人民幣21,100,000元。儘管本集團於本年度的平均銀行借款有所下降，但由於銀行借款的實際利率上升令利息支出輕微上升。

Description of the major components of the results of operations (Continued)

Income tax

Our Company and the subsidiaries are incorporated in different jurisdictions, with different taxation requirements. For the year ended 31 December 2007, our Group is not liable to pay any income tax in the PRC as compared to RMB48.8 million for the year ended 31 December 2006 since Shandong Qunxing, our principal operating subsidiary in the PRC, has become a foreign investment enterprise since August 2006. According to the legal advisers as to PRC law, under the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, Shandong Qunxing, being an enterprise with foreign investment which conducts manufacturing business operation and has an operating term of more than ten years, is entitled to full exemption from national enterprise income tax of 30% for a period of two years commencing from 2007, and a 50% relief on the applicable tax rate for the national enterprise income tax for the succeeding three years. Moreover, pursuant to 關於擴大外商投資企業地方所得稅減免範圍有關問題的通知 (Notice on Relevant Issues Relating to Expanding the Scope of Reduction and Exemption of Local Incomes Tax on Foreign-invested Enterprises*) promulgated by the State Tax Bureau of Shandong in June 2000 and 關於確認山東群星紙業有限公司享受定期減免稅資格的批覆 (Approval on Confirming the Qualification of Shandong Qunxing on Enjoyment of Tax Reduction and Exemption*) issued by the State Tax Bureau of Zouping County in April 2007, Shandong Qunxing is further entitled to a full exemption of the local income tax of 3% as long as it maintains its corporate existence.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises, except for small-scale enterprises earning small profit, where the tax rate is reduced to 20%.

Under the grandfathering treatments of the New Tax Law, Shandong Qunxing which has not fully utilised its five-year tax holiday upon implementation of the New Tax Law will be allowed to continue to receive such a tax holiday during the five-year grandfathering period. Accordingly, Shandong Qunxing is exempted from PRC income tax for the two years starting from 1 January 2007 to 31 December 2008, followed by a reduced PRC income tax rate at 12.5% for the remaining three years from 1 January 2009 to 31 December 2011.

* for identification purpose only 僅供識別

經營業績各主要部份的概況(續)

所得稅

本公司及附屬公司於不同司法權區註冊成立，而不同司法權區擁有不同的稅務規定。截至二零零六年十二月三十一日止年度，本集團須繳納人民幣48,800,000元的所得稅，自二零零六年八月起，我們於中國的主要營運附屬公司山東群星已轉為外資企業，因此截至二零零七年十二月三十一日止年度，本集團在中國並不需要承擔任何所得稅項。根據中國法律顧問的意見，按中華人民共和國外商投資企業和外國企業所得稅法，山東群星作為外商投資及從事製造業務的企業，且其營運期超過十年，因此從二零零七年起享有兩年全面豁免繳付30%的國家企業所得稅的權利，並且在隨後的三年內可獲減免50%按適用稅率計徵的國家企業所得稅。此外，按山東省國家稅務局於二零零零年六月頒佈的關於擴大外商投資企業地方所得稅減免範圍有關問題的通知及鄒平縣國家稅務局於二零零七年四月頒佈的關於確認山東群星紙業有限公司享受定期減免稅資格的批覆，山東群星只要繼續經營，則可進一步獲全面豁免繳付3%的地方所得稅。

於二零零七年三月十六日，第十屆全國人民代表大會第五次會議通過中華人民共和國企業所得稅法(「新稅法」)。新稅法於二零零八年一月一日生效。除了賺取小額溢利的小規模企業的所得稅稅率調低至20%外，中國所有企業的所得稅率一律統一為25%。

根據新稅法稅務優惠過渡辦法，山東群星於實施新稅法時未完成享有五年稅務優惠期，可繼續於五年稅務優惠過渡期內享有該稅務優惠期。因此，山東群星自二零零七年一月一日至二零零八年十二月三十一日兩年間獲豁免繳納中國所得稅，以及於二零零九年一月一日至二零一一年十二月三十一日餘下三年間按12.5%的減免稅率繳納中國所得稅。

Description of the major components of the results of operations (Continued)

Income tax (Continued)

The effective tax rates of our Group for the two years ended 31 December 2007 were approximately 34.2% and 0%, respectively. The reconciliation between income tax expenses and accounting profit at the applicable tax rates for the two years ended 31 December 2007 was set out as follows:

經營業績各主要部份的概況(續)

所得稅(續)

本集團截至二零零七年十二月三十一日止兩個年度的實際稅率分別約為34.2%及0%。截至二零零七年十二月三十一日止兩個年度按適用稅率計算的所得稅開支與會計溢利的對賬如下：

		Year ended 31 December 截至十二月三十一日止年度	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Profit before taxation	除稅前溢利	350,572	142,692
Income tax on profit before taxation, calculated at the tax rates applicable to the countries concerned	按有關國家的適用稅率計算的除稅前溢利所得稅	97,267	47,131
Tax effect of tax concession period	稅務優惠期間的稅務影響	(78,021)	–
Tax effect of non-deductible expenses	不可扣減開支的稅務影響	1,866	1,624
Tax effect of non-taxable income	非應課稅收入的稅務影響	(21,112)	–
Income tax expenses for the year	年度所得稅開支	–	48,755

Description of the major components of the results of operations (Continued)

Use of proceeds from initial public offering

Upon the initial public offering of the Company on 2 October 2007 (the "Listing Date"), the Group received net proceeds amounted to approximately HK\$1,492.8 million (equivalent to approximately RMB1,445.5 million), after deduction of related expenses and the exercise of the Over-allotment Option (Note 1) on the Listing Date. As disclosed in the prospectus (the "Prospectus") of the Company dated 17 September 2007, our Group planned to apply most of the net proceeds to expand our production capacity as well as to re-engineer and modify our existing production facilities to enhance production efficiency. As at 31 December 2007, part of the net proceeds has been applied as follows:

經營業績各主要部份的概況(續)

首次公開發售所得款項用途

本公司於二零零七年十月二日(「上市日期」)首次公開發售後，本集團獲取所得款項淨額約為1,492,800,000港元(約相當於人民幣1,445,500,000元)(扣除相關費用及於上市日期行使超額配股權(附註1)後)。誠如本公司日期為二零零七年九月十七日的招股章程(「招股章程」)所披露，本集團計劃將大部分所得款項淨額用於擴充產能，以及重整及改善現有生產設施以提升生產效率。於二零零七年十二月三十一日，部分所得款項淨額已應用於下列各項：

		Amount utilised up to 31 December 2007 直至 二零零七年 十二月 三十一日 已使用金額	Balance as at 31 December 2007 於 二零零七年 十二月 三十一日 的結餘
	Planned amount RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Settlement of the remaining balance of the construction costs of the new Production line no. 7	支付第7號新生產線建設開支的餘下結餘	163,300	13,200
Construction of new Production lines nos. 8 to 11	建造第8至11號新生產線	720,000	-
Construction of new Production lines nos. 12 to 13 (Note 2)	建造第12至13號新生產線(附註2)	360,000	-
Re-engineering and modification of the existing Production lines nos. 1 and 3	重整及改善現有第1及第3號生產線	40,000	-
		1,283,300	13,200
			1,270,100

Description of the major components of the results of operations (Continued)

Use of proceeds from initial public offering (Continued)

Notes:

1. Pursuant to an international placing underwriting agreement dated 20 September 2007, the Company granted an option (the "Over-allotment Option") to ICEA Securities Limited ("ICEA"), the lead manager of the Company's share offer, whereby the Company was required to allot and issue up to an aggregate 45,000,000 additional shares to cover over allocations in the international placing. The exercise price per share for the Over-allotment Option is HK\$5.35. On the Listing Date, the Over-allotment Option was fully exercised by ICEA and, as a result, the Company issued 45,000,000 additional shares on the same date.
2. As disclosed in the Prospectus, in the event that the Over-allotment Option is exercised, our Group planned to apply part of the additional net proceeds of RMB360.0 million for doubling the production capacity of the planned new Production lines nos. 10 to 11 from 60,000 tonnes to 120,000 tonnes. The Over-allotment Option was exercised on the Listing Date and our Group will further increase our production capacity by 60,000 tonnes by way of constructing two more Production lines nos. 12 to 13.

Exchange rate risk

Our Group conducts our business transactions principally in the PRC. All of our Group's turnover and cost of sales and most of our monetary assets and liabilities are denominated in Renminbi. Renminbi is the functional currency of our Group and used as the reporting currency in the preparation of the consolidated financial statements of our Group. As such, the appreciation of Renminbi against foreign currencies during the year does not have significant impact on the result of our Group. Our Group has not been exposed nor anticipates itself being exposed to material risks due to changes in exchange rates.

經營業績各主要部份的概況(續)

首次公開發售所得款項用途(續)

附註：

1. 根據日期為二零零七年九月二十日的國際配售包銷協議，本公司向其股份發售牽頭經辦人工商東亞證券有限公司(「工商東亞」)授出選擇權(「超額配股權」)，本公司須配發及發行最多合共45,000,000股額外股份以補足國際配售的超額分配。超額配股權的每股行使價為5.35港元。於上市日期，超額配股權獲工商東亞悉數行使，因此，本公司於同日額外發行45,000,000股股份。
2. 誠如招股章程所披露，倘超額配股權獲行使，本集團計劃動用部分額外所得款項淨額人民幣360,000,000元，將計劃的第10至11號新生產線產能提高一倍，由60,000噸提高至120,000噸。超額配股權已於上市日期獲行使，本集團將透過興建另外兩條第12至13號生產線，進一步增加60,000噸產能。

匯率風險

本集團主要在中國進行其業務交易。本集團所有營業額及銷售成本以及絕大部分貨幣性資產及負債均以人民幣元計值，人民幣乃本集團的功能貨幣並於編製本集團綜合財務報表中用作呈列貨幣。因此，本年度人民幣兌外國貨幣升值對本集團之業績並無重大影響。本集團過往並無及預計將來不會因匯率變動而承受重大風險。

Description of the major components of the results of operations (Continued)

Employees and Remuneration Policies

As at 31 December 2007, our Group employed a total of approximately 1,000 employees. Remuneration policies are reviewed regularly to ensure that our Group is offering competitive employment packages to the staff. Compensation of the employees includes salaries, contributions to housing fund and contributions to retirement benefit schemes. Promotion and salary increments are assessed based on performance related basis.

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

Key financial ratios

The following table sets forth certain financial ratios of our Group as of the date or for the year indicated.

經營業績各主要部份的概況(續)

僱員及薪酬政策

於二零零七年十二月三十一日，本集團共聘用約1,000名員工。本集團會定期評估薪酬政策以確保本集團向僱員提供具競爭力的薪酬組合。僱員薪酬包括薪金、房屋基金供款及退休金計劃供款。晉升機會及加薪以個別表現作評估基準。

本集團並無遇到任何重大勞資問題，過往亦無因勞資糾紛以致業務受到任何干擾或於招聘及挽留富經驗員工時遇到任何困難。本集團與其僱員保持良好的關係。

主要財務比率

下表列明本集團於下列所示日期或年度若干財務比率：

		As of or for the years ended 31 December 於十二月三十一日或 截至十二月三十一日止年度		
		Note 附註	2007 二零零七年	2006 二零零六年
Profitability ratios		盈利能力比率		
Gross profit margin	毛利率	1	25.2%	19.4%
Net profit margin	淨溢利率	2	31.1%	9.9%
Return on assets	資產回報率	3	13.9%	13.1%
Return on equity	權益回報率	4	17.2%	105.7%
Liquidity ratios		流動資金比率		
Current ratio	流動比率	5	7.0	0.3
Quick ratio	速動比率	6	6.8	0.2
Gearing ratio	資產負債比率	7	9.4%	46.4%
Inventory turnover days	存貨週轉天數	8	20	30
Debtors' turnover days	應收賬款週轉天數	9	16	31
Creditors' turnover days	應付賬款週轉天數	10	35	31

Management Discussion and Analysis (Continued) 管理層討論及分析(續)

Key financial ratios (Continued)

Notes:

1. Gross profit margin is calculated based on the gross profit divided by turnover and multiplied by 100%.
2. Net profit margin is calculated based on the profit for the year divided by turnover and multiplied by 100%.
3. Return on assets is calculated based on the profit for the year divided by the total assets at the end of the year and multiplied by 100%.
4. Return on equity is calculated based on the profit for the year divided by capital and reserves at the end of the year and multiplied by 100%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.
6. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year.
7. Gearing ratio is calculated based on the total bank borrowings divided by total assets and multiplied by 100%.
8. Inventory turnover days is calculated based on the inventory at the end of the year divided by the total purchases during the year and multiplied by the number of days during the year.
9. Debtors' turnover days is calculated based on trade receivables at the end of the year divided by turnover during the year and multiplied by the number of days during the year.
10. Creditors' turnover days is calculated based on trade payables at the end of the year divided by the total purchases during the year and multiplied by the number of days during the year.

主要財務比率(續)

附註：

1. 毛利率以毛利除以營業額乘以100%計算。
2. 淨溢利率以本年度溢利除以營業額乘以100%計算。
3. 資產回報率以本年度溢利除以年末資產總值乘以100%計算。
4. 權益回報率以本年度溢利除以年末資本及儲備乘以100%計算。
5. 流動比率以流動資產總值除以年末流動負債總值計算。
6. 速動比率以流動資產總值與存貨的差額除以年末流動負債總值計算。
7. 資產負債比率以銀行借貸總額除以資產總值乘以100%計算。
8. 存貨週轉天數以年末存貨除以本年度採購總額乘以本年度內天數計算。
9. 應收賬款週轉天數以年末應收賬款除以本年度營業額乘以本年度內天數計算。
10. 應付賬款週轉天數以年末應付賬款除以本年度採購總額乘以本年度內天數計算。

Analysis on Selected Financial Ratios

Current and quick ratios

The current ratio of our Group substantially improved from 0.3 as at 31 December 2006 to 7.0 as at 31 December 2007 and the quick ratio of our Group increased from 0.2 as at 31 December 2006 to 6.8 as at 31 December 2007, respectively, which were mainly attributable to the combined effects of (i) the net proceeds of approximately HK\$1,492.8 million (equivalent to approximately RMB1,445.5 million) received from the initial public offering of our Company in October 2007; (ii) the decrease of short-term bank loans from approximately RMB332.0 million as at 31 December 2006 to RMB30.0 million as at 31 December 2007. Out of the decreased amount of RMB302.0 million, RMB95.0 million was repaid using our internally generated fund and the remaining RMB207.0 million was replaced by long-term bank loans; (iii) the full settlement of the amounts due to directors of the Company as at 31 December 2006 by the Group during the year ended 31 December 2007; and (iv) the balance payable to contractors of approximately RMB150.1 million on the construction of Production line no. 7.

Gearing ratio

The gearing ratio decreased from approximately 46.4% as at 31 December 2006 to approximately 9.4% as at 31 December 2007. Such decrease was mainly due to (i) the decreased in bank borrowings by approximately 28.6% from RMB332.0 million as at 31 December 2006 to RMB237.0 million as at 31 December 2007; and (ii) substantial increase in the total assets by 251.7% to RMB2,517.9 million as at 31 December 2007, as compared to RMB716.0 million as at 31 December 2006, as a result of the initial public offering of our Company in October 2007. During the year ended 31 December 2007, the net cash generated from operating activities amounted to approximately RMB306.8 million which had been used to repay the bank borrowings of RMB95.0 million and part of the trade payables.

Return on assets

The return on assets for the two years ended 31 December 2006 and 2007 were approximately 13.1% and 13.9%, respectively. The improved return on assets during the year ended 31 December 2007 was mainly attributable to the economies of scale brought by the increase in utilisation rate of our production lines as well as the expansion of our production scale since the commencement of the commercial production of Production lines nos. 5 and 6 in April 2006. As a result of the entitlement of taxation holiday by Shandong Qunxing as explained above, our return on assets for the year ended 31 December 2007 further improved.

部分財務比率分析

流動比率及速動比率

本集團的流動比率從二零零六年十二月三十一日的0.3改善至二零零七年十二月三十一日的7.0，而本集團的速動比率從二零零六年十二月三十一日的0.2上升至二零零七年十二月三十一日的6.8，主要是以下原因所致：(i)來自二零零七年十月本公司首次公開發售所得款項淨額約1,492,800,000港元(相等於約人民幣1,445,500,000元)；(ii)短期銀行貸款從二零零六年十二月三十一日約人民幣332,000,000元下降至二零零七年十二月三十一日約人民幣30,000,000元。減少的人民幣302,000,000元中，人民幣95,000,000元以內部資金償還，而其餘人民幣207,000,000元則被替換為長期銀行貸款；(iii)本集團於截至二零零七年十二月三十一日止年度全數償還於二零零六年十二月三十一日應付本公司董事的款項；及(iv)因建造第7號生產線應付承包商的結餘約人民幣150,100,000元。

資產負債比率

資產負債比率從二零零六年十二月三十一日約46.4%下降至二零零七年十二月三十一日約9.4%，主要原因是：(i)銀行貸款從二零零六年十二月三十一日約人民幣332,000,000元減少約28.6%至二零零七年十二月三十一日約人民幣237,000,000元；及(ii)由於二零零七年十月的本公司首次公開發售，總資產從二零零六年十二月三十一日約人民幣716,000,000元大幅上升約251.7%至二零零七年十二月三十一日約人民幣2,517,900,000元。截至二零零七年十二月三十一日止年度，經營業務所得的現金淨額約人民幣306,800,000元已用作償還人民幣95,000,000元的銀行貸款及其他應付賬款。

資產回報率

截至二零零六年及二零零七年十二月三十一日止兩個年度的資產回報率分別約為13.1%及13.9%。資產回報率於截至二零零七年十二月三十一日止年度得以改善，主要由於我們提高生產線的設備使用率以及第5及第6號生產線自二零零六年四月開始商業生產後擴大生產規模以達至規模經濟效益。由於山東群星享有稅務優惠(如上所述)，故截至二零零七年十二月三十一日止年度我們的資產回報率進一步得到改善。

Analysis on Selected Financial Ratios (Continued)

Return on equity

Our return on equity for the years ended 31 December 2006 and 2007 were approximately 105.7% and 17.2% respectively. The comparatively high return on equity for the year ended 31 December 2006 was mainly attributable to the fact that the consideration payable by the Company through Best Known Group Limited, one of our subsidiaries, for the acquisition of entire equity interest of Shandong Qunxing for the purpose of the corporate reorganisation of our Group prepared for the initial public offering of the Company remained outstanding as at 31 December 2006 and was, therefore, classified as an amount due to directors of the Company instead of a component of the shareholders' equity of the Group as at 31 December 2006. As such, the shareholders' equity of the Group as at 31 December 2006 dropped significantly which resulted in an increase in our return on equity for the year ended 31 December 2006.

Inventories and the inventory turnover days

Our inventories level decreased by approximately 30.4% from approximately RMB51.0 million as at 31 December 2006 to approximately RMB35.5 million as at 31 December 2007. The decrease in the inventories level as at 31 December 2007 was mainly attributable to the fact that fewer raw materials were kept by us as at 31 December 2007 under the implementation of the safety stock policy to maintain our inventories of raw materials at a level which can satisfy our production needs for approximately 1 week. In addition, fewer finished goods were kept by us as at 31 December 2007 as a large part of the finished goods were sold and delivered to our customers as at the year end.

The inventory turnover days were 30 and 20 for the years ended 31 December 2006 and 2007, respectively. The improvement was mainly due to the implementation of more effective inventory control policy and measures. It is the Group's practice to purchase sufficient amount of raw materials based on the production schedule and to keep one week's inventory of raw materials in storage. For finished products, it is the Group's practice to keep minimal stock of finished products in our storage warehouse to satisfy any customer's urgent demand. The Group may also keep reserve stock of finished products at times when the market demand for decorative base paper products makes it prudent to do so.

部分財務比率分析(續)

權益回報率

截至二零零六年及二零零七年十二月三十一日止兩個年度的權益回報率分別約為105.7%及17.2%。截至二零零六年十二月三十一日止年度的權益回報率較高的主因是本公司透過我們的附屬公司慧富集團有限公司為公司重組收購山東群星全部資本權益準備進行本公司首次公開發售的代價於二零零六年十二月三十一日尚未償付，因此有關金額被視為應付本公司董事款項，而非作為本集團於二零零六年十二月三十一日股東權益的一部分。因此，於二零零六年十二月三十一日，本集團股東權益大幅下降，令截至二零零六年十二月三十一日止年度的權益回報率上升。

存貨及存貨週轉天數

我們的存貨水平從二零零六年十二月三十一日約人民幣51,000,000元，降至二零零七年十二月三十一日約人民幣35,500,000元，跌幅約30.4%，減少的主要原因是我們實施安全存貨政策，維持原材料可滿足我們生產所需約一星期的水平，故我們於二零零七年十二月三十一日保存較少的原材料存貨。此外，由於我們於年底出售大部份製成品及付運予客戶，我們於二零零七年十二月三十一日保存較少的製成品存貨。

截至二零零六年及二零零七年十二月三十一日止兩個年度的存貨週轉天數分別為30天及20天。存貨週轉天數得到改善主要是因為實施更有效的存貨控制政策及措施。本集團的一貫做法是按生產計劃購入足夠原材料，並確保存貨足夠一週的供應。而針對製成品，本集團的一貫做法是保存最少製成品庫存，以應付客戶突如其來的需求。本集團有時亦可能保留製成品作儲備，對裝飾原紙產品市場需求而言，為一個審慎的做法。

Analysis on Selected Financial Ratios (Continued)

Trade receivables and debtors' turnover days

Our Group normally requires the customers to settle the invoices by cash on delivery. The granting of credit to customers is assessed on a case-by-case basis and our Group may grant credit terms of 30 days on a rolling basis to the customers with whom our Group has maintained a longer business relationship.

The trade receivables balance as at 31 December 2007 decreased by approximately 37.5% from approximately RMB80.5 million as at 31 December 2006 to RMB50.3 million as at 31 December 2007. The decrease in trade receivables as at 31 December 2007 was mainly attributable to that our Group has further tightened the credit period offered to part of the major customers with a view to minimising the outstanding balance receivable from such customers, such that our exposure to the credit risk from trade debtors could be reduced. As a result, the debtors' turnover days also decreased from 31 days for the years ended 31 December 2006 to 16 days for the year ended 31 December 2007.

Trade payables and creditors' turnover days

In line with the increased production volume, our Group purchased more raw materials from the suppliers. As a result, our trade payables balance as at 31 December 2007 increased by approximately 13.4% from RMB53.9 million as at 31 December 2006 to RMB61.1 million as at 31 December 2007.

The credit periods granted by various suppliers generally range from 3 days to 30 days. The creditors' turnover days were 31 and 35 for the years ended 31 December 2006 and 2007 respectively. It is the Group's policy to settle all of the outstanding balances with the suppliers within the maximum credit period granted so as to maintain the relationships with the respective suppliers.

部分財務比率分析(續)

應收貿易賬款及應收賬款週轉天數

本集團通常要求客戶貨到付款。是否授予客戶賒賬期視乎客戶的個別情況，本集團一般給予長期客戶30天的賒賬期。

於二零零七年十二月三十一日的應收貿易賬款結餘從二零零六年十二月三十一日約人民幣80,500,000元減少約37.5%至二零零七年十二月三十一日的人民幣50,300,000元。於二零零七年十二月三十一日的應收貿易賬款之所以減少，主要是因為本集團進一步加強對部份主要客戶收緊賒賬期，以減少該批客戶未清還的應收賬款結餘，從而減低應收貿易賬款的信貸風險。因此，應收賬款週轉天數亦從截至二零零六年十二月三十一日止年度的31天減至截至二零零七年十二月三十一日止年度的16天。

應付貿易賬款及應付賬款週轉天數

本集團向供應商採購更多原材料以應付生產量的增加。因此，於二零零七年十二月三十一日我們的應付貿易賬款結餘從二零零六年十二月三十一日的人民幣53,900,000元上升約13.4%至二零零七年十二月三十一日的人民幣61,100,000元。

各供應商給予的賒款期通常介乎3至30天。截至二零零六年及二零零七年十二月三十一日止年度，應付賬款週轉天數分別為31天及35天。為了與各供應商維持良好的關係，本集團會於賒賬期內償付所有結欠供應商的欠款。

Biographical Details of Directors and Senior Management

董事及高級管理層履歷

DIRECTORS

Executive Directors

Dr. ZHU Yu Guo, aged 53, was one of the two founders of our Group. Dr. Zhu is the spouse of Ms. Sun Rui Fang (“Mrs. Zhu”), our non-executive Director, and the father of Mr. Zhu Mo Qun, an executive Director and the vice-chairman of the Company. Dr. Zhu was appointed as an executive Director and the chairman of our Company in September 2006. He is responsible for overseeing and planning the business strategies of our Group. Prior to the incorporation of 山東群星紙業有限公司 (Shandong Qunxing Paper Limited*) (“Shandong Qunxing”), which is now a wholly-owned subsidiary of the Company, Dr. 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. In 1990, Dr. Zhu 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 中國山東省優秀民營企業家 (Outstanding Private Entrepreneur in Shandong Province, the PRC*). In January 2007, Dr. Zhu was hired by the Information Management Institute of Shandong Economic Institute as a part-time professor. In November 2007, Dr. Zhu received the World Outstanding Chinese Award and was conferred Honorary Doctoral Degree from Sinte Gleska University of California. Dr. Zhu completed tertiary education in 山東省經濟管理幹部學院 (Shandong Province Economic Management Official Institute*) in the PRC in April 1992, majoring in corporate management.

Mr. ZHU Mo Qun, aged 28, was the other founder of our Group and is the son of Dr. Zhu Yu Guo, an executive Director and chairman of the Company and Mrs. Zhu, our non-executive Director. He was appointed as an executive Director, the vice-chairman and general manager of our Company in September 2006. He is responsible for the overall management of our Group’s 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. 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 濱州市傑出青年企業家 (Outstanding Young Entrepreneur in Binzhou City*).

董事

執行董事

朱玉國博士，53歲，本集團兩名創辦人之一。朱博士為本公司非執行董事孫瑞芳女士（「朱太太」）的配偶及本公司執行董事兼副主席朱墨群先生的父親。朱博士於二零零六年九月獲委任為本公司的執行董事兼主席。彼負責監察及規劃本集團的業務策略。於山東群星紙業有限公司（「山東群星」）（現時為本公司之全資附屬公司）註冊成立之前，朱博士一直從事與造紙機器零件製造有關的工作逾10年，在此期間，彼亦研究各類紙產品的特徵，並獲得造紙業的經驗及知識。於一九九零年，朱博士獲鄒平縣科學技術委員會評定為經濟師。於二零零三年七月，彼獲山東省人民政府評為中國山東省優秀民營企業家。於二零零七年一月，朱博士獲山東經濟學院信息管理學院聘用為兼職教授。於二零零七年十一月，朱博士獲頒世界傑出華人獎，並獲美國加州聖格格拉斯加大學頒授榮譽博士學位。朱博士於一九九二年四月在中國山東省經濟管理院完成高等教育，主修企業管理。

朱墨群先生，28歲，本集團另一名創辦人，為本公司執行董事兼主席朱玉國博士與非執行董事朱太太的兒子。彼於二零零六年九月獲委任為本公司的執行董事、副主席兼總經理。彼負責本集團的業務的整體管理。彼於二零零一年七月於中國山東省政法管理幹部學院完成高等法律教育。於二零零四年，彼獲國際經理人聯合會授予國際職業經理人資格。於二零零五年一月，彼通過中華人民共和國人事部全國人才流動中心的審批成為縣級數據庫專才，該數據庫儲存全國企業經營管理人才庫的資料。於二零零五年，彼獲山東十大優秀企業家評委會表揚為山東十大優秀企業家之一。於二零零六年四月，彼獲共青團濱州市委及濱州市經貿委聯合表揚為濱州市傑出青年企業家。

DIRECTORS (Continued)**Executive Directors** (Continued)

Mr. SUN Zhen Shui, aged 53, was appointed as an executive Director in 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. 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 in December 1994.

Non-executive Director

Ms. SUN Rui Fang, aged 52, is the spouse of Dr. Zhu Yu Guo, our executive Director and chairman of the Company and the mother of Mr. Zhu Mo Qun, our executive Director and vice-chairman of the Company. Mrs. Zhu was appointed as a non-executive Director in September 2007. Prior to such appointment, Mrs. Zhu has since the inception of Shandong Qunxing assisted Dr. Zhu Yu Guo and Mr. Zhu Mo Qun, in attending general administrative works of Shandong Qunxing.

Independent Non-executive Directors

Mr. ZHAO Wei, aged 47, was appointed as an independent non-executive Director in 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 副處長會 (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*).

董事(續)**執行董事(續)**

孫振水先生，53歲，於二零零七年九月獲委任為執行董事，並負責管理本集團的財務及行政事務。自一九八三年至二零零四年，孫先生為長山鎮經濟委員會的主管會計師，藉此於金融業累積逾20年經驗。孫先生於一九九四年五月在中國山東省經濟管理幹部學院完成工商管理高等教育，並於一九九四年十二月獲中國山東省濱州地區職稱改革領導小組授予中國合資格會計師的資格。

非執行董事

孫瑞芳女士，52歲，本公司執行董事兼主席朱玉國博士的配偶以及本公司執行董事兼副主席朱墨群先生的母親。朱太太於二零零七年九月獲委任為非執行董事。獲此委任前，朱太太自山東群星成立後協助朱玉國博士及朱墨群先生處理山東群星的一般行政工作。

獨立非執行董事

趙偉先生，47歲，於二零零七年九月獲委任為獨立非執行董事。趙先生於一九九三年十二月成為高級合資格工程師，現為中國造紙協會秘書長。彼過往曾出任輕工部人事司科幹處副處長、輕工部造紙司生產處副處長及中國造紙協會副秘書長、副理事長及秘書長等職位。

Biographical Details of Directors and Senior Management (Continued) 董事及高級管理層履歷(續)

DIRECTORS (Continued)**Independent Non-executive Directors** (Continued)

Mr. Zhao is currently an independent director of 廣東冠豪高新技術股份有限公司 (Guangdong Guanhao 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 a 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. 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 25 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, aged 27, was appointed as an independent non-executive Director in 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 YanTai University in the PRC. Mr. Wang has accumulated 4 years of experience in computer engineering through his tertiary education and employment with different universities.

Mr. KWONG Kwan Tong, aged 42, was appointed as an independent non-executive Director in 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 over 20 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.

董事(續)**獨立非執行董事**(續)

趙先生現時為兩家於中國上海證券交易所上市的公司廣東冠豪高新技術股份有限公司及山東華泰紙業股份有限公司的獨立董事。趙先生同時為中國深圳證券交易所上市的公司山東晨鳴紙業集團股份有限公司的非執行董事。趙先生於一九八二年六月在中國大連輕工業學院完成高等教育，主修製紙。趙先生藉著過往及現時於各機構任職，並接受專上教育，從而於造紙行業累積了25年經驗。

王魯先生，27歲，於二零零七年九月獲委任為獨立非執行董事。彼於二零零三年七月畢業於山東大學，取得計算機科學與技術學位，並隨後於二零零五年十月於澳洲Monash University獲取信息技術碩士學位。彼為中國一間大學之講師。彼現時於中國煙台大學擔任工程師。王先生藉著接受專上教育及其後於不同的大學任職，累積了4年電腦工程經驗。

鄺焜堂先生，42歲，於二零零七年九月獲委任為獨立非執行董事。彼現時為英國特許公認會計師公會資深會員、香港會計師公會會員及英國特許管理會計師公會會員。鄺先生藉於香港及中國不同的公司任職，於管理會計及財務監控方面擁有逾20年經驗。彼現時為中國國營企業天津濱海泰達物流集團股份有限公司之財務總監。

SENIOR MANAGEMENT

Mr. SUN Shu Guang, aged 54, 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. 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, aged 53, joined our Group as a deputy general manager in August 2003 and has been responsible for 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. CHENG Gang, aged 49, 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. Mr. Cheng had worked for state-owned enterprises and government departments. He graduated from Shandong Education University (山東師範大學) in the PRC, majoring in Chinese Language, in December 1986.

Mr. AU-YEUNG Kwong Wah, 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 and company secretarial matters. He has over 10 years of experience in auditing and financial control. 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 postgraduate 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.

高級管理層

孫曙光先生，54歲，於二零零三年四月加入本集團為副總經理及山東群星財政部門的主管，負責本集團在中國的財務管理工作。孫先生曾在中國政府的經濟機關任職。彼於企業管理方面擁有豐富經驗。彼於一九九四年十二月在中國山東省委黨校完成專上教育，主修經濟管理。

劉樹理先生，53歲，於二零零三年八月加入本集團為副總經理，負責本集團之行政事務。劉先生曾於中國民用航空總局服役，並獲授高級工程師銜。彼曾在政府司法機關工作，於法律事務擁有豐富經驗，並具有多年法律工作經驗。劉先生於一九九四年八月於中國全國法院幹部業餘法律大學完成專上教育，主修法律。

成剛先生，49歲，於一九九九年八月加入本集團為山東群星策略規劃部主管。於二零零七年五月，彼獲委任為山東群星的副總經理。彼主管本集團策略規劃及主要項目、環保及文化推廣事務。成先生曾在國營企業及政府部門工作。彼於一九八六年十二月畢業於中國山東師範大學，主修漢語語言學。

歐陽廣華先生，43歲，於二零零七年一月加入本集團為財務總監、公司秘書及合資格會計師。歐陽先生負責監察本集團的財務及公司秘書事宜。彼擁有逾10年的核數及財務管理經驗。歐陽先生於一九九六年從澳洲的Bond University獲取商業學士學位，並於二零零零年在香港中文大學獲取會計碩士學位及於二零零五年在香港理工大學獲取行政管理深造文憑。歐陽先生為澳洲會計師公會及香港會計師公會會員。

* for identification purpose only 僅供識別

Report of the Directors

董事會報告書

The board of directors (the “Board” or the “Directors”) of the Company have pleasure in submitting their first annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2007.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability. Pursuant to a reorganisation scheme to rationalize the corporate structure of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entity interests under common control and became the holding company of the companies now comprising the Group on 29 January 2007 (the “Corporate Reorganisation”). Further details of the Corporate Reorganisation are set out in the prospectus (the “Prospectus”) of the Company dated 17 September 2007.

The Company’s shares have been listed on the Stock Exchange since 2 October 2007 (the “Listing Date”).

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries as at 31 December 2007 are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

Results and Appropriations

The profit of the Group for the year ended 31 December 2007 and the state of the Company’s and the Group’s affairs as at that date are set out in the financial statements on pages 58 to 132.

The Board has recommended the payment of a final dividend of RMB10.126 cents per ordinary share for the year ended 31 December 2007 which shall be payable on or around Tuesday, 13 May 2008 to shareholders whose names appear on the register of members of the Company on Tuesday, 29 April 2008, subject to the approval of the shareholders at the annual general meeting (the “AGM”) of the Company to be held on Tuesday, 29 April 2008. The final dividend will be paid in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People’s Bank of China at the remittance date.

本公司董事會(「董事會」或「董事」)欣然提呈其首本年報連同本公司及其附屬公司(統稱「本集團」)於截至二零零七年十二月三十一日止年度的經審核綜合財務報表。

企業重組

本公司於二零零六年九月五日在開曼群島註冊成立為一間獲豁免有限公司。根據一項整理本集團的企業架構以籌備本公司股份在香港聯合交易所有限公司(「聯交所」)主板上市的重組計劃，本公司收購受共同控制的實體權益，並於二零零七年一月二十九日成為現時構成本集團各公司的控股公司(「企業重組」)。有關企業重組的進一步詳情載於本公司日期為二零零七年九月十七日的招股章程(「招股章程」)。

本公司股份自二零零七年十月二日(「上市日期」)起在聯交所上市。

主要業務

本公司的主要業務為投資控股。本公司的附屬公司於二零零七年十二月三十一日的主要業務載於財務報表附註13。本集團的主要業務性質於本年度概無重大變動。

業績及分派

本集團截至二零零七年十二月三十一日止年度的溢利及於當日的本公司及本集團財務狀況載於第58至132頁的財務報表。

董事會已建議向於二零零八年四月二十九日(星期二)名列本公司股東名冊的股東派付截至二零零七年十二月三十一日止年度的末期股息每股普通股人民幣10.126分，將於二零零八年五月十三日(星期二)或左右派付，惟須經股東於將於二零零八年四月二十九日(星期二)舉行的本公司股東週年大會(「股東週年大會」)上批准，方可作實。末期股息將按中國人民銀行於派付股息日所報的人民幣兌港元的官方匯率換算成港元派付。

Results and Appropriations (Continued)

The register of members of the Company will be closed from Tuesday, 22 April 2008 to Tuesday, 29 April 2008, both days inclusive. In order to qualify for the above mentioned proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 April 2008.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 24(c) to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

Reserves

Details of the movements in the reserves of the Group during the year are set out in note 24 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2007 are set out in note 13 to the financial statements.

業績及分派(續)

本公司將於二零零八年四月二十二日(星期二)至二零零八年四月二十九日(星期二)(包括首尾兩天)暫停辦理股東登記手續。為符合獲派上述建議末期股息的資格,所有股份過戶文件連同有關股票須於二零零八年四月二十一日(星期一)下午四時三十分前送達本公司的香港股份過戶登記分處卓佳證券登記有限公司,地址為香港皇后大道東28號金鐘匯中心26樓。

股本

本公司於本年度的股本變動詳情載於財務報表附註24(c)。

優先認購權

本公司組織章程細則或開曼群島法例並無優先認購權的條文,規定本公司須按比例向現有股東提呈發售新股份。

購買、贖回或出售本公司上市證券

本公司及其附屬公司於本年度概無購買、出售或贖回任何本公司股份。

儲備

本集團於本年度的儲備變動載於財務報表附註24。

附屬公司

本公司之附屬公司於二零零七年十二月三十一日之詳情載於財務報表附註13。

Distributable Reserves

At 31 December 2007, the Company's reserve available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,652.6 million, of which approximately RMB105.2 million has been proposed as a final dividend for the year.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment during the year are set out in note 12 to the financial statements.

Directors

The Directors who held office during the year and up to the date of this annual report were:

Executive Directors

Dr. ZHU Yu Guo (*Chairman*)^{3,4}
 Mr. ZHU Mo Qun (*Vice-Chairman*)^{2,4}
 Mr. SUN Zhen Shui⁴ (appointed on 3 September 2007)

Non-executive Director

Ms. SUN Rui Fang (appointed on 3 September 2007)

Independent Non-executive Directors

Mr. ZHAO Wei^{1,2,3} (appointed on 3 September 2007)
 Mr. WANG Lu^{1,2,3} (appointed on 3 September 2007)
 Mr. KWONG Kwan Tong^{1,2,3} (appointed on 3 September 2007)

Notes:

1. Member of Audit Committee
2. Member of Nomination Committee
3. Member of Remuneration Committee
4. Member of Executive Committee

In accordance with Article 108 of the Articles of Association of the Company, Dr. Zhu Yu Guo, Mr. Zhu Mo Qun and Mr. Sun Zhen Shui will retire and, being eligible, will offer themselves for re-election at the AGM.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and considered all the independent non-executive Directors to be independent.

可供分派儲備

於二零零七年十二月三十一日，根據開曼群島公司法第22章(一九六一年第3條法例，經綜合及修訂)計算的本公司可供分派儲備約為人民幣1,652,600,000元，其中約人民幣105,200,000元已建議作為本年度末期股息。

物業、廠房及設備

本年度物業、廠房及設備的變動詳情載於財務報表附註12。

董事

於本年度及截至本年報日期止在任的董事為：

執行董事

朱玉國博士(*主席*)^{3,4}
 朱墨群先生(*副主席*)^{2,4}
 孫振水先生⁴ (於二零零七年九月三日獲委任)

非執行董事

孫瑞芳女士 (於二零零七年九月三日獲委任)

獨立非執行董事

趙偉先生^{1,2,3} (於二零零七年九月三日獲委任)
 王魯先生^{1,2,3} (於二零零七年九月三日獲委任)
 鄭焜堂先生^{1,2,3} (於二零零七年九月三日獲委任)

附註：

1. 審核委員會成員
2. 提名委員會成員
3. 薪酬委員會成員
4. 執行委員會成員

根據本公司的組織章程細則第108條，朱玉國博士、朱墨群先生及孫振水先生將於股東週年大會上退任，惟彼等合資格膺選連任。

本公司已接獲各獨立非執行董事根據上市規則第3.13條就其獨立性發出的年度確認書，並認為所有獨立非執行董事均屬獨立人士。

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company commencing on 1 October 2007.

The non-executive Director and each of the independent non-executive Directors are appointed for a term of two years commencing on 1 October 2007 in accordance with their respective appointment letters.

The Directors shall retire by rotation and be eligible for re-election subject to Article 108 of the Articles of Association of the Company.

None of the Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Save for transactions as set out in the section headed "Continuing Connected Transactions" below, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors' Interests in Competing Business

During the year, none of the Directors and their respective associates (as defined under the Listing Rules) has engaged in or had an interest in a business, which, directly or indirectly, competes or may compete with the business of the Group.

Directors' Remuneration

Details of the remuneration of the Directors during the year are set out in note 7 to the financial statements.

董事服務合約

各執行董事與本公司訂立了一項服務協議，自二零零七年十月一日開始生效。

根據非執行董事及各獨立非執行董事各自的委任書，彼等自二零零七年十月一日起獲委任，任期為兩年。

董事須按照本公司組織章程細則第108條規定輪值告退，並合資格膺選連任。

擬於股東週年大會上膺選連任的董事概無與本公司訂有本公司不可於一年內免付補償(法定補償除外)而終止的服務合約。

董事於合約的權益

除下文「持續關連交易」一節所載的交易外，董事概無於本公司、其控股公司或其任何附屬公司或同系附屬公司於本年度所訂立對本集團業務而言屬重大的合約中擁有任何直接或間接的重大權益。

董事於競爭業務的權益

於本年度，董事及彼等各自的聯繫人(定義見上市規則)概無從事直接或間接與本集團業務競爭或可能競爭的業務，或於該等業務得到權益。

董事薪酬

本年度董事薪酬詳情載於財務報表附註7。

Directors' Interests in Shares

As at 31 December 2007, the relevant interests of the Directors in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long Positions in Shares of the Company

Name of Director 董事名稱	Capacity/Nature of interest 身份／權益性質	Number of ordinary shares held 持有的普通股數目	Approximate percentage of shareholding 股權的概約百分比
Dr. ZHU Yu Guo ("Dr. Zhu") 朱玉國博士(「朱博士」)	Interest of controlled corporation 受控制公司權益	700,000,000 (Note) (附註)	66.99%
Ms. SUN Rui Fang ("Mrs. Zhu") 孫瑞芳女士(「朱太太」)	Interest of spouse 配偶權益	700,000,000 (Note) (附註)	66.99%

Note:

These shares were beneficially owned by Boom Instant Limited ("Boom Instant") which was owned as to 80% by Addinsight Limited ("Addinsight"). By virtue of his 87.5% shareholding interest in Addinsight, Dr. Zhu, an executive Director and the chairman of the Company, was deemed to be interested in the same parcel of shares held by Boom Instant under the SFO.

Mrs. Zhu, the non-executive Director and spouse of Dr. Zhu, was deemed to be interested in the same parcel of shares held by Dr. Zhu under the SFO.

These shares were same as those shares disclosed in the section headed "Substantial Shareholders' Interests in Shares of the Company" below.

董事於股份的權益

於二零零七年十二月三十一日，董事於本公司或其相聯法團(具證券及期貨條例(「證券及期貨條例」)第XV部之涵義)的股份中擁有根據證券及期貨條例第XV部第7及第8分部須知會本公司及聯交所的相關權益(包括根據證券及期貨條例有關條文彼等被當作或被視為擁有的權益)，或記錄在根據證券及期貨條例第352條須由本公司備存的登記冊內的相關權益，或根據載於上市規則的上市發行人董事進行證券交易的標準守則(「標準守則」)通知本公司及聯交所的相關權益如下：

於本公司股份的好倉

附註：

該等股份由Boom Instant Limited(「Boom Instant」)實益擁有，Addinsight Limited(「Addinsight」)擁有其80%權益。本公司執行董事兼主席朱博士透過其於Addinsight的87.5%股權，根據證券及期貨條例被視為擁有Boom Instant持有的同一批股份的權益。

非執行董事及朱博士的配偶朱太太被視為根據證券及期貨條例擁有朱博士持有的同一批股份的權益。

該等股份與下文「主要股東於本公司股份的權益」一節所披露之股份相同。

Directors' Interests in Shares (Continued)
Long Positions in Shares of Associated Corporations of the Company

董事於股份的權益(續)
於本公司相聯法團股份的好倉

Name of Director 董事名稱	Name of associated corporation 相聯法團名稱	Capacity/Nature of interest 身份／權益性質	Number of ordinary shares held 持有的普通股數目	Approximate percentage of shareholding 股權的概約百分比
Dr. ZHU 朱博士	Boom Instant	Interest of controlled corporation 受控制公司權益	80	80%
	Addinsight	Beneficial owner/ Interest of spouse 實益擁有人／配偶權益	87.5/ 12.5 (Note 1) (附註 1)	87.5%/ 12.5%
Mrs. ZHU 朱太太	Boom Instant	Interest of spouse 配偶權益	80	80%
	Addinsight	Beneficial owner/ Interest of spouse 實益擁有人／配偶權益	12.5/ 87.5 (Note 1) (附註 1)	12.5%/ 87.5%
Mr. ZHU Mo Qun 朱墨群先生	Boom Instant	Interest of controlled corporation 受控制公司權益	20 (Note 2) (附註 2)	20%
	Be Broad Limited ("Be Broad")	Beneficial owner 實益擁有人	100	100%

Notes:

- 12.5 shares of Addinsight was owned by Mrs. Zhu.
- These shares were beneficially owned by Be Broad. By virtue of his 100% shareholding interest in Be Broad, Mr. Zhu Mo Qun, an executive Director and the vice-chairman of the Company, was deemed to be interested in the same parcel of Boom Instant's shares held by Be Broad.

附註：

- 12.5股Addinsight股份由朱太太擁有。
- 該等股份由Be Broad實益擁有。本公司執行董事兼副主席朱墨群先生透過其於Be Broad的100%股權，被視為擁有Be Broad持有的同一批Boom Instant股份的權益。

Apart from the foregoing, none of the Directors has interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

除上文所述者外，董事概無於本公司或其任何控股公司、附屬公司或其他相聯法團的股份、相關股份及債權證中擁有根據證券及期貨條例第XV部第7及第8分部須知會本公司及聯交所的權益及淡倉(包括根據證券及期貨條例有關條文彼等被當作或被視為擁有的權益及淡倉)，或記錄在根據證券及期貨條例第352條須予備存的登記冊內的權益及淡倉，或根據標準守則通知本公司的權益及淡倉。

Substantial Shareholders' Interests in Shares of the Company

As at 31 December 2007, so far as is known to the Directors and chief executive of the Company, the interests of substantial shareholders/ other persons (other than the Directors and chief executives of the Company) in the shares of the Company which would have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who were directly or indirectly, interested in 10% or more of the nominal value any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had an option in respect of such capital, as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Name of shareholder 股東名稱	Capacity and nature of interest 身份及權益性質	Number of ordinary shares held 持有的普通股數目	Approximate percentage of shareholding 股權的概約百分比
Boom Instant	Beneficial owner 實益擁有人	700,000,000 (Note) (附註)	66.99%
Addinsight	Interest of controlled corporation 受控制公司權益	700,000,000 (Note) (附註)	66.99%

Note: These shares were beneficially owned by Boom Instant. By virtue of its 80% shareholding interest in Boom Instant, Addinsight was deemed to be interested in all the shares held by Boom Instant under the SFO. Dr. Zhu, Mr. Zhu Mo Qun and Mrs. Zhu are the directors of both Boom Instant and Addinsight.

主要股東於本公司股份的權益

於二零零七年十二月三十一日，就本公司董事及行政總裁所知，主要股東／其他人士(本公司董事及行政總裁除外)於本公司股份中，擁有根據證券及期貨條例第XV部第2及第3分部的條文須向本公司披露的權益，或直接或間接擁有任何類別股本(附帶權利可在任何情況下於本集團任何成員公司的股東大會上投票)的面值10%或以上權益，或擁有可認購該等股本的購股權，並記錄在根據證券及期貨條例第336條須予備存的本公司登記冊的權益如下：

附註：該等股份由 Boom Instant 實益擁有。Addinsight 透過其於 Boom Instant 的 80% 股權，根據證券及期貨條例被視為擁有 Boom Instant 持有的所有股份的權益。朱博士、朱墨群先生及朱太太均為 Boom Instant 及 Addinsight 兩間公司之董事。

Save as disclosed above, as at 31 December 2007, no other parties which would have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who were directly or indirectly, interested in 10% or more of the nominal value any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had an option in respect of such capital, or were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares and underlying shares of the Company.

除上文所披露者外，於二零零七年十二月三十一日，概無其他人士於本公司股份及相關股份中擁有根據證券及期貨條例第XV部第2及第3分部的條文須向本公司披露的權益及淡倉，或直接或間接擁有任何類別股本(附帶權利可在任何情況下於本集團任何成員公司的股東大會上投票)的面值10%或以上權益，或擁有可認購該等股本的購股權，或記錄在根據證券及期貨條例第336條須予備存的本公司登記冊的權益及淡倉。

Directors' Rights to Acquire Shares or Debentures

During the year, no rights to acquire benefits by means of acquisition of shares in or debentures of the Company were granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to arrangements to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

Pursuant to an ordinary resolution passed by the then sole shareholder of the Company on 8 September 2007, the Company has conditionally adopted a share option scheme (the "Scheme") whereby any Directors or eligible parties may be granted options to subscribe for the Company's shares at the discretion of the Board. The principal terms of the Scheme are summarized in note 28 to the financial statements.

Continuing Connected Transactions

As disclosed in the Prospectus, the Group has entered into the following continuing connected transactions (the "Continuing Connected Transactions") as defined under the Listing Rules:

1. Exempt Continuing Connected Transactions

The following transactions constitute exempt continuing connected transactions of the Company under Rule 14A.33(3) of the Listing Rules and are exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

董事收購股份或債權證的權利

於本年度，任何董事或彼等各自之配偶或未成年子女概無獲授任何權利，藉收購本公司股份或債權證獲取利益，而彼等於本年度亦無行使任何該等權利。本公司或其任何附屬公司於本年度概無訂立任何安排，致使董事可於任何其他法人團體獲取該等權利。

購股權計劃

根據本公司當時唯一股東於二零零七年九月八日通過的一項普通決議案，本公司有條件地採納購股權計劃(「該計劃」)，據此按董事會的酌情決定，任何董事或合資格人士可獲授購股權以認購本公司股份。該計劃的主要條款概述於財務報表附註28。

持續關連交易

誠如招股章程所披露，本集團曾進行以下持續關連交易(「持續關連交易」)(定義見上市規則)：

1. 獲豁免持續關連交易

根據上市規則第14A.33(3)條，以下交易構成本公司獲豁免持續關連交易，獲豁免遵守上市規則有關申報、公佈及獨立股東批准的規定。

Continuing Connected Transactions (Continued)**1. Exempt Continuing Connected Transactions** (Continued)(a) *Tenancy agreement with Shandong Changxing Group Limited (Note 1) ("SD Changxing")*

Pursuant to a tenancy agreement (the "New Agreement") dated 10 May 2007 and a supplemental tenancy agreement dated 11 May 2007 entered into between SD Changxing as lessor and Shandong Qunxing as lessee, Shandong Qunxing leased from SD Changxing a building with a gross floor area of approximately 12,158 sq.m. situate at the southern side of Changxing Road, Chang Shan Town, Zouping County, Binzhou City, Shandong Province, the PRC for warehouse purpose for a term of 1 year from 10 May 2007 to 10 May 2008 at an annual rental of RMB400,000. The New Agreement superseded a tenancy agreement (the "Old Agreement") dated 1 January 2006 entered into between SD Changxing and Shandong Qunxing. During the year, approximately RMB267,000 and approximately RMB133,000 had been paid by Shandong Qunxing to SD Changxing under the New Agreement and the Old Agreement respectively.

(b) *Tenancy agreement with Zouping Guang Hua Veneer Company Limited (Note 2) ("Guang Hua")*

Pursuant to a tenancy agreement dated 1 April 2007 entered into between Guang Hua as lessor and Shandong Qunxing as lessee, Shandong Qunxing leased from Guang Hua a parcel of land with a site area of approximately 10,071 sq.m. situate at San Li He, Chang Shan Town, Zouping County, Binzhou City, Shandong Province, the PRC for a term of 20 years from 1 April 2007 to 31 March 2027 at an annual rental of RMB160,000 for construction of the Production line no. 7. The construction was completed in December 2007. During the year, approximately RMB123,000 had been paid by Shandong Qunxing to Guang Hua.

持續關連交易 (續)**1. 獲豁免持續關連交易** (續)(a) *與山東長星集團有限公司(附註1)(「山東長星」)訂立的租賃協議*

根據山東長星(作為出租人)與山東群星(作為承租人)於二零零七年五月十日訂立的租賃協議(「新協議」)及於二零零七年五月十一日訂立的補充租賃協議,山東群星向山東長星租賃一幢位於中國山東省濱州市鄒平縣長山鎮長星路南面,總建築面積約12,158平方米的樓宇作貨倉用途,由二零零七年五月十日起至二零零八年五月十日止為期一年,年度租金為人民幣400,000元。新協議取代山東長星與山東群星於二零零六年一月一日訂立的租賃協議(「舊協議」)。於本年度,山東群星已根據新協議及舊協議向山東長星分別支付約人民幣267,000元及約人民幣133,000元。

(b) *與鄒平光華板材有限公司(附註2)(「光華」)訂立的租賃協議*

根據光華(作為出租人)與山東群星(作為承租人)於二零零七年四月一日訂立的租賃協議,山東群星向光華租賃一幅位於中國山東省濱州市鄒平縣長山鎮三里河,地盤面積約10,071平方米的土地以建設第7號生產線,由二零零七年四月一日起至二零二七年三月三十一日止為期20年,年度租金為人民幣160,000元。該建設於二零零七年十二月完成。於本年度,山東群星已向光華支付約人民幣123,000元。

Continuing Connected Transactions (Continued)

2. Non-exempt Continuing Connected Transactions

The following transactions constitute non-exempt continuing connected transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules. The Stock Exchange has granted a waiver to the Company to exempt the following transactions from strict compliance with the announcement requirements under the Listing Rules until 31 December 2009.

Supply of decorative base paper products

Pursuant to a master supply agreement (the "Master Supply Agreement") dated 3 September 2007 entered into between Shandong Qunxing as supplier and Guang Hua as customer, Shandong Qunxing agreed to supply decorative base paper products to Guang Hua at prices to be determined from time to time by Shandong Qunxing and Guang Hua at the prevailing market prices of decorative base paper products and on such other standard terms of sale and purchase applicable from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable than those applicable to the sale of the same type and quality of decorative base paper products for comparable quantity by the Group to independent third parties. The Master Supply Agreement commenced on 3 September 2007 and will expire on 31 December 2009, unless terminated by either party serving not less than three months' written notice.

The annual caps of the Master Supply Agreement for each of the three years ending 31 December 2009 are RMB7.3 million, RMB7.5 million and RMB7.8 million respectively. During the year, approximately RMB6.2 million had been received by Shandong Qunxing from Guang Hua.

Notes:

- As SD Changxing is owned by Dr. Zhu, Mr. Zhu Mo Qun and Mrs. Zhu (all being the Directors and the controlling shareholders of the Company) as to 55%, 30% and 15% respectively, SD Changxing is an associate of the said Directors and is therefore a connected person of the Company under the Listing Rules.
- As Guang Hua is owned by Dr. Zhu, Mr. Zhu Mo Qun and Mrs. Zhu as to 50%, 33% and 17% respectively, Guang Hua is an associate of the said Directors and is therefore a connected person of the Company under the Listing Rules.

持續關連交易(續)

2. 非豁免持續關連交易

根據上市規則，以下交易構成非豁免持續關連交易，其須遵守上市規則有關申報及公佈的規定，惟獲豁免遵守上市規則有關獨立股東批准的規定。聯交所已向本公司授出豁免，豁免以下交易嚴格遵守上市規則有關公佈的規定，直至二零零九年十二月三十一日為止。

供應裝飾原紙產品

根據山東群星(作為供應商)與光華(作為客戶)於二零零七年九月三日訂立的主供應協議(「主供應協議」)，山東群星同意按山東群星與光華不時釐定的價格向光華供應裝飾原紙產品，此價格乃經參考裝飾原紙產品的當前市場價格釐定，而供應條款為不時適用的其他銷售及採購標準條款，惟該等條款乃屬一般及日常商業條款，並且不會較本集團向獨立第三方銷售數量相若及類型與品質相同的裝飾原紙產品時適用的條款更優厚。主供應協議由二零零七年九月三日開始生效，並將於二零零九年十二月三十一日屆滿，除非訂約方任何一方發出不少於三個月的書面通告終止協議。

截至二零零九年十二月三十一日止三個年度的各年，主供應協議的年度上限分別為人民幣7,300,000元、人民幣7,500,000元及人民幣7,800,000元。於本年度，山東群星已從光華收取約人民幣6,200,000元。

附註：

- 由於山東長星由朱博士、朱墨群先生及朱太太(彼等全為本公司董事及控股股東)分別擁有55%、30%及15%的權益，山東長星為上述董事的聯繫人，並因此根據上市規則為本公司的關連人士。
- 由於光華由朱博士、朱墨群先生及朱太太分別擁有50%、33%及17%的權益，光華為上述董事的聯繫人，並因此根據上市規則為本公司的關連人士。

Report of the Directors (Continued) 董事會報告書(續)

Supply of decorative base paper products (Continued)

All the independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that these transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

KPMG, the auditors of the Company, have performed certain agreed-upon procedures on the Continuing Connected Transactions pursuant to Rule 14A.38 of the Listing Rules and confirmed the Board in writing that the transactions:

- (i) have been approved by the Board;
- (ii) are in accordance with the pricing policies of the Group;
- (iii) have been entered into in accordance with the terms and conditions under the relevant agreements governing the transactions; and
- (iv) have not exceeded the relevant annual caps, or in the case of the property rental, the stipulated rent.

Bank loans

Particulars of bank loans of the Group as at 31 December 2007 are set out in note 19 to the financial statements.

Use of Proceeds from Initial Public Offering

Through the issue of 1,045,000,000 new shares at HK\$5.35 each on the Main Board of the Stock Exchange in October 2007, the Group had raised approximately HK\$1,492.8 million (equivalent to approximately RMB1,445.5 million), after deduction of related expenses. The use of such proceeds by the Group during the year is set out in the Management Discussion and Analysis on pages 11 to 28 of this annual report.

供應裝飾原紙產品(續)

全體獨立非執行董事已審閱持續關連交易，並確認進行該等交易為：

- (i) 於本集團一般及日常業務過程中進行；
- (ii) 按一般商業條款進行；及
- (iii) 根據規管該等交易的相關協議，其條款屬公平合理，並符合本公司股東的整體利益。

本公司核數師畢馬威會計師事務所已根據上市規則第14A.38條就持續關連交易進行若干協定程序，並以書面形式向董事會確認該等交易：

- (i) 已獲董事會批准；
- (ii) 為根據本集團的定價政策；
- (iii) 已根據規管該等交易的相關協議項下的條款及條件進行；及
- (iv) 並無超過有關年度上限，或就物業租金而言，並無超過訂明的租金。

銀行貸款

於二零零七年十二月三十一日本集團的銀行貸款詳情載於財務報表附註19。

首次公開發售所得款項用途

通過於二零零七年十月在聯交所主板以每股5.35港元發行1,045,000,000股新股份，本集團於扣除有關開支後籌得約1,492,800,000港元(相等於約人民幣1,445,500,000元)。於本年度，本集團對該筆所得款項的用途載於本年報第11至28頁管理層討論及分析。

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 133 to 134 of this annual report.

Retirement Schemes

Particulars of the retirement schemes adopted by the Group during the year are set out in note 5(b) to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year was as follows:

		Percentage of the Group's total 佔本集團百分比	
		Sales 總銷售額	Purchases 總採購額
The largest customer	最大客戶	22.8%	
Five largest customers in aggregate	五大客戶合計	34.4%	
The largest supplier	最大供應商		31.3%
Five largest suppliers in aggregate	五大供應商合計		75.6%

At no time during the year have the Directors, their respective associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules since the Listing Date and up to the date of this annual report.

Corporate Governance Practices

Since the Listing Date and up to 31 December 2007, the Company had complied with the applicable code provisions (the "Code Provision(s)") under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, save for the deviation from the Code Provision A. 2.1. The full details of corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 46 to 55 of this annual report.

財務概要

本集團於過去四個財政年度的業績與資產及負債的概要載於本年報第133至134頁。

退休計劃

本集團於本年度採納的退休計劃詳情載於財務報表附註5(b)。

主要客戶及供應商

有關本集團主要客戶及供應商於本年度分別所佔銷售額及採購額的資料如下：

於本年度任何時間，概無董事、彼等各自的聯繫人或任何就董事所知擁有超過5%本公司股本的本公司股東於該等主要客戶及供應商擁有任何權益。

足夠公眾持股量

根據本公司從公開途徑所得的資料及據董事所知，本公司自上市日期起直至本年報日期止，一直維持上市規則所規定的公眾持股量。

企業管治常規

自上市日期起直至二零零七年十二月三十一日止，本公司已遵守載於上市規則附錄14企業管治常規守則的適用守則條文(「守則條文」)(偏離守則條文第A.2.1條除外)。本公司採納的企業管治常規詳情載於本年報第46至55頁之企業管治報告。

Report of the Directors (Continued) 董事會報告書(續)

Post Balance Sheet Events

Details of the post balance sheet events of the Group are set out in note 29 to the financial statements.

Auditors

KPMG will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the AGM.

By Order of the Board

ZHU Yu Guo

Chairman

The PRC, 17 March 2008

結算日後事項

本集團的結算日後事項詳情載於財務報表附註29。

核數師

畢馬威會計師事務所將退任，本公司將於股東週年大會上提呈決議案續聘彼等為本公司核數師。

承董事會命

主席

朱玉國

中國，二零零八年三月十七日

Corporate Governance Report

企業管治報告

Since the listing of Qunxing Paper Holdings Company Limited (the “Company”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 2 October 2007 (the “Listing Date”), the board of directors (the “Board” or the “Directors”) and the management (the “Management”) of the Company is committed to establishing an administration system with efficient operation and systematic decision-making process with a view to attaining a sound system of corporate governance. It is the belief of the Board that such commitment can enhance the performance of the Company and its subsidiaries (collectively the “Group”) and in the long run serve to enhance our shareholders’ value. In this regard, the Board and the Management will make continuous effort to promote our standards of corporate governance with emphasis on independence, effective internal control, transparency and accountability to shareholders.

The Company has, since the Listing Date and up to 31 December 2007, complied with the applicable code provisions (the “Code Provision(s)”) and principles under the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange except for the following deviation:

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. Currently, the Company does not have any person holding the title of CEO. Dr. Zhu Yu Guo, who apart from being the major shareholder, executive Director and chairman of the Company, also assumed responsibilities which are comparable to those of a CEO. Dr. Zhu is responsible for overseeing and planning the business strategies of the Group as well as providing leadership and management to the Board. The role of the chairman is separated from that of the general manager of the Company. Mr. Zhu Mo Qun (the son of Dr. Zhu Yu Guo), an executive Director, vice-chairman and general manager of the Company, is responsible for the overall management of the Group’s business operations and implementing the business strategies formulated by the Board. The Board considers that this management structure can provide the Group with consistent leadership and enables the Group to make and implement the Board’s decisions promptly and efficiently. The Board will regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group’s prevailing circumstances.

Outlined below are the corporate governance practices adopted by the Company in compliance with the principles and spirit of the CG Code from the Listing Date to 31 December 2007, or where applicable, up to the date of this annual report.

自群星紙業控股有限公司(「本公司」)於二零零七年十月二日(「上市日期」)在香港聯合交易所有限公司(「聯交所」)主板上市以來，本公司董事會(「董事會」或「董事」)及管理層(「管理層」)矢志建立運作有效及決策科學的治理機制，以達至健全的企業管治制度。董事會相信此理念可改善本公司及其附屬公司(統稱為「本集團」)的表現，長遠而言，將可為本集團股東帶來增益。為此董事會及管理層將不斷努力提升本集團企業管治水平，尤其著重獨立性、有效的內部監控、透明度及對股東問責。

本公司自上市日期起直至二零零七年十二月三十一日止已遵守聯交所證券上市規則(「上市規則」)附錄14所載的企業管治常規守則(「企業管治守則」)的適用守則條文(「守則條文」)及原則，惟下述偏離除外：

守則條文A.2.1

根據守則條文A.2.1條，主席及行政總裁(「行政總裁」)之職務須分開，不應由同一人擔任。目前，本公司並無任何人士擔任行政總裁一職。朱玉國博士除身為本公司主要股東、執行董事兼主席外，亦擔任與行政總裁相約之職務。朱博士亦負責監察及策劃本集團的業務策略，並率領及管理董事會。本公司主席與總經理的職責分開。本公司的執行董事、副主席兼總經理朱墨群先生(朱玉國博士之兒子)，負責本集團的整體管理及運作，以及執行董事會所制訂之業務策略。董事會認為此管理架構令本集團之領導具一致性，並讓本集團能迅速及有效地執行及落實董事會的決定。董事會將定期檢討此管理架構的成效，以確保該架構切合本集團當時的情況。

下文概述本公司由上市日期直至二零零七年十二月三十一日(或如適用，直至本年報日期止)遵照企業管治守則的原則及精神所採納的企業管治常規。

BOARD OF DIRECTORS

Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors (the “INED(s)”) as follows:

Executive Directors

Dr. ZHU Yu Guo (*Chairman*)
Mr. ZHU Mo Qun (*Vice-Chairman*)
Mr. SUN Zhen Shui

Non-executive Director

Ms. SUN Rui Fang

INEDS

Mr. ZHAO Wei
Mr. WANG Lu
Mr. KWONG Kwan Tong

The Directors are well-versed in respective areas such as paper industry’s knowledge and technical know-how, accounting and finance and business management and the Board as a whole has achieved an appropriate balance of skills and experience. Biographical details of the Directors are set out in the “Biographical Details of Directors and Senior Management” section on pages 29 to 32 of this annual report and the Company’s website at www.qxpaper.com.

Save as Dr. Zhu Yu Guo, the executive Director and chairman of the Company, is the spouse of Ms. Sun Rui Fang (the non-executive Director) and father of Mr. Zhu Mo Qun (the executive Director and vice-chairman of the Company), there is no financial, business, family or other material/relevant relationship between the Directors. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors and that the current Board size is adequate for the Group’s present operations.

董事會

組成

董事會目前包括三名執行董事、一名非執行董事及三名獨立非執行董事(「獨立非執行董事」)，詳情如下：

執行董事

朱玉國博士(*主席*)
朱墨群先生(*副主席*)
孫振水先生

非執行董事

孫瑞芳女士

獨立非執行董事

趙偉先生
王魯先生
鄭焜堂先生

董事於各有關方面富有豐富經驗，例如造紙業的知識及技術知識、會計及金融以及商業管理，而董事會整體在技能及經驗上已達到適當的平衡。董事的履歷載於本年報第29至32頁「董事及高級管理層履歷」一節及本公司網頁 www.qxpaper.com。

除本公司執行董事兼主席朱玉國博士為孫瑞芳女士(非執行董事)的配偶及朱墨群先生(本公司執行董事兼副主席)的父親以外，董事之間概無任何財務、業務、親屬或其他重大／相關關係。本公司認為董事會各成員均擁有所需技能及合適的經驗履行其董事職責，而目前董事會的人數已足夠應付本集團現行營運所需。

Delegation by the Board

The Board is responsible for setting the strategic direction and policies of the Group and supervising the Management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the internal control system are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the Management under the supervision of the respective Directors and the leadership of the general manager of the Company.

Appointment, Re-election and Removal of Directors

Article 108 of the Articles of Association (the “Articles of Association”) of the Company provides that all the Directors, including the chairman, are subject to retirement from office at least once every three years at each annual general meeting and shall be eligible for re-election. Under Article 105 of the Articles of Association, the office of a Director is liable to be vacated in certain circumstances and the Company may remove any Director by an ordinary resolution at a general meeting as prescribed in Article 114 of the Articles of Association.

Executive Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 1 October 2007 and the term of his service as a Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association. He is entitled to a fixed Director’s fee per annum and a discretionary management bonus in an amount to be determined by the Board. Such emoluments are determined with reference to his experience and contributions to the Group, the Group’s performance and profitability, as well as the prevailing market conditions. An executive Director may not vote on any Board’s resolution regarding the amount of the management bonus payable to him.

董事會的委任

董事會負責製訂本集團的策略方向及政策以及監管管理層。若干事宜由董事會考慮及批准，包括(其中包括)監督及批准重大交易與涉及本公司主要股東或董事的利益衝突事項、批准中期及末期業績、向公眾或監管機關作其他披露以及內部監控系統。並非指定由董事會裁決，而於本公司的日常業務中需要進行的事宜，則委任予管理層，並由各有關董事監管及本公司總經理領導。

董事的委任、重選及罷免

本公司的組織章程細則(「組織章程細則」)第108條規定所有董事(包括主席)均須最少每三年一次於股東週年大會上退任，並合資格膺選連任。根據組織章程細則第105條，本公司的董事職位可於若干情況下出現空缺，而本公司亦可按組織章程細則第114條的規定透過於股東大會上的普通決議案罷免任何董事。

執行董事

各執行董事已與本公司訂立為期三年的服務協議，由二零零七年十月一日開始生效，各董事於任期屆滿後須根據組織章程細則於本公司股東週年大會上輪值告退並膺選連任。各董事每年可獲固定董事費及酌情管理層花紅，花紅金額由董事會釐定。該等酬金乃參考各董事的經驗及其對本集團的貢獻、本集團的表現及盈利，以及當時的市況而釐定。執行董事不可就任何有關應付彼的管理層花紅金額的董事會決議案投票。

Non-executive Director and INEDs

The non-executive Director and the INEDs have the same duties of care and skill and fiduciary duties as the executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

The INEDs are experienced professionals with expertise in respective areas of paper industry and related technical know-how, engineering, accounting and finance. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent opinion on the Company's connected/continuing connected transactions; participate in the Company's various board committees' meetings. The INEDs also contribute to provide adequate checks and balance to protect the interests of the Group and its shareholders as a whole, and to promote the development of the Group.

The non-executive Director and each of the INEDs has entered into a letter of appointment with the Company for a term of two years commencing from 1 October 2007 and is subject to retirement by rotation and eligible for re-election subject to Article 108 of the Articles of Association.

The Company has received an annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and considers that all INEDs to be independent as the date of this annual report.

Supply of and access to information

Newly appointed Directors will receive induction packages containing the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations.

All the Directors are briefed and updated from time to time on the latest legislative and regulatory developments to ensure that they are fully aware of their responsibilities under the Listing Rules, applicable legal and regulatory requirements.

In order to ensure that their duties can be properly discharged, the Directors are entitled to seek advice from independent professional advisers whenever deemed necessary by them at the Company's expense.

非執行董事及獨立非執行董事

非執行董事及獨立非執行董事應有與執行董事相同的謹慎態度和技能以及誠信責任。在所有披露董事姓名的公司通訊內，均會明確指明彼等為非執行董事及獨立非執行董事。

獨立非執行董事均為經驗豐富的專業人士，分別在造紙業及有關技術知識、工程、會計及金融等各方面擁有專門知識。獨立非執行董事憑藉彼等的專業知識及經驗，就本公司的營運及管理向本公司提供意見；就本公司的關連／持續關連交易提供獨立意見；並參與本公司的不同董事委員會之會議。獨立非執行董事亦致力提供充分監管與制衡，務求保障本集團及其股東的整體利益，並促進本集團的發展。

非執行董事及各獨立非執行董事已與本公司簽訂為期兩年的委任書，由二零零七年十月一日開始生效。彼等於任期屆滿後，須根據組織章程細則第108條輪值告退，並合資格膺選連任。

本公司已根據上市規則第3.13條的規定收到各獨立非執行董事呈交的年度獨立確認書，而本公司認為所有獨立非執行董事於本年報日期均為獨立人士。

提供及查閱資料

新委任的董事將收到一套入職指引文件，當中載有上市規則以及其他適用規則及規例所規定董事的職責及責任。

所有董事均不時獲簡介及更新法律及法規的最新發展，確保彼等完全知悉彼等根據上市規則及適用法規規定所須承擔的責任。

為確保董事恰當履行職責，倘董事認為需要時有權尋求獨立專業顧問的意見，並由本公司負責有關開支。

Board Meetings

The Board has held two Board meetings (the “Board Meeting(s)”) since the Listing Date and up to 31 December 2007 and the attendance of the Directors at those meetings were set out below:

	No. of the Board Meetings attended/held	出席/ 舉行董事會 會議次數
Executive Directors:		
Dr. ZHU Yu Guo (<i>Chairman</i>)	2/2	2/2
Mr. ZHU Mo Qun (<i>Vice-Chairman</i>)	2/2	2/2
Mr. SUN Zhen Shui	2/2	2/2
Non-Executive Director:		
Ms. SUN Rui Fang	1/2	1/2
INEDs:		
Mr. ZHAO Wei	1/2	1/2
Mr. WANG Lu	1/2	1/2
Mr. KWONG Kwan Tong	1/2	1/2

The Board intends to schedule the Board Meetings at quarterly intervals and shall meet more frequently as and when required.

The Board Meetings are permitted to be held by means of telephone or other means of electronic communication under the Articles of Association.

Reasonable notices are served and comprehensive information is provided to the Board members in advance of all the Board Meetings in order to enable them to make informed decisions on all matters transacted at the Board Meetings.

The proceedings of the Board Meetings are normally conducted by the chairman of the Board who ensures that sufficient time is allowed for discussion among the Directors and equal opportunities are being given to the Directors to express their views and share their concerns.

The company secretary (the “Company Secretary”) of the Company is responsible for preparing minutes recording all matters transacted and resolved at the Board Meetings. All the minutes of Board Meetings are kept by the Company Secretary and are open for inspection by the Directors.

It is challenging to arrange the Board Meeting that fits in with the tight and busy schedules of all the Directors. To enable all the Directors to keep abreast of the Group’s latest development and to discharge their duties properly, the Company Secretary will brief the Directors on those matters transacted at the Board Meetings that they were unable to attend.

董事會會議

董事會自上市日期起直至二零零七年十二月三十一日止共舉行了兩次董事會會議(「董事會會議」)，出席該等會議的董事如下：

執行董事：

朱玉國博士(主席)	2/2
朱墨群先生(副主席)	2/2
孫振水先生	2/2

非執行董事：

孫瑞芳女士	1/2
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獨立非執行董事：

趙偉先生	1/2
王魯先生	1/2
鄭焜堂先生	1/2

董事會擬將董事會會議定為每季開會一次，並在需要時更頻密召開會議。

組織章程細則准許董事會會議以電話方式或其他電子通訊方式舉行。

在所有董事會會議舉行前，董事會成員均會獲發合理事前通知，並獲提供全面資料，讓彼等能夠就董事會會議上所有商討的事宜作出知情的決定。

董事會會議程序一般由董事會主席負責主持。主席須確保有足夠時間讓董事討論以及各董事均獲同等機會發表其見解及交流意見。

本公司之公司秘書(「公司秘書」)負責編製會議記錄，以記錄董事會會議上所有商討及議決的事項。所有董事會會議記錄均由公司秘書負責保存，並可供董事查閱。

要在所有董事緊密而繁忙的時間表中安排召開董事會會議具有一定難度。為使所有董事可得悉本集團最新發展並恰當履行其職務，公司秘書會向該等未能出席董事會會議的董事簡介會上處理的事項。

Directors' and Officers' Liability Insurance

The Company has arranged appropriate directors' and officers' liability insurance to indemnify the Directors and senior staff of the Group for their potential liabilities incurred by them in discharging their duties. The Company reviews the insurance coverage for the Directors and the Group's senior staff on an annual basis.

Model Code for Securities Transactions by Directors

The Company has adopted a securities trading code (the "Qunxing Securities Trading Code") for securities transactions by the Directors and relevant employees who are or may be in possession of unpublished price sensitive information on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, the Company confirmed that all the Directors have complied with the required standard as set out in both the Qunxing Securities Code and the Model Code since the Listing Date and up to 31 December 2007.

Board Committees

The Board has established a total of four board committees including an Executive Committee (the "Executive Committee"), an Audit Committee (the "Audit Committee"), a Remuneration Committee (the "Remuneration Committee") and the Nomination Committee (collectively the "Committees") to oversee specific aspects of the Group's affairs. The Committees have been provided with sufficient resources to discharge their respective duties. Each of the Committees has adopted specific terms of reference covering its duties, powers and functions which will be reviewed by the Board from time to time. The terms of reference of all the Committees have been posted on the Company's website: www.qxpaper.com. The Company Secretary also acts as secretary of the Committees. The Committees adopt as far as practicable, the procedures and arrangement of the Board meeting in relation to the conduct of meetings, notice of meetings and recording of minutes. Further particulars of each of the Committees are set out below:

董事及人員的責任保險

本公司已為董事及人員購買適合的責任保險，以為董事及本集團高級人員因履行職務而可能承擔的潛在責任作出彌償。本公司每年均會檢討董事及本集團高級人員的保險承保範圍。

董事進行證券交易的標準守則

本公司已就董事以及擁有或可能擁有未公開股價敏感資料的相關僱員進行證券交易採納一套證券買賣守則(「群星證券買賣守則」)，其條款與上市規則附錄10所列的上市發行人董事進行證券交易的標準守則(「標準守則」)同樣嚴緊。經向所有董事作出特定查詢後，本公司確認所有董事自上市日期起直至二零零七年十二月三十一日止，已遵守群星證券買賣守則及標準守則兩者所規定的標準。

董事委員會

董事會已成立合共四個董事委員會，包括執行委員會(「執行委員會」)、審核委員會(「審核委員會」)、薪酬委員會(「薪酬委員會」)及提名委員會(統稱為「各委員會」)，以監察本集團的特定事務。委員會獲提供充足資源以履行其相關職責。各委員會已採納特定職權範圍，規定其職責、權力及功能，並由董事會不時作出檢討。所有委員會的職權範圍已刊登於本公司網頁：www.qxpaper.com。公司秘書亦身兼各委員會之秘書。各委員會盡可能採納董事會會議就會議的進行、會議通告及會議記錄所作的程序及安排。各委員會的進一步資料如下：

Board Committees (Continued)**(1) Executive Committee**

The Company has established the Executive Committee in March 2008. The Executive Committee consists of all the executive Directors and is chaired by Dr. ZHU Yu Guo (the chairman of the Company). As most of the Directors are fully engaged in their major responsibilities, it may be practically difficult and inconvenient to convene a full Board Meeting on a frequent basis to fit in with the tight and busy schedules of all the Directors. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Group and its staff in order to enhance the efficiency of the Group's daily operations.

All the matters considered and decided by the Executive Committee at the Executive Committee's meetings will be recorded in details by minutes. A summary report of the businesses transacted at the Executive Committee meetings will be submitted to the Board for review regularly. All the Directors can inspect the minutes of the Executive Committee's meetings at any time.

(2) Audit Committee

The Audit Committee currently comprises all three INEDs and is chaired by Mr. Kwong Kwan Tong. Mr. Kwong is a professional accountant and has about 20 years of experience in management accounting and financial control. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal procedures of the Group. Moreover, the Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the Group's external auditors.

Since the Company was only listed in October 2007, there was no Audit Committee meeting held up to 31 December 2007. However, up to the date of this annual report, the Audit Committee has held one meeting with an attendance rate of 100%. During the meeting, the Audit Committee had reviewed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2007, and the accounting principles and practices adopted by the Group during the year.

董事委員會(續)**(1) 執行委員會**

本公司已於二零零八年三月成立執行委員會。執行委員會由所有執行董事組成，並由朱玉國博士(本公司之主席)出任主席。由於大部分董事須全面履行其主要責任，要配合所有董事緊密而繁忙的時間表，頻密召開全體董事會會議委實具有難度及不便。因此，董事會委派權力予執行委員會以執行及監管本集團業務及其員工，務求提升本集團日常營運的效率。

所有於執行委員會會議中由執行委員會考慮及決定的事項均會詳細記錄於會議記錄中。執行委員會在會議中所處理的事務之概要報告將定期呈交予董事會審閱。所有董事可於任何時間查閱執行委員會會議的會議記錄。

(2) 審核委員會

審核委員會現時包括全部三名獨立非執行董事，並由鄭焜堂先生出任主席。鄭先生為專業會計師，於管理會計及財務控制方面擁有約20年經驗。審核委員會的主要職責為檢討及監督本集團的財務報告過程及內部程序。此外，審核委員會亦負責就委任、重新委任及罷免本集團的外聘核數師向董事會作出建議。

由於本公司於二零零七年十月才上市，直至二零零七年十二月三十一日止並無舉行任何審核委員會會議。然而，截至本年報日期，審核委員會已舉行一次會議，出席率為100%。於會上，審核委員會與管理層檢討了本集團截至二零零七年十二月三十一日止年度的經審核綜合財務報表，以及本集團於本年度採納的會計原則及實務準則。

Board Committees (Continued)**(3) Remuneration Committee**

The Remuneration Committee currently comprises four members including one executive Director, namely, Dr. Zhu Yu Guo (the chairman of the Company) and all three INEDs. The Remuneration Committee is chaired by Dr. Zhu Yu Guo. The primary duties of the Remuneration Committee are to make recommendations to the Board on remuneration of our Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for our Directors and senior management. Each of the Directors has not involved in the determination of his/her own remuneration. The Remuneration Committee meets at least once a year.

Since the Company was only listed in October 2007, there was no Remuneration Committee meeting held up to 31 December 2007. However, up to the date of this annual report, the Remuneration Committee has held one meeting with an attendance rate of 100%. At the meeting, members of the Remuneration Committee reviewed the remuneration packages and overall benefits of the Directors by taking into account factors such as the skills, knowledge and the respective contribution of each of the Directors to the Group, the performance of the Group and the prevailing market conditions.

(4) Nomination Committee

The Nomination Committee currently comprises four members including one executive Director, namely, Mr. Zhu Mo Qun (the vice-chairman of the Company) and all three INEDs. The Nomination Committee is chaired by Mr. Zhu Mo Qun. The primary duty of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on our Board and senior management.

Since the Company was only listed in October 2007, there was no Nomination Committee meeting held up to 31 December 2007. However, up to the date of this annual report, the Nomination Committee has held one meeting with an attendance rate of 100%. At the meeting, members of the Nomination Committee have reviewed the structure and composition of the Board, assessed the independence of INEDs in accordance with the relevant requirements of the Listing Rules, and the suitability of the re-election of the Directors who are subject to the retirement by rotation at the 2008 annual general meeting of the Company.

董事委員會(續)**(3) 薪酬委員會**

薪酬委員會現時由四名成員組成，包括一名執行董事(即本公司主席朱玉國博士)及全部三名非執行董事。薪酬委員會由朱玉國博士出任主席。薪酬委員會的主要職責為就本公司董事及高級管理層的薪酬向董事會作出建議，並代表董事會釐定特定的薪酬組合及僱用本公司董事及高級管理層的條件。各董事概無參與釐定其本身的薪酬。薪酬委員會每年最少舉行一次會議。

由於本公司於二零零七年十月才上市，直至二零零七年十二月三十一日止並無舉行任何薪酬委員會會議。然而，截至本年報日期，薪酬委員會已舉行一次會議，出席率為100%。於會上，薪酬委員會成員經考慮如技能、知識、各董事各自對本集團的貢獻、本集團的業績表現及當時的市況各種因素，檢討董事的薪酬組合及整體福利。

(4) 提名委員會

提名委員會現時由四名成員組成，包括一名執行董事(即本公司副主席朱墨群先生)及全部三名非執行董事。提名委員會由朱墨群先生出任主席。提名委員會的主要職責為就填補本公司董事會及高級管理層空缺的候選人向董事會作出建議。

由於本公司於二零零七年十月才上市，直至二零零七年十二月三十一日止並無舉行任何提名委員會會議。然而，截至本年報日期，提名委員會已舉行一次會議，出席率為100%。於會上，提名委員會成員檢討董事會的架構及組成，根據上市規則有關規定評估獨立非執行董事的獨立性，以及將於本公司二零零八年股東週年大會上輪值退任的董事是否適合膺選連任。

Board Committees (Continued)**(4) Nomination Committee** (Continued)**Investor Relations**

Since the Listing Date and up to 31 December 2007, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments. To ensure shareholders and investors can follow closely on the Group's business development, our corporate website at www.qxpaper.com acts as an effective channel for information disclosure which provides comprehensive and channel updated information on the Group's business operation and development. The Group will review and improve the disclosure of information and effectiveness of communication with investors and shareholders from time to time.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing financial statements of the Group in accordance with relevant statutory requirements and generally accepted accounting principles in Hong Kong and ensuring that the financial statements give a true and fair view of the Group's financial position. In preparing the financial statements of the Group for the year ended 31 December 2007, the Directors have adopted suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and prepared the financial statements on a going concern basis.

The Board aims to present a comprehensive, balanced and understandable assessment of the Group's development and prospects in all corporate communications, including but not limited to annual and interim reports, any price-sensitive announcements and financial disclosures required under the Listing Rules, any reports to regulators as well as information required to be disclosed pursuant to other statutory requirements.

A statement by the external auditors about their reporting responsibilities is set out in the Independent Auditors' Report on pages 56 to 57 of this annual report.

董事委員會(續)**(4) 提名委員會**(續)**投資者關係**

自上市日期起直至二零零七年十二月三十一日止，本集團積極提高其企業透明度及加強與其股東及投資界的溝通。通過適時發佈新聞稿，本集團向公眾披露其最新發展。為確保股東及投資者能緊貼本集團的業務發展，本公司的公司網頁(www.qxpaper.com)於資料披露、提供本集團業務營運及發展的全面及更新資料方面成為有效的渠道。本集團將不時檢討並改善資料披露方式，以及與投資者及股東溝通的效能。

責任及核數

董事已知悉其須根據相關法定要求及香港公認會計原則編製本集團財務報表，並確保有關財務報表真實公平反映本集團財務狀況。在編製本集團截至二零零七年十二月三十一日止年度的財務報表時，董事已採納並貫徹應用適當的會計政策；作出審慎及合理的判斷與預測；並按持續基準編製財務報表。

董事會致力透過所有公司通訊文件，就本集團的發展及前景提供全面、平衡及可理解的評估，包括但不限於年度及中期報告、任何股價敏感的公告及根據上市規則須予披露的財務資料。

外聘核數師就其申報責任的聲明載於本年報第56至57頁的獨立核數師報告內。

Internal Control and Risk Management

The Group is committed to implementing effective internal controls and risk management procedures to identify and manage the risks that may be faced by the Group, as well as to safeguard the interests of the Group and our shareholders as a whole.

The Board is responsible for maintaining adequate internal controls and risk management procedures in the Group, and for reviewing its effectiveness through the Audit Committee on an on-going basis. The Board has delegated to the Management the implementation of the Group's internal controls covering financial, operational and compliance aspects, as well as risk management procedures.

During the year, the Company has engaged an external independent professional to assist in its review on the operation of individual divisions of the Group and in its assessment of the effectiveness of Group's internal control systems and risk management procedures in its major business and operational processes. Such review has been reported to the Audit Committee and the Audit Committee has, in turn, reported the same to the Board together with its assessment and recommendations. Based on the results of the review together with the assessment and recommendations made by the Audit Committee, the Board is satisfied that during the year ended 31 December 2007, the Group has implemented adequate internal controls and risk management procedures. No significant areas of concern which might materially affect the Group's operation and the interests of our shareholders were identified.

Remuneration of External Auditors

The Group's independent external auditors are KPMG, Certified Public Accountants. During the year, the annual audit fees paid by the Group to KPMG were approximately HK\$1.2 million .

By Order of the Board
AU-YEUNG Kwong Wah
Company Secretary

The PRC, 17 March 2008

內部監控及風險管理

本集團致力推行有效的內部監控及風險管理程序，以識別及處理本集團可能面對的風險，同時維護本集團及本公司股東的整體利益。

董事會負責確保本集團維持足夠的內部監控及風險管理程序，並透過審核委員會持續檢討其效益。董事會已委派管理層推行涵蓋財務、營運與合規等各範疇的內部監措施及風險管理程序。

於本年度，本公司曾外聘一名獨立專業人士協助其檢討本集團個別部門的營運，及評估本集團的內部監控系統及風險管理程序於其主要業務及營運過程中的效用。該檢討結果已向審核委員會匯報，而審核委員會亦隨之將該檢討結果連同其評估及建議向董事會匯報。董事會根據該檢討結果以及審核委員會所作的評估及建議，同意本集團在截至二零零七年十二月三十一日止年度已實行足夠內部監控及風險管理程序，且並無發現任何可能會嚴重影響本集團營運及其股東利益的重要範疇需要關注。

外聘核數師的薪酬

本集團的獨立外聘核數師為香港執業會計師畢馬威會計師事務所。於本年度，本集團向畢馬威會計師事務所支付的年度核數費用約1,200,000港元。

承董事會命
 公司秘書
歐陽廣華

中國，二零零八年三月十七日

Independent Auditor's Report

獨立核數師報告

Independent auditor's report to the shareholders of QUNXING PAPER HOLDINGS COMPANY LIMITED (Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Qunxing Paper Holdings Company Limited ("the Company") set out on pages 58 to 132, which comprise the consolidated and company balance sheets as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

獨立核數師報告 致群星紙業控股有限公司各股東 (於開曼群島註冊成立之有限公司)

本核數師(以下簡稱「吾等」)已審核列載於第58至132頁群星紙業控股有限公司(以下簡稱「貴公司」)的綜合財務報表，此綜合財務報表包括於二零零七年十二月三十一日的綜合及公司資產負債表與截至該日止年度的綜合損益表、綜合權益變動表及綜合現金流量表，以及主要會計政策概要及其他附註解釋。

董事就財務報表須承擔的責任

貴公司董事須負責根據國際會計準則委員會頒佈的國際財務報告準則及香港公司條例的披露規定編制及真實而公平地列報該等財務報表。這責任包括設計、實施及維護與編制以及真實而公平地列報綜合財務報表相關的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述；選擇和應用適當的會計政策；及按情況作出合理的會計估計。

核數師的責任

吾等的責任是根據吾等的審核對該等財務報表作出意見。本報告僅為股東(作為一個團體)編製，別無其他任何用途。吾等並不就本報告之內容對任何其他人士承擔任何義務或接受任何責任。

吾等已根據香港會計師公會頒佈的香港審計準則進行審核。該等準則要求吾等遵守道德規範，並規劃及執行審核，以合理確定財務報表是否不存有任何重大錯誤陳述。

Independent Auditor's Report (Continued) 獨立核數師報告(續)

Auditor's responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
17 March 2008

核數師的責任(續)

審核涉及執行情序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

吾等相信，吾等所獲得的審核憑證乃充足及適當地為吾等的審核意見提供基礎。

意見

吾等認為，該等綜合財務報表已根據國際財務報告準則真實而公平地反映 貴公司及 貴集團於二零零七年十二月三十一日的財務狀況及 貴集團截至該日止年度的溢利及現金流量，並已按照香港公司條例的披露規定妥為編製。

畢馬威會計師事務所

執業會計師
香港中環
遮打道10號
太子大廈8樓
二零零八年三月十七日

Consolidated Income Statement

綜合損益表

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

		Note 附註	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Turnover	營業額	3	1,125,524	950,844
Cost of sales	銷售成本		(842,055)	(766,727)
Gross profit	毛利		283,469	184,117
Other revenue	其他收益	4	121,952	726
Other net loss	其他虧損淨額	4	(627)	–
Selling expenses	銷售開支		(9,459)	(9,597)
Administrative expenses	行政開支		(23,698)	(11,929)
Profit from operations	經營溢利		371,637	163,317
Finance costs	融資成本	5(a)	(21,065)	(20,625)
Profit before taxation	除稅前溢利	5	350,572	142,692
Income tax	所得稅	6(a)	–	(48,755)
Profit for the year	年度溢利		350,572	93,937
Dividends payable to equity shareholders of the Company attributable to the year:	應付本公司權益 持有人年內 應佔股息：	10		
Final dividend proposed after the balance sheet date	於結算日後建議派付的 末期股息		105,172	–
Earnings per share (RMB)	每股盈利（人民幣元）	11		
Basic	基本		0.42	0.13

The notes on pages 67 to 132 form part of these financial statements.

於第67至132頁的附註構成此等財務報表的一部份。

Consolidated Balance Sheet

綜合資產負債表

At 31 December 2007 於二零零七年十二月三十一日

			2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
		Note 附註		
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	12	461,021	499,776
Construction in progress	在建工程	14	167,098	16,000
Lease prepayments	租賃預付款項	15	11,255	-
			639,374	515,776
Current assets	流動資產			
Inventories	存貨	16	35,487	50,989
Trade and other receivables	應收貿易賬款及其他應收款項	17	50,903	81,785
Amount due from a director	應收董事款項	21	-	15
Amounts due from related parties	應收關連方款項	21	-	183
Cash and cash equivalents	現金及現金等價物	18	1,792,158	67,265
			1,878,548	200,237
Current liabilities	流動負債			
Bank loans	銀行貸款	19	30,000	332,000
Trade and other payables	應付貿易賬款及其他應付款項	20	229,404	79,013
Amounts due to directors	應付董事款項	22	-	194,491
Current taxation	即期稅項	23	9,868	21,671
			269,272	627,175
Net current assets/(liabilities)	流動資產/(負債)淨值		1,609,276	(426,938)

Consolidated Balance Sheet (Continued) 綜合資產負債表(續)

At 31 December 2007 於二零零七年十二月三十一日

			2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
		Note 附註		
Total assets less current liabilities	資產總值減流動負債		2,248,650	88,838
Non-current liabilities	非流動負債			
Bank loans	銀行貸款	19	207,000	–
NET ASSETS	資產淨值		2,041,650	88,838
Capital and reserves	資本及儲備	24(a)		
Share capital	股本		101,359	102
Reserves	儲備		1,940,291	88,736
TOTAL EQUITY	權益總值		2,041,650	88,838

Approved and authorised for issue by the board of directors on 17 March 2008.

董事會於二零零八年三月十七日批准及授權刊發。

ZHU Yu Guo

Director

朱玉國

董事

ZHU Mo Qun

Director

朱墨群

董事

The notes on pages 67 to 132 form part of these financial statements.

於第67至132頁的附註構成此等財務報表的一部份。

Balance Sheet

資產負債表

At 31 December 2007 於二零零七年十二月三十一日

		Note 附註	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Non-current assets	非流動資產			
Interests in subsidiaries	於附屬公司的權益	13	1,265,474	–
Construction in progress	在建工程	14	200	–
			1,265,674	–
Current assets	流動資產			
Prepayments	預付款項		313	1,279
Amount due from holding company	應收控股公司款項		–	100
Cash and cash equivalents	現金及現金等價物	18	438,945	–
			439,258	1,379
Current liabilities	流動負債			
Other payables and accruals	其他應付款項及預提費用	20	2,186	–
Amounts due to subsidiaries	應付附屬公司款項	22	10,803	1,363
			12,989	1,363
Net current assets	流動資產淨值		426,269	16
NET ASSETS	資產淨值		1,691,943	16

Balance Sheet (Continued) 資產負債表(續)

At 31 December 2007 於二零零七年十二月三十一日

			2007	2006
		Note	二零零七年	二零零六年
		附註	RMB'000	RMB'000
			人民幣千元	人民幣千元
Capital and reserves	資本及儲備	24(b)		
Share capital	股本		101,359	102
Reserves	儲備		1,590,584	(86)
TOTAL EQUITY	權益總值		1,691,943	16

Approved and authorised for issue by the board of directors on 17 March 2008.

董事會於二零零八年三月十七日批准及授權刊發。

ZHU Yu Guo

Director

朱玉國

董事

ZHU Mo Qun

Director

朱墨群

董事

The notes on pages 67 to 132 form part of these financial statements.

於第67至132頁的附註構成此等財務報表的一部分。

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

		Attributable to equity shareholders of the Company 本公司權益持有人應佔							
		Share capital	Share premium	Capital reserve	Other reserve	Statutory reserve	Exchange reserve	(Accumulated losses)/ profits retained	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
附註		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(Note 24)	(Note 24)	(Note 24)		(Note 24)	(Note 24)	(Note 24)	
		(附註24)	(附註24)	(附註24)		(附註24)	(附註24)	(附註24)	
At 1 January 2006	於二零零六年一月一日	30,000	-	129,900	-	37,625	-	(8,283)	189,242
Exchange differences on translation of financial statements of operations outside the PRC	換算中國境外業務的財務報表產生的匯兌差額	-	-	-	-	-	4,884	-	4,884
Capital injection	注資	24(c) 102	-	-	-	-	-	-	102
Arising on Reorganisation	重組時產生	24(c) (30,000)	-	-	(169,327)	-	-	-	(199,327)
Net profit for the year	年度溢利淨額	-	-	-	-	-	-	93,937	93,937
Appropriation to statutory surplus reserve	分配至法定盈餘儲備	-	-	-	-	14,259	-	(14,259)	-
At 31 December 2006	於二零零六年十二月三十一日	102	-	129,900	(169,327)	51,884	4,884	71,395	88,838
At 1 January 2007	於二零零七年一月一日	102	-	129,900	(169,327)	51,884	4,884	71,395	88,838
Exchange differences on translation of financial statements of operations outside the PRC	換算中國境外業務的財務報表產生的匯兌差額	-	-	-	-	-	(34,424)	-	(34,424)
Arising on Reorganisation	重組時產生	24(c) 897	-	-	(996)	-	-	-	(99)
Capitalisation issue	資本化發行	24(c) 71,795	119,463	-	-	-	-	-	191,258
Capitalisation of reserves	儲備資本化	24(d)(ii) -	-	(129,900)	160,000	(30,100)	-	-	-
Shares issued under placing and public offering	透過配售及公開發售發行的股份	24(c) 28,565	1,499,654	-	-	-	-	-	1,528,219
Share issuing expenses	發行股份開支	-	(82,714)	-	-	-	-	-	(82,714)
Net profit for the year	年度溢利淨額	-	-	-	-	-	-	350,572	350,572
Appropriation to statutory surplus reserve	分配至法定盈餘儲備	-	-	-	-	23,367	-	(23,367)	-
At 31 December 2007	於二零零七年十二月三十一日	101,359	1,536,403	-	(10,323)	45,151	(29,540)	398,600	2,041,650

The notes on pages 67 to 132 form part of these financial statements.

於第67至132頁的附註構成此等財務報表的一部分。

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

	Note 附註	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Operating activities	經營活動		
Profit before taxation	除稅前溢利	350,572	142,692
Adjustments for:	就以下各項調整：		
— Amortisation of lease prepayments	— 租賃預付款項攤銷	186	—
— Depreciation	— 折舊	57,075	47,983
— Finance costs	— 融資成本	21,065	20,625
— Interest income	— 利息收入	(121,952)	(726)
— Loss on disposal of property, plant and equipment	— 出售物業、廠房及 設備虧損	103	—
— Foreign exchange loss	— 外匯虧損	(35,233)	48
Operating profit before changes in working capital	營運資金變動前 經營溢利	271,816	210,622
Decrease/(increase) in inventories	存貨減少/(增加)	15,502	(12,624)
Decrease/(increase) in trade and other receivables	應收貿易賬款及其他 應收款項減少/(增加)	30,882	(17,528)
Decrease/(increase) in amounts due from related parties	應收關連方款項 減少/(增加)	84	(81)
Increase in trade and other payables	應付貿易賬款及 其他應付款項增加	289	22,559
Cash generated from operations	經營業務產生的現金	318,573	202,948
PRC income tax paid	已付中國所得稅	(11,803)	(44,633)
Net cash generated from operating activities	經營活動所得 現金淨額	306,770	158,315
Investing activities	投資活動		
Payment for the purchase of property, plant and equipment	購置物業、廠房及設備 所付的款項	(1,853)	(5,126)
Payment for construction in progress	支付在建工程款項	(17,678)	(213,425)
Lease prepayments	租賃預付款項	(11,441)	—
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備 所得款項	109	—
Interest received	已收利息	121,952	726
Net cash generated from/(used in) investing activities	投資活動所得/ (所用)現金淨額	91,089	(217,825)

Consolidated Cash Flow Statement (Continued) 綜合現金流量表(續)

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
	Note 附註		
Financing activities	融資活動		
Proceeds from loans from holding company	控股公司貸款所得款項	192,070	-
Proceeds from bank loans	銀行貸款所得款項	307,000	342,047
Repayment of bank loans	償還銀行貸款	(402,000)	(260,247)
Interest paid	已付利息	(21,065)	(20,625)
Decrease in amounts due from directors	應收董事款項減少	15	32
Decrease in amounts due to directors	應付董事款項減少	(194,491)	-
Proceeds from issuance of new shares under placing and public offering	透過配售及公開發售發行新股份所得款項	1,528,219	-
Payment of share issuing expenses	支付發行股份開支	(82,714)	-
Net cash generated from financing activities	融資活動所得現金淨額	1,327,034	61,207
Net increase in cash and cash equivalents	現金及現金等價物淨額增加	1,724,893	1,697
Cash and cash equivalents at beginning of the year	年初現金及現金等價物	67,265	65,568
Cash and cash equivalents at end of the year	年末現金及現金等價物	1,792,158	67,265
	18		

Consolidated Cash Flow Statement (Continued) 綜合現金流量表(續)

For the year ended 31 December 2007 截至二零零七年十二月三十一日止年度

Major non-cash transactions

- (i) On 16 April 2007, the Board of Directors (“the Board”) passed a resolution to capitalise an amount due to Boom Instant Limited (“Boom Instant”) of RMB191,258,000 by the allotment of 90,000,000 shares of HK\$0.1 each, credited as fully paid. Upon the issue of the said shares, the amount due to Boom Instant of RMB191,258,000 was extinguished and cancelled.
- (ii) Pursuant to the resolutions in writing of the then sole shareholder of the Company passed on 8 September 2007, the Company issued 650,000,000 shares of HK\$0.1 each. This issue was by way of the capitalisation of a sum of RMB62,900,000 standing to the credit of the share premium account of the Company.

主要非現金交易

- (i) 於二零零七年四月十六日，董事會（「董事會」）通過決議案透過配發90,000,000股每股面值0.1港元的入賬列作繳足股份，將應付予Boom Instant Limited（「Boom Instant」）人民幣191,258,000元的款項資本化。發行有關股份後，應付Boom Instant的款項人民幣191,258,000元已註銷。
- (ii) 根據本公司當時唯一股東於二零零七年九月八日通過的書面決議案，本公司發行650,000,000股每股面值0.1港元的股份。是次發行以將本公司股份溢價賬人民幣62,900,000元之進賬總額撥充資本的方式進行。

The notes on pages 67 to 132 form part of these financial statements.

於第67至132頁的附註構成此等財務報表的一部份。

Notes to the Financial Statements

財務報表附註

(Expressed in Renminbi unless otherwise stated)

(除另有註明者外，以人民幣列值)

1. General information and basis of presentation

Qunxing Paper Holdings Company Limited (“the Company”) was incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (collectively referred to as “the Group”) are principally engaged in manufacturing and trading of decorative base paper products and printing paper product.

Pursuant to a reorganisation (“the Reorganisation”) of the Group, the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group in preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). Details of the Reorganisation are set out in the prospectus of the Company dated 17 September 2007 (“the Prospectus”).

The shares of the Company were listed on the Stock Exchange on 2 October 2007.

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2007 and the comparatives have been prepared as if the current group structure had been in existence throughout the years presented.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations, issued by the International Accounting Standards Board (“IASB”).

1. 一般資料及呈列基準

群星紙業控股有限公司(「本公司」)於二零零六年九月五日根據開曼群島公司法第22章(一九六一年法例3，經綜合及修訂)，在開曼群島註冊成立為一間獲豁免有限公司。本公司及其附屬公司(統稱為「本集團」)主要從事製造及銷售裝飾原紙產品及印刷用紙產品。

根據本集團的重組(「重組」)，本公司收購受共同控制實體的股本權益，成為現時組成本集團的附屬公司的控股公司，以籌備本公司的股份在香港聯合交易所有限公司(「聯交所」)主板上市。重組的詳情載於本公司日期為二零零七年九月十七日的招股章程(「招股章程」)。

本公司的股份於二零零七年十月二日在聯交所上市。

本集團被視為經受共同控制公司重組而成的持續經營實體。因此，本集團於截至二零零七年十二月三十一日止年度的綜合財務報表及比較數字，乃假設目前的集團架構於所呈列的年度一直存在而編製。

2. 主要會計政策

(a) 合規聲明

此等財務報表乃按照國際財務報告準則(「國際財務報告準則」)而編製，國際財務報告準則此統稱包括國際會計準則委員會(「國際會計準則委員會」)頒佈的所有適用的個別國際財務報告準則、國際會計準則(「國際會計準則」)及詮釋。

2. Significant accounting policies (Continued)**(a) Statement of compliance (Continued)**

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries.

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. 主要會計政策(續)**(a) 合規聲明(續)**

此等財務報表亦符合香港公司條例的披露規定及聯交所證券上市規則的適用披露規定。本集團所採納的主要會計政策概要載於下文。

國際會計準則委員會頒佈了若干於本集團及本公司現行會計期間首次生效或可供提早採納的新增及經修訂的國際財務報告準則。採納此等新增及經修訂的國際財務報告準則並無對應用於呈報年度的此等財務報表的本集團會計政策造成重大變動。本集團並無應用任何於現行會計期間仍未生效的新準則或詮釋(見附註32)。

(b) 編製基準

截至二零零七年十二月三十一日止年度的綜合財務報表涉及本公司及其附屬公司。

財務報表以人民幣(「人民幣」)呈列，湊整至最接近千元計算。編製財務報表時使用的計量基準為歷史成本基準。

管理層在編製符合國際財務報告準則的財務報表時，須作出可影響會計政策應用及資產和負債、收入和支出的呈報金額的判斷、估計和假設。該等估計和相關假設是根據過往經驗和管理層因應當時情況認為合理的各種其他因素為基礎。而所得結果是用作判斷該等無法從其他渠道直接獲得的資產和負債項目的賬面值的依據。實際結果可能有別於估計的金額。

2. Significant accounting policies (Continued)

(b) Basis of preparation (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

2. 主要會計政策(續)

(b) 編製基準(續)

管理層會持續審閱各項估計和相關假設。倘若會計估計的修訂僅對作出修訂的期間產生影響，則有關修訂會在該期間內確認；倘若修訂對現時及未來期間均有產生影響，則在作出修訂的期間和未來期間確認。

有關管理層在採用國際財務報告準則時所作出對財務報表有重大影響的判斷，以及對極可能在下年度構成重大調整風險的估計的討論內容，載列於附註31。

(c) 綜合基準

(i) 附屬公司

附屬公司是指本集團控制的實體。倘本集團有權支配一間實體的財務和經營政策，並藉此從其業務中取得利益，本集團便被視為擁有該實體的控制權。在評估控制權時，將會考慮目前可行使的潛在投票權。附屬公司的財務報表由擁有控制權當日起計入財務報表直至控制權結束為止。

(ii) 綜合賬目時抵銷的交易

集團內公司間的結餘和交易及集團內公司間交易所產生的任何未變現溢利，會在編製綜合財務報表時全數抵銷。集團內公司間交易所產生的未變現虧損的抵銷方法與未變現收益相同，但抵銷額只限於沒有證據顯示已出現減值的部份。

在本公司的資產負債表內，於附屬公司的投資按成本減除減值虧損列賬(見附註2(h))。

2. Significant accounting policies (Continued)

(c) Basis of consolidation (Continued)

(iii) *Business combinations involving entities under common control*

The consolidated financial statements incorporate the financial statements of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities or businesses are recognised at the carrying values prior to the common control combination.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under the control of the controlling parties, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated balance sheet are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under control of the controlling parties, whichever is shorter.

(d) Lease prepayments

Lease prepayments represent payments made to acquire leasehold land. Leasehold land is carried at cost less accumulated amortisation and impairment losses (see note 2(h)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the leases.

2. 主要會計政策(續)

(c) 綜合基準(續)

(iii) 涉及受共同控制實體的業務合併

綜合財務報表包含被合併實體或業務的財務報表，猶如該等實體或業務自控制方首次予以控制當日起已被合併。

合併實體或業務的淨資產按受共同控制實體業務合併前的賬面值確認。

綜合收益表包括每個合併實體或業務由最早呈列日期起或由合併實體或業務首次受控制方控制(以較短期間者為準，而不論共同控制實體業務合併的日期)起的業績。

綜合資產負債表中比較金額的呈列乃假設該等實體或業務於之前的結算日或其首次受控制方控制時(以較短期間者為準)已被合併。

(d) 租賃預付款項

租賃預付款項是收購租賃土地而支付的費用。租賃土地按成本減累計攤銷和減值虧損(見附註2(h))列賬。攤銷費用在租賃期內以直線法於損益表中扣除。

2. Significant accounting policies (Continued)**(e) Property, plant and equipment**

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings	40 years
- Plant and machinery	10 – 20 years
- Motor vehicles	10 years
- Furniture and fixtures	2 – 10 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the balance sheet at cost less impairment losses (see note 2(h)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

2. 主要會計政策(續)**(e) 物業、廠房及設備**

物業、廠房及設備是以成本減累計折舊及減值虧損(見附註2(h))於資產負債表列賬。

報廢或出售物業、廠房及設備項目所產生的損益以出售所得款項額與項目賬面值之間的差額釐定，並於報廢或出售日期在損益表中確認。

物業、廠房及設備項目的折舊是以直線法在以下預計可使用年內沖銷其成本(已扣除估計剩餘價值(如有))計算：

- 樓宇	40年
- 廠房及機器	10–20年
- 汽車	10年
- 傢俬及裝置	2–10年

本集團會每年審閱資產的可使用年限及其剩餘價值(如有)。

(f) 在建工程

在建工程是在建中的物業、廠房及設備以及有待安裝的設備，並在資產負債表按成本減去減值虧損(見附註2(h))初步確認。成本包括施工時的直接成本。當絕大部份為準備該資產可投入擬定用途的活動完成時，此等成本將停止資本化，而在建工程會被轉撥至物業、廠房及設備。

在建工程於竣工及接近可作其擬定用途前，並不計提任何折舊。

2. Significant accounting policies (Continued)**(g) Operating lease charges**

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(h) Impairment of assets*(i) Impairment of trade and other receivables*

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2. 主要會計政策(續)**(g) 經營租賃費用**

當本集團透過經營租賃使用資產，則根據租賃支付的款項會在租賃年期所涵蓋的會計期間內按等額在損益表內扣除；但如有其他基準能夠更清楚反映租賃資產所產生的收益模式時則除外。已收租賃優惠均計入損益表內，確認為租賃淨付款總額的組成部份。

(h) 資產減值*(i) 應收貿易賬款及其他應收款項的減值*

本集團於每個結算日評估以成本或經攤銷成本列賬的應收賬款，以確定是否存在減值的客觀證據。減值的客觀證據包括本集團注意到以下一項或多項虧損事項的顯著數據：

- 債務人有重大財務困難；
- 違反合約，如拖欠利息或本金的償還；
- 債務人可能破產或進行其他財務重組；及
- 科技、市場、經濟或法律環境有重大的改變而對債務人有不利影響。

2. Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(i) *Impairment of trade and other receivables (Continued)*

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. 主要會計政策(續)

(h) 資產減值(續)

(i) *應收貿易賬款及其他應收款項的減值(續)*

倘有任何該等證據存在，減值虧損按資產賬面值與估計未來現金流量現值的差額釐定及確認，如貼現影響屬重大，則按金融資產原來實際利率(即初始確認該等資產時計算的實際利率)貼現。如按攤銷成本列賬的金融資產具備類似的風險特徵，例如類似的逾期情況及並未單獨被評估為減值，則有關的評估會同時進行。同時進行評估的金融資產的未來現金流量會根據與被評估資產具有類似信貸風險特徵資產的過往虧損情況來一同減值。

倘減值虧損金額其後減少，且該等減少可客觀地與減值虧損確認後發生的事件聯繫，則減值虧損將在損益表撥回。減值虧損的撥回額不得導致資產的賬面值超過假設該資產於以往年度從來未確認減值虧損情況下確認的賬面值。

2. Significant accounting policies (Continued)**(h) Impairment of assets (Continued)****(i) Impairment of trade and other receivables (Continued)**

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- construction in progress; and
- investment in a subsidiary.

2. 主要會計政策(續)**(h) 資產減值(續)****(i) 應收貿易賬款及其他應收款項的減值(續)**

因包含在應收貿易賬款及其他應收款項中的應收貿易賬款的可收回性被視為難以預料而並非微乎其微，就其確認的減值虧損不會從相應的資產中直接撤銷。相反，就其他資產確認的減值虧損應從相應的資產中直接撤銷。在此情況下，呆壞賬的減值虧損以撥備賬記錄。倘本集團確認能收回應收賬款的機會微乎其微，則視為不可收回金額會從應收貿易賬款中直接撤銷，而在撥備賬中持有有關該債務的任何金額會被撥回。若之前計入撥備賬的款項在其後收回，則相關的撥備會被撥回。其他有關撥備賬及其後收回之前直接撤銷的金額的變動均計入損益表。

(ii) 其他資產減值

本集團會於各結算日審閱內部和外來的信息來源，以辨識下列資產是否有可能出現減值跡象，或是以往確認的減值虧損是否已不再存在或可能有所減少：

- 物業、廠房及設備；
- 租賃預付款項；
- 在建工程；及
- 於附屬公司的投資。

2. Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. 主要會計政策(續)

(h) 資產減值(續)

(ii) 其他資產減值(續)

如果出現任何減值跡象，便會對資產的可收回金額作出估計。

– 可收回金額的計算

資產的可收回金額是其售價淨額與使用價值兩者之間的較高者。在評估使用價值時，估計未來現金流量會按可反映當時市場對貨幣時間值及該資產特定風險的稅前貼現率貼現至其現值。倘若資產產生現金流入大致上不能獨立於其他資產所產生的現金流入，則就能夠獨立產生現金流入的最小資產組別(即現金產生單位)來釐定可收回金額。

– 減值虧損的確認

當資產或其所屬的現金產生單位的賬面值高於其可收回金額時，便會在損益表中確認減值虧損。就現金產生單位確認的減值虧損會予以分配，以按比例減去該單位(或一組單位)中資產的賬面值，但資產賬面值不會減少至低於其個別公平值減銷售成本或其使用價值(如可確定)。

2. Significant accounting policies (Continued)**(h) Impairment of assets (Continued)***(ii) Impairment of other assets (Continued)*

- Reversals of impairment losses
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. 主要會計政策(續)**(h) 資產減值(續)***(ii) 其他資產減值(續)*

- 減值虧損的撥回
倘若用作釐定資產可收回金額的估算出現正面的變動，則有關的減值虧損會被撥回。

所撥回的減值虧損，以假設於以往年度並無確認減值虧損而應釐定的資產賬面值為限。所撥回的減值虧損於確認撥回年度計入損益表。

(i) 存貨

存貨以成本及可變現淨值兩者之間的較低者入賬。

成本按加權平均成本法計算，其中包括所有採購成本、轉換成本及將存貨運至現址及變成現狀所產生的其他成本。

可變現淨值乃日常業務過程中的估計售價減去完成生產及銷售所需的估計成本。

存貨出售時，存貨的賬面值在相關收入獲確認的期間內確認為開支。存貨撇減至可變現淨值及存貨的所有虧損均在出現撇減或虧損期間確認為開支。因撇減任何存貨而撥回的金額在撥回期間確認為列作支出的存貨全額減少。

2. Significant accounting policies (Continued)**(j) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently stated at amortised cost less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2. 主要會計政策(續)**(j) 應收貿易賬款及其他應收款項**

應收貿易賬款及其他應收款項初步按公平值確認，其後則按攤銷成本減去呆壞賬減值撥備(見附註2(h))入賬；惟倘應收款項乃給予關連方的無固定還款期免息貸款或其貼現影響並不重大者，則應收款項則會按成本減去呆壞賬減值撥備入賬。

(k) 計息借款

計息借款初步按其公平值減應佔交易成本確認。於初始確認後，計息借款按攤銷成本列賬，而初始確認金額與贖回價值之間的差額及任何應付利息及費用，則於借款期間按實際利息法在損益表內確認。

(l) 應付貿易賬款及其他應付款項

應付貿易賬款及其他應付款項初步按公平值確認，其後按攤銷成本入賬；但如貼現影響並不重大，則按成本入賬。

(m) 現金及現金等價物

現金及現金等價物包括銀行存款及手頭現金、存放於銀行及其他財務機構的活期存款，以及短期和高流通性的投資。此等投資可以隨時換算為已知的現金額，而價值變動方面的風險並不重大，並在購入後三個月內到期。

2. Significant accounting policies (Continued)**(n) Employee benefits**

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.
- (iii) The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2. 主要會計政策(續)**(n) 僱員福利**

- (i) 薪金、年終花紅、有薪年假、向定額供款退休計劃作出的供款及非現金福利的成本，均在僱員提供服務的年度內計提。若有關的付款延遲及其影響重大，則該數額以現值列賬。
- (ii) 根據中國相關勞動規則及法規向適當的地方定額供款退休計劃作出的供款，於供款時在損益表確認為開支，但已計入存貨成本且尚未確認為開支的金額除外。
- (iii) 授予僱員的購股權公平值作為僱員成本確認入賬，並會相應增加權益內的資本儲備。公平值於授出日期採用二項式點陣模式，經考慮授出購股權的條款及條件計量。倘僱員於無條件有權獲授購股權前符合歸屬條件，購股權的估計總公平值經考慮購股權歸屬的可能性後，於歸屬期內分攤。

2. Significant accounting policies (Continued)**(n) Employee benefits (Continued)****(iii) (Continued)**

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. 主要會計政策(續)**(n) 僱員福利(續)****(iii) (續)**

歸屬期內會審閱預期將會歸屬的購股權數目。凡對過往年度已確認的累計公平值作出的調整，須扣自／計入回顧年度的損益表，並會對資本儲備作出相應調整，惟合資格確認為資產的原有僱員開支則除外。於歸屬日期，已確認為開支的款額會作出調整，以反映實際歸屬的購股權數目，並會對資本儲備作出相應調整，惟只因未能達成有關本公司股份市價的歸屬條件而沒收的情況則除外。權益數額在資本儲備內確認，直至購股權於轉撥至股份溢價賬時獲行使或購股權直接自留存溢利解除時到期為止。

(o) 所得稅

(i) 本年度所得稅包括即期稅項和遞延稅項資產與負債的變動。即期稅項和遞延稅項資產與負債的變動均在損益表內確認，但直接在權益中確認的相關項目，則確認為權益。

(ii) 即期稅項是按本年度應課稅收入根據在結算日已生效或實質上已生效的稅率計算的預期應付所得稅，以及對過往年度應付所得稅的任何調整。

2. Significant accounting policies (Continued)

(o) Income tax (Continued)

- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. 主要會計政策(續)

(o) 所得稅(續)

- (iii) 遞延稅項資產與負債分別由可扣稅和應課稅暫時差額產生。暫時差異是指資產與負債在財務報表上的賬面值與這些資產與負債的計稅基礎的差額。遞延稅項資產亦可由未使用稅項虧損和未使用稅款抵免產生。

除於首次確認資產及負債所產生的差額外，所有遞延稅項負債及所有遞延稅項資產以只限於有可能產生未來應課稅溢利用作抵扣有關資產為限而會確認。支持確認由可抵扣暫時差額所產生遞延稅項資產的未來應課稅溢利，包括因轉回現有應課稅暫時差額而產生的金額，惟差額須與相同稅務機關及相同應課稅實體有關，並預期在預計轉回可抵扣暫時差額的同一期間轉回，或在遞延稅項資產所產生的稅項虧損可承前或結轉的期間內轉回。在判斷現有應課稅暫時差額是否足以支持確認因未動用稅項虧損及抵免所產生的遞延稅項資產時，亦會採用相同準則。即如差額與相同稅務機關及相同應課稅實體有關，並預期在稅項虧損或抵免可被動用的同一期間內轉回情況下始會計入有關差額。

2. Significant accounting policies (Continued)**(o) Income tax (Continued)****(iii) (Continued)**

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2. 主要會計政策(續)**(o) 所得稅(續)****(iii) (續)**

所確認的遞延稅項金額按照各資產及負債項目賬面值的預期變現或償還方式並根據在結算日已生效或實質上已生效的稅率計算。遞延稅項資產及負債均不予貼現。

遞延稅項資產的賬面值會於每一個結算日予以評估。倘預計不再可能獲得足夠的應課稅溢利用以抵銷相關稅務利益，則遞延稅項資產會相應地被減少至其預期可實現的金額。如可能有足夠應課稅溢利，該減少金額將被撥回。

(iv) 即期稅項結餘及遞延稅項結餘以及有關變動均獨立呈列及不予抵銷。倘本公司或本集團具備合法可強制執行權力將即期稅項資產與即期稅項負債抵銷，且符合以下額外條件，則即期稅項資產與即期稅項負債可以相抵，而遞延稅項資產則與遞延稅項負債可以相抵：

- 就即期稅項資產及負債而言，本公司或本集團擬按淨值基準結算或同時變現資產及清償負債；或

2. Significant accounting policies (Continued)**(o) Income tax (Continued)****(iv) (Continued)**

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2. 主要會計政策(續)**(o) 所得稅(續)****(iv) (續)**

- 就遞延稅項資產及負債而言，倘此等資產及負債與相同稅務機構就以下其中一項徵收的所得稅有關：
 - 相同應課稅實體；或
 - 如屬不同應課稅實體，此等實體計劃在清償或收回遞延稅項負債或資產的重大金額期間變現即期稅項資產和清償即期稅項負債時以淨值基準結算或同時變現資產及清償負債。

(p) 撥備及或然負債

倘本集團或本公司須就已發生的事件承擔法律或推定責任時，可能須就清償責任而導致經濟利益外流，則在可以作出可靠的估計時，便會就該未能確定時間或數額的負債計提撥備。如果貨幣的時間價值重大，則按預計履行責任所需支出的現值計列撥備。

2. Significant accounting policies (Continued)**(p) Provisions and contingent liabilities (Continued)**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) *Sale of goods*
Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.
- (ii) *Interest income*
Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

The functional and presentation currency of the Group is Renminbi.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

2. 主要會計政策(續)**(p) 撥備及或然負債(續)**

倘因事件而引致經濟利益外流的機會不大，或是無法對有關數額作出可靠的估計，便有需要將有關責任披露為或然負債，但付出經濟效益的可能性極低則除外。如果本集團的責任須視乎某宗或多宗未來事件是否發生才能確定是否存在，亦會被露為或然負債，但付出經濟效益的可能性極低則除外。

(q) 收益確認

如果經濟利益可能流入本集團，而收益及成本(如適用)又能夠可靠地計算時，收益便會根據下列基準在損益表內確認：

- (i) *銷售貨品*
收益於客戶接納貨品所有權的有關風險及回報時確認。收益不包括增值稅或其他銷售稅，並已扣除任何營業折扣。
- (ii) *利息收入*
利息收入於應計時以實際利率法確認。

(r) 外幣換算

本集團的功能及呈列貨幣為人民幣。

年內的外幣交易以交易日的匯率換算。以外幣計值的貨幣資產及負債均以結算日的匯率換算。匯兌盈虧於損益表內確認。

2. Significant accounting policies (Continued)**(r) Translation of foreign currencies (Continued)**

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(t) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognised as an expense in the period in which it is incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(u) Repair and maintenance expenditure

Repair and maintenance expenditure, including cost of overhaul, is expensed as incurred.

2. 主要會計政策(續)**(r) 外幣換算(續)**

按歷史成本以外幣計值的非貨幣資產及負債，按交易日的匯率換算。

中國境外業務的業績按與交易日的相若匯率換算為人民幣。資產負債表項目則按結算日公佈的匯率換算為人民幣。所產生的匯兌差額於權益的獨立項目內直接確認。

出售中國境外業務時，在權益內確認並與該海外業務相關的匯兌差額累計金額在計算出售損益時包括在內。

(s) 借貸成本

借貸成本於產生期間在損益表列為開支。

(t) 研究及開發

研究活動開支於產生期間確認為開支。開發活動開支於產品或程序在技術及商業上變為可行，且本集團擁有足夠資源及有意完成開發時撥充資本。其他開發開支於產生期間確認為開支。過往確認為開支的開發成本不會於往後期間確認為資產。

(u) 維修及保養支出

維修及保養支出(包括檢修成本)於產生時入賬。

2. Significant accounting policies (Continued)**(v) Related parties**

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. 主要會計政策(續)**(v) 關連方**

就此等財務報表而言，如果符合任何下列一項，則被視為本集團的關連方：

- (i) 該方能夠透過一間或多間中介機構直接或間接控制本集團，或能對本集團的財務和經營決策行使重大影響力，或共同控制本集團；
- (ii) 本集團及該方受共同控制；
- (iii) 該方為本集團的聯營公司或以本集團為合營夥伴的合營企業；
- (iv) 該方為本集團或本集團母公司的主要管理人員或該主要管理人員的近親，或受該人士控制、共同控制或受其重大影響的實體；
- (v) 該方為(i)所述人士的近親，或受該人士控制、共同控制或受其重大影響的實體；或
- (vi) 該方為本集團或本集團關連方的任何實體的僱員提供福利而設的離職後福利計劃。

任何個別人士的近親是指與該實體交易時預期可影響該個別人士或受該個別人士影響的家庭成員。

2. Significant accounting policies (Continued)

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates in a single business segment, the manufacturing and trading of decorative base paper products and printing paper product in the PRC. Accordingly, no segmental analysis is presented.

3. Turnover

The principal activities of the Group are the manufacturing and trading of decorative base paper products and printing paper product in the PRC. Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes, which may be analysed as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Decorative base paper products	裝飾原紙產品	868,267	834,160
Printing paper product	印刷用紙產品	257,257	116,684
		1,125,524	950,844

2. 主要會計政策(續)

(w) 分部報告

分部是指本集團內可明顯劃分的組成部份，並且負責提供產品(業務分部)，或在特定的經濟環境中提供產品或服務(地區分部)。每個分部所涉及的風險和回報均與其他分部有別。

本集團經營單一業務分部，於中國製造及銷售裝飾原紙產品及印刷用紙產品。因此，本集團並無呈列分部分析。

3. 營業額

本集團主要於中國從事製造及銷售裝飾原紙產品及印刷用紙產品的業務。營業額指已售貨品銷售額扣除退貨、折扣、增值稅及其他銷售稅，其可分析如下：

4. Other revenue and net loss

4. 其他收益及虧損淨額

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Other revenue	其他收益		
Interest income on financial assets not at fair value through profit or loss	非按公平值計入 損益的財務資產利息收入		
– Interest income from banks	– 銀行利息收入	15,006	726
– Interest income from subscription monies upon public offering	– 來自公開發售 認購款項的利息收入	106,946	–
		121,952	726
Other net loss	其他虧損淨額		
Loss on disposal of property, plant and equipment	出售物業、廠房及設備 虧損	103	–
Net foreign exchange loss	外匯虧損淨額	524	–
		627	–

5. Profit before taxation

5. 除稅前溢利

Profit before taxation is arrived at after charging:

除稅前溢利已扣除：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
(a) Finance costs:	(a) 融資成本：		
Interest on financial liabilities not at fair value through profit or loss	非按公平值計入 損益的財務負債利息		
– Interest on bank borrowings wholly repayable within five years	– 於五年內全數償還 的銀行貸款利息	21,065	20,625
(b) Staff costs (including directors' remuneration (note 7)):	(b) 員工成本(包括董事酬金 (附註7))：		
Contributions to defined contribution retirement plans	定額供款退休金 計劃供款	1,798	2,058
Salaries, wages and other benefits	薪金、工資及其他福利	25,645	18,732
		27,443	20,790

5. Profit before taxation (Continued)**(b) Staff costs (including directors' remuneration (note 7)):**
(Continued)

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme ("the Scheme") organised by the local authority whereby the PRC subsidiary is required to make contributions to the Scheme at a fixed amount announced annually by the municipal government. The municipal government is responsible for the entire pension obligations payable to the retired employees.

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administrated by an independent trustee. Under the MPF Scheme, both the Group and the employees are mandatory to make regular contributions into the MPF Scheme. The Group is required to contribute an amount equivalent to 5% of the employees' relevant income to the MPF Scheme, subject to the maximum level of relevant income of HK\$20,000 per month. Mandatory contributions to the MPF Scheme are vested immediately.

The Group has no other material obligation for the payment of pension benefits associated with the two schemes referred to above beyond the annual contributions described above.

5. 除稅前溢利(續)**(b) 員工成本(包括董事酬金(附註7)):**
(續)

根據中國的相關勞工規則及法規，中國附屬公司參與地方當局組織的定額供款退休福利計劃(「計劃」)，據此，中國附屬公司須根據市政府每年公佈的定額供款額就計劃作出供款。市政府承擔應付退休僱員的全部退休金責任。

本集團根據香港強制性公積金計劃條例向其在香港根據僱傭條例聘用的僱員提供強制性公積金計劃(「強積金計劃」)。強積金計劃的資產與本集團的資產分開持有，由獨立信託人管理。根據強積金計劃，本集團及其僱員均須定期作出供款，本集團的供款額相當於僱員有關收入的5%，以月薪20,000港元為上限。向計劃作出的強制性供款即時歸屬。

除上文所述兩個計劃下的每年供款外，本集團概無其他與該兩個計劃相關的重大退休金福利支付責任。

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
(c) Other items:	(c) 其他項目：		
Amortisation of lease prepayments	租賃預付款項攤銷	186	-
Auditors' remuneration	核數師酬金	1,212	6
Depreciation	折舊	57,075	47,983
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	103	-
Operating lease charges in respect of leasehold land and properties	與租賃土地及物業有關的經營租賃費用	960	1,200
Sewage disposal expenses	排污費	107	72
Research and development costs	研發成本	797	1,216

6. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Current tax – PRC income tax	即期稅項 – 中國所得稅		
Provision for the year	本年度撥備	-	48,755

- | | |
|--|---|
| <p>(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.</p> | <p>(i) 根據開曼群島及英屬處女群島(「英屬處女群島」)的規則及法規，本集團無須繳納開曼群島及英屬處女群島的任何所得稅。</p> |
| <p>(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the year.</p> | <p>(ii) 於本年度，由於本集團並無賺取任何須繳納香港利得稅的應課稅溢利，因此並無就香港利得稅計提撥備。</p> |
| <p>(iii) Pursuant to the income tax rules and regulations of the PRC, Shandong Qunxing Paper Limited (“Shandong Qunxing”) was liable to PRC income tax at a rate of 33% for the year ended 31 December 2006. As Shandong Qunxing became a foreign investment enterprise on 16 August 2006, it has been granted certain tax relief whereby it is fully exempted from PRC income tax for the two years starting from 1 January 2007 to 31 December 2008, followed by a 50% reduction in PRC income tax rate for the three years from 1 January 2009 to 31 December 2011.</p> | <p>(iii) 根據中國所得稅規則及法規，截至二零零六年十二月三十一日止年度，山東群星紙業有限公司(「山東群星」)須按33%的稅率繳納中國所得稅。由於山東群星於二零零六年八月十六日成為外資企業，因此其獲批若干稅務寬減，包括自二零零七年一月一日至二零零八年十二月三十一日兩年間獲豁免繳納中國所得稅，以及於二零零九年一月一日至二零一一年十二月三十一日三年間減免50%的中國所得稅稅率。</p> |

6. 綜合損益表內的所得稅

(a) 綜合損益表內所得稅為：

6. Income tax in the consolidated income statement (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iii) (Continued)

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises, except for small-scale enterprises earning small profit, where the tax rate is reduced to 20%.

Under the grandfathering treatments of the New Tax Law ("Grandfathering Treatments"), Shandong Qunxing, which has not fully utilised its five-year tax holiday upon implementation of the New Tax Law, will be allowed to continue to receive such a tax holiday during the five-year grandfathering period. Accordingly, Shandong Qunxing is exempted from PRC income tax for the two years starting from 1 January 2007 to 31 December 2008, followed by a reduced PRC income tax rate at 12.5% for the remaining three years from 1 January 2009 to 31 December 2011.

Under the New Tax Law, dividends received by foreign investors from its investment in foreign-invested enterprises are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to the Grandfathering Treatments, dividends receivable by the Group from Shandong Qunxing in respect of its undistributed profits prior to 31 December 2007 are exempted from the withholding tax. Dividends receivable by the Group from Shandong Qunxing in respect of its profits earned since 1 January 2008 will be subject to the withholding tax.

6. 綜合收益表內的所得稅(續)

(a) 綜合收益表內所得稅為：(續)

(iii) (續)

於二零零七年三月十六日，第十屆全國人民代表大會五中全會通過中華人民共和國企業所得稅法(「新稅法」)。新稅法於二零零八年一月一日生效。除了賺取小額溢利的小規模企業的所得稅稅率調低至20%外，中國所有企業的所得稅稅率一律統一為25%。

根據新稅法的稅務優惠過渡辦法(「稅務優惠過渡辦法」)，山東群星於實施新稅法時未完成享有五年稅務優惠期，可於五年稅務優惠過渡期內繼續享有該稅務優惠期。因此，山東群星自二零零七年一月一日至二零零八年十二月三十一日兩年間獲豁免繳納中國所得稅，以及於二零零九年一月一日至二零一一年十二月三十一日餘下三年間按12.5%的減稅率繳納中國所得稅。

根據新稅法，除非獲條約減免，否則外國投資者投資於外資企業所獲派付的股息須按10%繳納扣繳稅。根據稅務優惠過渡辦法，本集團從山東群星就其二零零七年十二月三十一日前未分配溢利應收的股息可獲豁免繳納扣繳稅。本集團從山東群星就其自二零零八年一月一日起所賺取的溢利應收的股息將須繳納扣繳稅。

6. Income tax in the consolidated income statement (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iii) (Continued)

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Profit before taxation	除稅前溢利	350,572	142,692
Income tax on profit before taxation, calculated at the tax rates applicable in the respective tax jurisdictions concerned	按相關稅務司法權區所適用稅率計算的除稅前溢利所得稅	97,267	47,131
Tax effect of tax concession period	稅務優惠期間的稅務影響	(78,021)	-
Tax effect of non-deductible expenses	不可扣稅開支的稅務影響	1,866	1,624
Tax effect of non-taxable income	毋須課稅收入的稅務影響	(21,112)	-
Actual tax expense	實際稅項開支	-	48,755

6. 綜合收益表內的所得稅(續)

(a) 綜合收益表內所得稅為：(續)

(iii) (續)

新稅法的頒佈預期不會對資產負債表中即期應付稅項的應計金額產生任何財務影響。

(b) 按適用稅率計算的稅項開支與會計溢利的對賬：

7. Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2007

7. 董事酬金

根據香港公司條例第161條所披露的董事酬金如下：

截至二零零七年十二月三十一日止年度

		Directors' fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Bonuses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors	執行董事					
Dr ZHU Yu Guo	朱玉國博士	175	99	2	-	276
Mr ZHU Mo Qun	朱墨群先生	175	80	2	-	257
Mr SUN Zhen Shui	孫振水先生	88	-	-	-	88
Non-executive director	非執行董事					
Ms SUN Rui Fang	孫瑞芳女士	18	-	-	-	18
Independent non-executive directors	獨立非執行董事					
Mr ZHAO Wei	趙偉先生	29	-	-	-	29
Mr WANG Lu	王魯先生	29	-	-	-	29
Mr KWONG Kwan Tong	鄭焜堂先生	44	-	-	-	44
Total	合計	558	179	4	-	741

7. Directors' remuneration (Continued)

Year ended 31 December 2006

7. 董事酬金(續)

截至二零零六年十二月三十一日止年度

		Directors' fees	Basic salaries, allowances and other benefits in kind	Contributions to retirement benefit scheme	Bonuses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors	執行董事					
Dr ZHU Yu Guo	朱玉國博士	-	121	3	-	124
Mr ZHU Mo Qun	朱墨群先生	-	97	3	-	100
Mr SUN Zhen Shui	孫振水先生	-	-	-	-	-
Non-executive director	非執行董事					
Ms SUN Rui Fang	孫瑞芳女士	-	-	-	-	-
Independent non-executive directors	獨立非執行董事					
Mr ZHAO Wei	趙偉先生	-	-	-	-	-
Mr WANG Lu	王魯先生	-	-	-	-	-
Mr KWONG Kwan Tong	鄺焜堂先生	-	-	-	-	-
Total	合計	-	218	6	-	224

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

在本年度，本集團概無已付或應付董事或下文附註8所述五名最高薪酬人士中任何人士酬金以吸引彼等加盟本集團或加入後的獎金或作為離職補償。在本年度，概無訂立安排以致董事放棄或同意放棄任何酬金。

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2006: two) were also directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2006: three) individuals are as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Salaries and other emoluments	薪金及其他酬金	1,037	220
Discretionary bonuses	酌情花紅	-	-
Contribution to defined contribution retirement plan	定額供款退休金計劃供款	23	8
		1,060	228

The emoluments of the two individuals (2006: three) with the highest emoluments are within the following band:

		Number of individuals 人數	
		2007 二零零七年	2006 二零零六年
RMB Nil to RMB1,000,000	人民幣零元至人民幣一百萬元	2	3

9. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB116,254,000 (2006: loss of RMB84,000) which has been dealt with in the financial statements of the Company.

**10. Dividends
Dividends payable to equity shareholders of the Company attributable to the year**

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Final dividend proposed after the balance sheet date of RMB10.126 cents per ordinary share (2006: Nil)	於結算日後建議派付的末期股息每股普通股人民幣10.126分(二零零六年：無)	105,172	-

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8. 最高薪酬人士

五名最高薪酬人士中有3名(二零零六年：2名)亦為董事，彼等的酬金於上文附註7中披露。其他2名(二零零六年：3名)最高薪酬人士的酬金總額如下：

9. 本公司權益持有人應佔溢利

本公司權益持有人應佔綜合溢利包括溢利人民幣116,254,000元(二零零六年：虧損人民幣84,000元)，並已於本公司財務報表內處理。

10. 股息

應付本公司權益持有人年內應佔股息：

於結算日後建議派付的末期股息並未於結算日確認為負債。

11. Earnings per share**Basic earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity shareholders of the Company of RMB350,572,000 and the weighted average number of 826,562,000 ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

		2007 二零零七年 '000 千股
Issued ordinary shares at 1 January	於一月一日已發行普通股	1,000
Effect of shares issued on Reorganisation	重組時已發行股份的影響	749,000
Effect of shares issued under placing and public offering	透過配售及公開發售已發行股份的影響	76,562
Weighted average number of ordinary shares at 31 December	於十二月三十一日普通股的加權平均數	826,562

The weighted average number of the ordinary shares issued pursuant to Reorganisation is calculated as if the shares had been outstanding throughout the year.

The calculation of basic earnings per share for the year ended 31 December 2006 is based on the profit attributable to equity shareholders of the Company of RMB93,937,000 and the 750,000,000 shares (100,000,000 shares in issue as at the date of the Prospectus and 650,000,000 shares issued pursuant to capitalisation issue upon listing), as if the shares had been outstanding throughout the year.

There were no dilutive potential ordinary shares during the years presented and, therefore, diluted earnings per share is not presented.

11. 每股盈利**每股基本盈利**

截至二零零七年十二月三十一日止年度的每股基本盈利乃根據本公司權益股東應佔溢利人民幣350,572,000元以及於本年度已發行普通股的加權平均數826,562,000股計算，計算方式如下：

普通股的加權平均數

根據重組已發行普通股加權平均數乃假設股份於整個年度已發行在外計算。

截至二零零六年十二月三十一日止年度的每股基本盈利乃根據本公司權益股東應佔溢利人民幣93,937,000元，以及750,000,000股（於招股章程日期已發行股份100,000,000股以及於上市時根據資本化發行已發行股份650,000,000股）計算，猶如該等股份於整個年度一直在外流通。

於呈報年度內本公司並無潛在具有攤薄影響的普通股，故並無呈列每股攤薄盈利。

12. Property, plant and equipment The Group

12. 物業、廠房及設備 本集團

		Buildings 樓宇 RMB'000 人民幣千元	Plant and machinery 廠房及機器 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Furniture and fixtures 傢俬及裝置 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
Cost:	成本：					
At 1 January 2006	於二零零六年一月一日	36,451	301,059	935	2,588	341,033
Additions	添置	-	4,170	499	457	5,126
Transfer from construction in progress (note 14)	轉撥自在建工程 (附註14)	12,410	261,995	-	-	274,405
At 31 December 2006	於二零零六年十二月三十一日	48,861	567,224	1,434	3,045	620,564
At 1 January 2007	於二零零七年一月一日	48,861	567,224	1,434	3,045	620,564
Additions	添置	180	284	824	565	1,853
Transfer from construction in progress (note 14)	轉撥自在建工程 (附註14)	-	16,000	-	682	16,682
Disposals	出售	(108)	-	(30)	(142)	(280)
Exchange adjustments	匯兌調整	-	-	-	(4)	(4)
At 31 December 2007	於二零零七年十二月三十一日	48,933	583,508	2,228	4,146	638,815
Accumulated depreciation:	累計折舊：					
At 1 January 2006	於二零零六年一月一日	2,842	68,161	398	1,404	72,805
Charge for the year	本年度折舊	1,093	46,492	119	279	47,983
At 31 December 2006	於二零零六年十二月三十一日	3,935	114,653	517	1,683	120,788
At 1 January 2007	於二零零七年一月一日	3,935	114,653	517	1,683	120,788
Charge for the year	本年度折舊	1,161	55,445	185	284	57,075
Written back on disposals	出售時撥回	(20)	-	(12)	(36)	(68)
Exchange adjustments	匯兌調整	-	-	-	(1)	(1)
At 31 December 2007	於二零零七年十二月三十一日	5,076	170,098	690	1,930	177,794
Net book value:	賬面淨值：					
At 31 December 2006	於二零零六年十二月三十一日	44,926	452,571	917	1,362	499,776
At 31 December 2007	於二零零七年十二月三十一日	43,857	413,410	1,538	2,216	461,021

12. Property, plant and equipment (Continued)

All of the Group's buildings are situated in the PRC.

The following items of property, plant and equipment are pledged to secure certain bank loans (note 19) granted to the Group.

12. 物業、廠房及設備(續)

本集團全部樓宇均位於中國。

以下物業、廠房及設備的項目已被抵押，以為授予本集團的若干銀行貸款(附註19)提供擔保。

		The Group 本集團	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Net book value of pledged assets:	已抵押資產賬面淨值：		
Plant and machinery	廠房及機器	383,177	342,293

13. Interests in subsidiaries**13. 於附屬公司的權益**

		The Company 本公司	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Unlisted shares, at cost	非上市股份，按成本值	996	–
Amounts due from subsidiaries	應收附屬公司款項	1,264,478	–
Less: impairment loss	減：減值虧損	–	–
		1,265,474	–

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts due from subsidiaries will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

應收附屬公司的款項為無抵押、免息及無固定還款期。董事認為應收附屬公司的款項將不會於結算日起計十二個月內償還，故於資產負債表內列為非流動。

13. Interests in subsidiaries (Continued)

Details of the subsidiaries at 31 December 2007 are set out below:

Name of company 公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid up capital 已發行及 繳足資本	Percentage of equity attributable to the Company 本公司應佔 權益百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Double Nation Limited ("Double Nation")	BVI 英屬處女群島	US\$100 100美元	100%	-	Investment holding 投資控股
Best Known Group Limited ("Best Known") 慧富集團有限公司(「慧富」)	Hong Kong 香港	HK\$100 100港元	-	100%	Investment holding 投資控股
Shandong Qunxing Paper Limited ("Shandong Qunxing")* 山東群星紙業有限公司 (「山東群星」)*	PRC 中國	RMB1,290,000,000 人民幣1,290,000,000元	-	100%	Manufacture and sale of decorative base paper products and printing paper product 製造及銷售裝飾原紙 產品及印刷用紙產品
* This entity established in the PRC is a wholly foreign owned enterprise.			* 該實體為於中國成立的外商獨資企業。		

On 29 January 2007, the Company acquired the share capital of Double Nation from Boom Instant for a consideration of RMB996,000.

Registered capital of Shandong Qunxing is RMB1,294,000,000 of which RMB1,290,000,000 has been paid up by the Group as at 31 December 2007. The outstanding amount of RMB4,000,000 was subsequently paid on 4 January 2008.

13. 於附屬公司的權益(續)

於二零零七年十二月三十一日附屬公司的詳情載列如下：

於二零零七年一月二十九日，本公司從 Boom Instant 收購 Double Nation 的股本，代價為人民幣 996,000 元。

山東群星的註冊資本為人民幣 1,294,000,000 元，於二零零七年十二月三十一日，其中人民幣 1,290,000,000 元已由本集團繳足。餘額人民幣 4,000,000 元其後已於二零零八年一月四日支付。

14. Construction in progress**14. 在建工程**

		The Group 本集團		The Company 本公司
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
At 1 January	於一月一日	16,000	132,411	-
Additions	添置	167,780	157,994	200
Transfer to property, plant and equipment (note 12)	轉撥至物業、廠房及設備(附註12)	(16,682)	(274,405)	-
At 31 December	於十二月三十一日	167,098	16,000	200

Construction in progress comprises costs incurred on leasehold improvements, buildings and plant and machinery not yet completed at the balance sheet date.

在建工程包括於結算日尚未完成的租賃裝修、樓宇與廠房及機器產生的成本。

**15. Lease prepayments
The Group****15. 租賃預付款項
本集團**

		2007 二零零七年 RMB'000 人民幣千元
Cost:	成本：	
Additions	添置	11,441
At 31 December	於十二月三十一日	11,441
Accumulated amortisation:	累計攤銷：	
Charge for the year	本年度攤銷	186
At 31 December	於十二月三十一日	186
Net book value:	賬面淨值：	
At 31 December	於十二月三十一日	11,255

Lease prepayments represent the cost of the land use rights in the PRC, which expire in 2053.

租賃預付款項指於二零五三年屆滿的中國土地使用權的成本。

16. Inventories

(a) Inventories in the consolidated balance sheet comprise:

		The Group 本集團	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Raw materials and consumables	原材料及消耗品	19,316	30,426
Finished goods	製成品	16,171	20,563
		35,487	50,989

(b) An analysis of the amount of inventories recognised as an expense is as follows:

		The Group 本集團	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Carrying amount of inventories sold	已售存貨賬面值	842,055	766,727

16. 存貨

(a) 綜合資產負債表內的存貨包括：

(b) 確認為開支的存貨金額分析如下：

17. Trade and other receivables

		The Group 本集團	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Trade receivables	應收貿易賬款	50,297	80,478
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	606	1,307
Less: allowance for doubtful debts	減：呆壞賬撥備	-	-
		50,903	81,785

17. 應收貿易賬款及其他應收款項

17. Trade and other receivables (Continued)

All of the trade receivables are expected to be recovered within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

		The Group 本集團	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Current	即期	50,297	79,226
Less than one month past due	逾期少於一個月	-	1,252
		50,297	80,478

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly (see note 2(h)).

Based on past experience, the Group believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances were considered fully recoverable. The Group has not held any collateral over these balances.

17. 應收貿易賬款及其他應收款項(續)

所有應收貿易賬款預期於一年內收回。

(a) 賬齡分析

包括在應收貿易賬款及其他應收款項的應收貿易款項於結算日的賬齡分析如下：

(b) 應收貿易賬款減值

就應收貿易賬款減值虧損而言，除非本集團相信日後收回該等款項的可能性很低，否則該減值虧損會於減值撥備中獲確認，倘可收回的可能性極低，有關的減值虧損將直接於應收貿易賬款中撇銷(見附註2(h))。

根據過往經驗，由於信貸質量並未出現重大變動，且認為餘額可悉數收回，故本集團相信無須作出減值撥備。本集團並未持有有關該等應收款項的抵押品。

18. Cash and cash equivalents

		The Group 本集團		The Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Deposits with banks	銀行存款	423,721	–	423,721	–
Cash at bank and in hand	銀行存款及手頭現金	1,368,437	67,265	15,224	–
Cash and cash equivalent in the balance sheet	於資產負債表的現金及現金等價物	1,792,158	67,265	438,945	–
Cash and cash equivalent in the consolidated cash flow statement	於綜合現金流量表的現金及現金等價物	1,792,158	67,265		

As at 31 December 2007, cash in hand and cash at bank in the PRC included in the cash and cash equivalents above amounted to RMB1,350,771,000 (2006: RMB67,257,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

於二零零七年十二月三十一日，手頭現金及存放於中國的銀行存款包括於上述現金及現金等價物為人民幣1,350,771,000元(二零零六年：人民幣67,257,000元)。將款項匯出中國須受中國政府施行的外匯管制所限。

19. Bank loans

At 31 December 2007, the bank loans were repayable as follows:

		The Group 本集團	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Within one year	一年內	30,000	332,000
Over one year but within two years	超過一年但在兩年內	207,000	–
		237,000	332,000

18. 現金及現金等價物**19. 銀行貸款**

於二零零七年十二月三十一日，應予償還的銀行貸款情況如下：

Notes to the Financial Statements (Continued) 財務報表附註(續)

19. Bank loans (Continued)

At 31 December 2007, the bank loans were secured as follows:

		The Group 本集團	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Secured bank loans:	有抵押銀行貸款：		
– secured by property, plant and equipment (note 12)	– 以物業、廠房及設備抵押 (附註12)	237,000	187,000
Unsecured bank loans:	無抵押銀行貸款：		
– guaranteed by a related party (note 27)	– 由關連方擔保 (附註27)	-	145,000
		237,000	332,000

The bank loans as at 31 December 2007 were interest bearing at rates ranging from 7.23% to 8.95% per annum (2006: 6.13% to 8.93% per annum).

The guarantees provided by a related party were released on 28 September 2007.

19. 銀行貸款(續)

於二零零七年十二月三十一日，銀行貸款的抵押情況如下：

於二零零七年十二月三十一日，銀行貸款的年利率介乎7.23%至8.95% (二零零六年：年利率介乎6.13%至8.93%)。

由關連方提供的擔保於二零零七年九月二十八日解除。

20. Trade and other payables

		The Group 本集團		The Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Trade payables	應付貿易賬款	61,120	53,979	-	-
Other payables and accruals	其他應付款項及預提費用	168,284	25,034	2,186	-
		229,404	79,013	2,186	-

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date. The credit periods granted by suppliers generally are not more than 30 days.

20. 應付貿易賬款及其他應付款項

包含在應付貿易賬款及其他應付賬款項中的應付貿易賬款於結算日賬齡分析如下。各供應商授予的信貸期一般不多於30日。

20. Trade and other payables (Continued)**20. 應付貿易賬款及其他應付款項**
(續)

		The Group 本集團	
		2007 二零零七年	2006 二零零六年
		RMB'000 人民幣千元	RMB'000 人民幣千元
Due within 30 days	30日內到期	61,120	53,979

All of the trade and other payables are expected to be settled within one year, apart from retention monies payable in respect of the construction of production lines of RMB8,339,000 (2006: Nil) which are expected to be settled after one year.

除就建造生產線的應付保留款項人民幣8,339,000元(二零零六年：無)預期於一年後償付外，所有應付貿易賬款及其他應付款項預期於一年內償付。

21. Amounts due from a director and related parties

The amounts due from a director and related parties as at 31 December 2006 represented operating expenses paid by the Group on their behalf. These balances were recovered during the year ended 31 December 2007.

21. 應收董事及關連方款項

於二零零六年十二月三十一日應收董事及關連方款項指本集團代表其支付的營運開支。此款項已於截至二零零七年十二月三十一日止年度內收回。

22. Amounts due to directors and subsidiaries

The amounts due to directors as at 31 December 2006 mainly represented the consideration for the acquisition of the entire share capital of Shandong Qunxing. The balance was repaid during the year ended 31 December 2007.

22. 應付董事及附屬公司款項

於二零零六年十二月三十一日的應付董事款項主要指收購山東群星全部股本的代價。此款項已於截至二零零七年十二月三十一日止年度內結清。

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

應付附屬公司款項為無抵押、不計息及無固定還款期。

23. Income tax in the consolidated balance sheet

Current taxation in the consolidated balance sheet represents:

23. 綜合資產負債表內的所得稅

綜合資產負債表內的即期稅項代表：

		The Group 本集團	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Provision for PRC income tax for the year	本年度中國所得稅撥備	-	48,755
Balance of PRC income tax relating to prior years	過往年度中國所得稅結餘	21,671	17,549
PRC income tax paid	已繳付的中國所得稅	(11,803)	(44,633)
Income tax payable	應付所得稅	9,868	21,671

There were no significant unrecognised deferred tax assets or liabilities as at 31 December 2006 and 2007.

於二零零六年及二零零七年十二月三十一日，本集團並無重大及未經確認的遞延稅項資產或負債。

24. Capital and reserves

(a) The Group

24. 資本及儲備

(a) 本集團

		Share capital 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	Capital reserve 資本儲備 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Statutory surplus reserve 法定盈餘 儲備 RMB'000 人民幣千元	Exchange reserve 匯兌儲備 RMB'000 人民幣千元	(Accumulated losses)/ retained earnings (累計虧損)/ 留存收益 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2006	於二零零六年一月一日	30,000	-	129,900	-	37,625	-	(8,283)	189,242
Exchange differences on translation of financial statements of operations outside the PRC	換算中國境外業務的財務報表產生的匯兌差額	-	-	-	-	-	4,884	-	4,884
Capital injection	注資	102	-	-	-	-	-	-	102
Arising from Reorganisation	重組時產生	(30,000)	-	-	(169,327)	-	-	-	(199,327)
Net profit for the year	年度溢利淨額	-	-	-	-	-	-	93,937	93,937
Appropriation to statutory surplus reserve	分配至法定盈餘儲備	-	-	-	-	14,259	-	(14,259)	-
At 31 December 2006	於二零零六年十二月三十一日	102	-	129,900	(169,327)	51,884	4,884	71,395	88,838
At 1 January 2007	於二零零七年一月一日	102	-	129,900	(169,327)	51,884	4,884	71,395	88,838
Exchange differences on translation of financial statements of operations outside the PRC	換算中國境外業務的財務報表所產生的匯兌差額	-	-	-	-	-	(34,424)	-	(34,424)
Arising on Reorganisation	重組時產生	897	-	-	(996)	-	-	-	(99)
Capitalisation issue	資本化發行	71,795	119,463	-	-	-	-	-	191,258
Capitalisation of reserves	儲備資本化	-	-	(129,900)	160,000	(30,100)	-	-	-
Shares issued under placing and public offering	根據配售及公開發售已發行股份	28,565	1,499,654	-	-	-	-	-	1,528,219
Share issuing expenses	發行股份開支	-	(82,714)	-	-	-	-	-	(82,714)
Net profit for the year	年度溢利淨額	-	-	-	-	-	-	350,572	350,572
Appropriation to statutory surplus reserve	分配至法定盈餘儲備	-	-	-	-	23,367	-	(23,367)	-
At 31 December 2007	於二零零七年十二月三十一日	101,359	1,536,403	-	(10,323)	45,151	(29,540)	398,600	2,041,650

Notes to the Financial Statements (Continued) 財務報表附註(續)

24. Capital and reserves (Continued)

(b) The Company

24. 資本及儲備(續)

(b) 本公司

		Share capital 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	Exchange reserve 匯兌儲備 RMB'000 人民幣千元	(Accumulated losses)/ retained earnings (累計虧損)/ 留存收益 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Shares issued upon incorporation	註冊成立時已發行股份	102	-	-	-	102
Exchange differences on translation of financial statements of operations outside the PRC	換算中國境外業務的 財務報表 產生的匯兌差額	-	-	(2)	-	(2)
Net loss for the year	年度虧損淨額	-	-	-	(84)	(84)
At 31 December 2006	於二零零六年十二月三十一日	102	-	(2)	(84)	16
At 1 January 2007	於二零零七年一月一日	102	-	(2)	(84)	16
Shares issued on Reorganisation	根據重組而發行 的股份	897	-	-	-	897
Capitalisation issue	資本化發行	71,795	119,463	-	-	191,258
Shares issued under placing and public offering	根據配售及公開發售 已發行股份	28,565	1,499,654	-	-	1,528,219
Shares issuing expenses	發行股份開支	-	(82,714)	-	-	(82,714)
Exchange differences on translation of financial statements of operations outside the PRC	換算中國境外業務的財務報表 產生的匯兌差額	-	-	(61,987)	-	(61,987)
Net profit for the year	年度溢利淨額	-	-	-	116,254	116,254
At 31 December 2007	於二零零七年十二月三十一日	101,359	1,536,403	(61,989)	116,170	1,691,943

24. Capital and reserves (Continued)
(c) Authorised and issued share capital

24. 資本及儲備(續)
(c) 法定及已發行股本

		2007 二零零七年		2006 二零零六年	
		Number of shares 股份數目 (^{'000}) (千股)	HK\$ ^{'000} 千港元	Number of shares 股份數目 (^{'000}) (千股)	HK\$ ^{'000} 千港元
<i>Authorised:</i>	法定 :				
Ordinary shares of HK\$0.1 each (note (i))	每股面值0.1港元 的普通股(附註(i))	10,000,000	1,000,000	1,000	100
				Number of shares 股份數目 (^{'000}) (千股)	RMB ^{'000} 人民幣千元
		Notes 附註			
<i>Ordinary shares issued and fully paid:</i>	已發行及繳足 普通股 :				
Shares issued upon incorporation	註冊成立時 已發行股份	(ii)		1,000	102
At 31 December 2006	於二零零六年 十二月三十一日			1,000	102
At 1 January 2007	於二零零七年一月一日			1,000	102
Shares issued on Reorganisation	根據重組發行股份	(iv(a))		9,000	897
Capitalisation issue in April 2007	於二零零七年四月 資本化發行	(iv(b))		90,000	8,895
Capitalisation issue upon listing	上市時的 資本化發行	(v)		650,000	62,900
Shares issued under placing and public offering	根據配售及 公開發售 發行股份	(vi)		295,000	28,565
At 31 December 2007	於二零零七年 十二月三十一日			1,045,000	101,359

24. Capital and reserves (Continued)**(c) Authorised and issued share capital (Continued)**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Increase in authorised share capital

Pursuant to resolutions in writing passed by the sole shareholder of the Company on 29 January 2007, the authorised share capital of the Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of an additional 9,999,000,000 shares of HK\$0.1 each.

(ii) Capital injection

The Company was incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability, comprising 1,000,000 ordinary shares of HK\$0.1 each, which were issued nil paid.

(iii) Change in share capital arising on Reorganisation

On 16 August 2006, Best Known, a subsidiary of the Company, acquired the entire share capital of Shandong Qunxing from the then controlling shareholders of the Company for cash consideration of HK\$193,521,000 (equivalent to RMB199,327,000 at the date of transaction). The then controlling shareholders of the Company are also the directors of the Company. The acquisition was satisfied by setting up unsecured and interest free advances of RMB199,327,000 from the directors to Best Known. The difference between the historical carrying value of the shares acquired and the acquisition consideration is treated as an equity movement and recorded in "Other reserve". As a result of the acquisition, Shandong Qunxing became a wholly-owned subsidiary of Best Known.

24. 資本及儲備(續)**(c) 法定及已發行股本(續)**

普通股持有人有權收取不時宣派的股息，並有權於本公司會議上按每股一票的比例投票。就本公司餘下資產而言，所有普通股均享有同等地位。

(i) 增加法定股本

根據本公司的唯一股東於二零零七年一月二十九日通過的書面決議案，本公司法定股本透過額外增設9,999,000,000股每股面值0.1港元的股份由100,000港元增加至1,000,000,000港元。

(ii) 注資

本公司於二零零六年九月五日在開曼群島註冊成立為獲豁免有限公司，包括1,000,000股未繳股款發行的每股面值0.1港元普通股。

(iii) 重組產生的股本變動

於二零零六年八月十六日，本公司附屬公司慧富以193,521,000港元（按交易日計算相當於人民幣199,327,000元）的現金代價向本公司當時的控股股東收購山東群星的全部股本。本公司當時的控股股東亦為本公司董事。該收購是以董事設立一筆人民幣199,327,000元的無抵押免息墊款予慧富而支付，而被收購股份的歷史賬面值與收購代價的差額被視為權益變動，並記錄在「其他儲備」內。收購完成後，山東群星成為慧富的全資附屬公司。

24. Capital and reserves (Continued)**(c) Authorised and issued share capital** (Continued)*(iv) Shares issue on Reorganisation*

- (a) On 29 January 2007, the Company acquired the entire share capital of Double Nation from the holding company, Boom Instant for a consideration of RMB996,000. The acquisition was satisfied by a waiver of an amount due from Boom Instant of RMB99,000 and the allotment of 9,000,000 shares of HK\$0.1 each. The difference between the nominal value of the shares acquired and the acquisition consideration is treated as an equity movement and recorded in "Other reserve". As a result of the acquisition, Double Nation became a wholly-owned subsidiary of the Company. The Company became the holding company on 29 January 2007.

- (b) Pursuant to the written resolutions of the Board passed on 16 April 2007, an amount due to Boom Instant of RMB191,258,000 was capitalised by the allotment of 90,000,000 shares of HK\$0.1 each, credited as fully paid. Upon the issue of the said shares, the amount due to Boom Instant of RMB191,258,000 was extinguished and cancelled.

24. 資本及儲備(續)**(c) 法定及已發行股本**(續)*(iv) 根據重組發行股份*

- (a) 二零零七年一月二十九日，本公司向控股公司 Boom Instant 收購 Double Nation 的全部股本，作價為人民幣 996,000 元。該交易是以豁免應收 Boom Instant 人民幣 99,000 元及配發 9,000,000 股每股面值 0.1 港元的股份來支付，而被收購股份的面值與收購代價的差額被視為權益變動，並記錄在「其他儲備」內。收購完成後，Double Nation 成為本公司的全資附屬公司。本公司於二零零七年一月二十九日成為控股公司。

- (b) 根據董事會於二零零七年四月十六日通過的一項書面決議案，應付予 Boom Instant 人民幣 191,258,000 元的款項透過配發 90,000,000 股每股面值 0.1 港元的入賬列作繳足股份而資本化。發行有關股份後，應付 Boom Instant 款項人民幣 191,258,000 元已註銷。

24. Capital and reserves (Continued)**(c) Authorised and issued share capital** (Continued)*(v) Capitalisation issue upon listing*

Pursuant to the resolutions in writing of the sole shareholder of the Company passed on 8 September 2007, the Company issued 650,000,000 shares of HK\$0.1 each. This issue was by way of the capitalisation of a sum of RMB62,900,000 standing to the credit of the share premium account of the Company.

(vi) Shares issued under placing and public offering

On 27 September 2007 and 28 September 2007, an additional 100,000,000 ordinary shares and 150,000,000 ordinary shares of HK\$0.1 each were issued and offered for subscription at a price of HK\$5.35 each upon the listing of the shares of the Company on the Stock Exchange. On 2 October 2007, an additional 45,000,000 ordinary shares of HK\$0.1 each were issued and offered at a price of HK\$5.35 each for subscription under the over-allotment option. The proceeds of RMB28,565,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately RMB1,499,654,000, after deducting share issuing expenses of RMB82,714,000, were credited to the share premium account.

24. 資本及儲備(續)**(c) 法定及已發行股本**(續)*(v) 上市時的資本化發行*

根據本公司唯一股東於二零零七年九月八日通過的書面決議案，本公司發行650,000,000股每股面值0.1港元的普通股。是次發行透過將本公司股份溢價賬的進賬人民幣62,900,000元資本化而進行。

(vi) 根據配售及公開發售發行股份

於二零零七年九月二十七日及二零零七年九月二十八日，於本公司在聯交所上市時額外按每股5.35港元價格發行及發售每股面值0.1港元的100,000,000股普通股及150,000,000股普通股以供認購。於二零零七年十月二日，根據超額配股權按每股5.35港元的價格額外發售45,000,000股每股面值0.1港元的普通股以供認購。所得款項人民幣28,565,000元(相等於面值)已計入本公司股本內。餘下所得款項約人民幣1,499,654,000元，經扣除股份發行開支人民幣82,714,000元後，已計入股份溢價賬。

24. Capital and reserves (Continued)**(d) Nature and purpose of reserves***(i) Share premium*

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(ii) Capital reserve

Upon completion of capital verification on 13 February 2007, the registered capital of Shandong Qunxing was increased from RMB30,000,000 to RMB190,000,000 by capitalisation of the capital and statutory reserves of RMB129,900,000 and RMB30,100,000 respectively pursuant to a board resolution dated 12 February 2007. The increase in registered capital of Shandong Qunxing is treated as an equity movement and recorded in "Other reserve".

(iii) Statutory surplus reserves

Transfers from retained profits to the statutory surplus reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiary incorporated in the PRC and were approved by its board of directors.

24. 資本及儲備(續)**(d) 儲備性質及目的***(i) 股份溢價*

根據開曼群島公司法，股份溢價賬可分派予本公司股東，惟緊隨建議宣派股息之日後，本公司須有能力支付在日常業務過程中到期支付的債項。股份溢價亦可以繳足紅股方式分派。

(ii) 股本儲備

於二零零七年二月十三日核資完成後，根據於二零零七年二月十二日的董事會決議案，山東群星藉將分別為人民幣129,900,000元的資本儲備及人民幣30,100,000元的法定儲備資本化，把註冊資本由人民幣30,000,000元增至人民幣190,000,000元，山東群星註冊資本的增加被視為權益變動，並記錄在「其他儲備」內。

(iii) 法定盈餘儲備

本集團是根據有關中國規則及法規以及本公司於中國註冊成立的附屬公司的公司章程細則將留存收益撥往法定盈餘儲備，並已獲得董事會批准。

24. Capital and reserves (Continued)**(d) Nature and purpose of reserves (Continued)***(iii) Statutory surplus reserves (Continued)*

The PRC subsidiary is required to appropriate 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in note 2(r).

(v) Distributability of reserves

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 24(d)(i) was RMB1,652,573,000 (2006: Nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

24. 資本及儲備(續)**(d) 儲備性質及目的(續)***(iii) 法定盈餘儲備(續)*

中國附屬公司須根據中國會計規則及法規將溢利淨額的10%轉撥至法定盈餘儲備，直至該儲備的結餘達至註冊資本的50%為止。本集團須在向股東分派股息前提取法定盈餘儲備。

(iv) 匯兌儲備

匯兌儲備包括換算中國境外業務的財務報表而產生的所有匯兌差額，並根據附註2(r)所載的會計政策處理。

(v) 可供分派儲備

於二零零七年十二月三十一日，可供分派予本公司權益持有人的儲備總額，包括在附註24(d)(i)所披露的可分派金額為人民幣1,652,573,000元(二零零六年：無)。

(e) 資本管理

本集團管理資本的主要目標是保障本集團繼續以持續經營方式營運的能力，以使其能為股東提供回報及為其他權益持有人提供利益，同時維持最佳資本結構以減少資金成本。

為維持或調整資本架構，本集團可調整其向股東派付的股息金額、股東回報、發行新股份或出售資產以減少負債。

24. Capital and reserves (Continued)**(e) Capital management** (Continued)

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as the Group's total bank borrowings over the Group's total assets.

The gearing ratios as at 31 December 2006 and 2007 are as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Total borrowings	借貸總額		
– short-term bank loans	– 短期銀行貸款	30,000	332,000
– long-term bank loans	– 長期銀行貸款	207,000	–
Total bank borrowings	銀行借貸總額	237,000	332,000
Total assets	資產總額	2,517,922	716,013
Gearing ratio	資產負債比率	9.4%	46.4%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24. 資本及儲備(續)**(e) 資本管理**(續)

本集團根據資產負債比率的基準，監察其資本結構。此比率根據本集團銀行借貸總額除以資產總值計算。

於二零零六年及二零零七年十二月三十一日，資產負債比率概述如下：

本公司或其任何附屬公司概無受限於外界施加的資本限制。

25. Financial instruments

Exposure to credit, liquidity, interest rate, commodity price and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's trade and other receivables and deposits with banks.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which credit evaluations are performed on all customers requiring credit. These receivables are due within seven days from the date of billing. Debtors with balances that are overdue are requested to settle all outstanding balances before any further credit is granted. The Group does not collect collateral in respect of trade and other receivables.

At the balance sheet date, the Group has a certain concentration of credit risk as 35% (2006: 29%) and 49% (2006: 46%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

25. 金融工具

本集團日常業務過程中須承擔信貸風險、流動資金風險、利息風險、商品價格風險及外匯風險。該等風險受下述本集團財務管理政策及慣例所限制。

(a) 信貸風險

信貸風險指倘客戶或金融工具交易方不能履行合約責任而導致本集團金融虧損的風險，有關風險主要來自本集團的應收貿易賬款及其他應收款項以及銀行存款。

(i) 應收貿易賬款及其他應收款項

本集團的信貸風險受各個客戶的不同情況所影響。董事會對所有要求除銷的客戶進行信貸評估。有關應收賬款的到期日由發單日期起計七日。客戶須於結清所有未清償餘額後，方能獲授額外信貸。本集團就有關應收貿易賬款及其他應收款項的除銷沒有要求收取抵押品。

於各個結算日，本集團有若干信貸風險集中的情況，因為本集團最大及五大客戶的應收貿易賬款分別佔本集團應收貿易賬款總額的35%（二零零六年：29%）及49%（二零零六年：46%）。

最高信貸風險指綜合資產負債表內各金融資產的賬面值。

25. Financial instruments (Continued)**(a) Credit risk (Continued)***(i) Trade and other receivables (Continued)*

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(ii) Deposits with bank

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 December 2007, the Group has a certain concentration of credit risk as 68% of total cash and cash equivalents were deposited at one financial institution in the PRC with high credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

25. 金融工具(續)**(a) 信貸風險(續)***(i) 應收貿易賬款及其他應收款項(續)*

有關本集團應收貿易賬款及其他應收款項信貸風險的進一步數據披露載於附註17。

(ii) 銀行存款

本集團存放現金於金融機構以減低信貸風險，該等金融機構已達到受到認同的信貸評級或其他標準。鑒於該等金融機構獲得該等高信貸評級，管理層不預期任何交易方不能履行責任。

於二零零七年十二月三十一日，本集團有若干信貸集中的情況，因為68%的現金及現金等價物總額乃存於中國一間具高信貸評級的財務機構。

(b) 流動資金風險

流動資金風險乃本集團未能於財務責任到期時履行有關責任的風險。本集團應付流動資金風險的方法是盡量確保隨時具備足夠流動資金應付即將到期的負債，令本集團無須承擔不能接受的虧損及聲譽受到損害。

Notes to the Financial Statements (Continued) 財務報表附註(續)

25. Financial instruments (Continued)**(b) Liquidity risk (Continued)**

The following table shows the time periods after the balance sheet date during which contractual payments, presented on an undiscounted basis, are due to be made. These payments include, among others, interest payments computed using contractual rates (for fixed rate instruments) under the Group's non-derivative financial liabilities which are due to be paid.

The Group

		2007 二零零七年				2006 二零零六年		
		Total contracted undiscounted cash flow	Within 1 year or on demand	More than 1 year but within 2 years		Total contracted undiscounted cash flow	Within 1 year or on demand	
		已訂約 而未貼現 的現金 流量總額	一年內或 按 要求還款	一年後 但 不足兩年		已訂約 而未貼現 的現金 流量總額	一年內或 按 要求還款	
		Carrying amount 賬面值 RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Trade and other payables	應付貿易賬款及 其他應付款項	229,404	(229,404)	(229,404)	-	79,013	(79,013)	(79,013)
Amounts due to directors	應付董事款項	-	-	-	-	194,491	(194,491)	(194,491)
Bank loans	銀行貸款	237,000	(260,372)	(47,191)	(213,181)	332,000	(339,839)	(339,839)

25. 金融工具(續)**(b) 流動資金風險(續)**

下表列示於結算日後期間未經貼現及受契約規管需在限期內清償的應付款項分。有關款項其中包括以本集團須在到期償還的非衍生財務負債的合約利率(適用於定息金融工具)計算的應付利息。

本集團

25. Financial instruments (Continued)**(b) Liquidity risk (Continued)****The Company**

		2007 二零零七年			2006 二零零六年		
		Total contracted undiscounted cash flow Carrying amount 賬面值 RMB'000 人民幣千元		Within 1 year or on demand 一年內或 按要求還款 RMB'000 人民幣千元	Total contracted undiscounted cash flow Carrying amount 賬面值 RMB'000 人民幣千元		Within 1 year or on demand 一年內或 按要求還款 RMB'000 人民幣千元
Other payables and accruals	其他應付款項及預提費用	2,186	(2,186)	(2,186)	-	-	-

(c) Interest rate risk

The interest rates and maturity information of the Group's bank loans are disclosed in note 19. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. All of the bank loans of the Group are fixed rate instruments and are insensitive to any change in market interest rates. A change in interest rates at the balance sheet date would not affect profit or loss.

25. 金融工具(續)**(b) 流動資金風險(續)****本公司****(c) 利率風險**

有關本集團銀行貸款的利率及到期日資料於附註19披露。本集團管理利率風險的政策是確保在出現重大利率變動時不會承受過高風險及確保利率大致固定。本集團並無就按公平值計入損益的任何定息財務負債列賬且本集團亦無使用衍生金融工具對沖其債務責任。故此，於結算日的息率變動不會影響損益。

25. Financial instruments (Continued)**(c) Interest rate risk (Continued)***(i) Interest rate profile*

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

		The Group 本集團			
		2007 二零零七年		2006 二零零六年	
		Effective interest rate % 實際利率 %	RMB'000 人民幣千元	Effective interest rate %	RMB'000 人民幣千元
Bank loans	銀行貸款	8.18	237,000	6.42	332,000

(d) Business risk

The Group's sales of printing paper product are principally to one customer. Although the Group has entered into a co-operative agreement with this customer, there can be no assurance that this customer will continue to purchase from the Group as and when needed. In the event that this customer ceased to purchase printing paper product from the Group and the Group could not secure orders from other customers, the Group's turnover and profitability would be adversely affected.

The Group's purchases of raw materials are primarily from several major suppliers. The Group has a certain concentration of business risk as 76% (2006: 63%) of the total purchases were from the Group's five largest suppliers. If the Group could not purchase adequate quantities of materials from these suppliers and failed to identify alternative sources, the Group's turnover and profitability could be adversely affected.

25. 金融工具(續)**(c) 利率風險(續)***(i) 利率概況*

下表顯示本集團借貸於結算日的利率概況：

(d) 業務風險

本集團集中向一名客戶銷售印刷用紙。儘管本集團已與該名客戶訂立合作協議，惟未能確保於需要時該客戶將繼續向本集團採購。倘此客戶不再向本集團採購印刷用紙產品，而本集團未能向其他客戶取得訂單，則將對本集團的營業額及盈利能力造成不利影響。

本集團集中向多名主要供應商採購原材料。本集團有一定程度的業務風險集中情況。本集團向五大供應商採購的採購額佔總採購額的76% (二零零六年：63%)。倘本集團未能向供應商採購足夠數量的材料，且未能物色其他來源，則會對本集團的營業額及盈利能力造成不利影響。

25. Financial instruments (Continued)**(e) Commodity price risk**

The major raw materials used in the production of the Group's products include wood pulp and titanium dioxide powder. The Group is exposed to fluctuations in the prices of wood pulp and titanium dioxide powder which are influenced by global as well as regional supply and demand conditions. Fluctuations in the price of wood pulp and titanium dioxide powder could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

(g) Fair values

As stated in note 21, the balances with subsidiaries are interest-free and have no fixed repayments terms. Given these terms it is not meaningful to disclose their fair values. All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2006 and 2007.

25. 金融工具(續)**(e) 商品價格風險**

本集團於生產時所採用的主要原材料包括木漿及鈦白粉。本集團因受木漿及鈦白粉的價格波動影響而須承受木漿及鈦白粉價格風險，而價格波動則視乎全球及地區的供求情況而定。木漿及鈦白粉的價格波動可對本集團的財務表現造成不利影響。本集團於過往並無訂立任何商品衍生工具以對沖商品價格的潛在變動。

(f) 外匯風險

由於本集團的大部份貨幣資產及負債以人民幣列值及本集團的業務交易主要以人民幣進行，本集團所承擔的匯率風險並不重大，而本集團並無利用任何金融工具作對沖用途。

(g) 公平值

如附註21所述，與附屬公司之結欠為免息及無固定還款期。根據有關條款，披露其公平值並無意義。所有其他金融資產及負債的賬面值與其於二零零六年及二零零七年十二月三十一日的公平值無重大差異。

26. Commitments and contingent liabilities**(a) Operating leases**

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

		The Group 本集團		The Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Within one year	一年內	997	1,200	-	-
After one year but within five years	一年後 但在五年內	1,253	4,800	-	-
After five years	五年以上	2,280	3,522	-	-
		4,530	9,522	-	-

The Group is the lessee in respect of leasehold land and properties held under operating leases. The leases typically run for an initial period of 2 to 20 years, with an option to renew the leases upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

26. 承擔及或然負債**(a) 經營租賃**

於二零零七年十二月三十一日，根據不可撤銷的經營租賃在日後應付的經營租賃費用總額如下：

本集團是為以經營租賃形式租賃土地及物業的承租人。該等租賃一般初步為期二至二十年，並可於租賃期滿時選擇續租並重新磋商所有條款。所有租賃不包括或然租金。

(b) Capital commitments

Capital commitments outstanding at 31 December 2007 not provided for in the financial statements were as follows:

		The Group 本集團		The Company 本公司	
		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Contracted for	已訂約	654	-	374	-
Authorised but not contracted for	已獲授權但未訂約	1,120,000	-	-	-
		1,120,654	-	374	-

(b) 資本承擔

於二零零七年十二月三十一日尚未償付且未在財務資料作出撥備的資本承擔如下：

26. Commitments and contingent liabilities

(Continued)

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environmental remediation and is currently not involved in any environmental remediation. As such, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that could have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material.

26. 承擔及或然負債(續)**(c) 環保或然項目**

迄今，本集團並未因環境修復問題發生任何重大支出，現時並無涉及任何環境修復事件。因此，本集團未就任何與業務相關的環境修復計提任何金額。在現行法例下，管理層相信不會發生任何可能對本集團財務狀況或經營業績有重大負面影響的負債。然而，中國政府已經並有可能進一步實施更為嚴格的應用法律及環境保護標準。環保負債的不確定因素較大，可影響本集團估計環境修復最終成本的能力。這些不定因素包括(i)相關地點所發生污染的實際性質和程度；(ii)所需清除工作的程度；(iii)各種補救措施的成本；(iv)環境修復要求的變化；及(v)新確認需要實施環保修復的地點。由於可能發生污染的程度和所需採取的補救措施的確切時間和程度等因素尚未確定，因此無法確定未來可能發生此類費用的金額，故無法在目前合理預測建議中的或將來的環境保護法律規定可能導致在環保方面的負債，而有關負債可能十分重大。

27. Material related party transactions

During the years ended 31 December 2006 and 2007, the directors are of the view that the following companies are related parties of the Group:

Name of related party 關連方名稱	Relationship 關係
Addinsight Limited (“Addinsight”)	Effectively 87.5% owned by Dr Zhu Yu Guo and 12.5% by Ms Sun Rui Fang, directors of the Company 本公司董事朱玉國博士及孫瑞芳女士分別實際擁有87.5%及12.5%權益
Be Broad Limited (“Be Broad”)	Effectively 100% owned by Mr Zhu Mo Qun, a director of the Company 本公司董事朱墨群先生實際擁有100%權益
Boom Instant Limited (“Boom Instant”)	Effectively 70% owned by Dr Zhu Yu Guo, 20% by Mr Zhu Mo Qun and 10% by Ms Sun Rui Fang, directors of the Company 本公司董事朱玉國博士、朱墨群先生及孫瑞芳女士分別實際擁有70%、20%及10%權益
Shandong Changxing Group Limited (“SD Changxing”)* 山東長星集團有限公司 (「山東長星」)	Effectively 55% owned by Dr Zhu Yu Guo, 30% by Mr Zhu Mo Qun and 15% by Ms Sun Rui Fang, directors of the Company 本公司董事朱玉國博士、朱墨群先生及孫瑞芳女士分別實際擁有55%、30%及15%權益
Zouping Guang Hua Veneer Company Limited (“Guang Hua”)* 鄒平光華板材有限公司(「光華」)	Effectively 50% owned by Dr Zhu Yu Guo, 33% by Mr Zhu Mo Qun and 17% by Ms Sun Rui Fang, directors of the Company 本公司董事朱玉國博士、朱墨群先生及孫瑞芳女士分別實際擁有50%、33%及17%權益
Jumbo Bonus Investments Limited (“Jumbo Bonus”) 諾天投資有限公司(「諾天投資」)	Effectively 70% owned by Dr Zhu Yu Guo, 20% by Mr Zhu Mo Qun and 10% by Ms Sun Rui Fang, directors of the Company 本公司董事朱玉國博士、朱墨群先生及孫瑞芳女士分別實際擁有70%、20%及10%權益

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

27. 重大關連方交易

截至二零零六年及二零零七年十二月三十一日止年度，董事認為下列公司為本集團之關連方：

* 公司名稱的英文翻譯僅供參考。該等公司的正式名稱為中文名稱。

27. Material related party transactions (Continued)**(a) Recurring transactions**

Particulars of significant transactions between the Group and the above related parties during the years were as follows:

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Sale of decorative base paper products	銷售裝飾原紙產品		
– Guang Hua	– 光華	6,219	6,172
Lease of leasehold land and properties	租賃租賃土地及物業		
– SD Changxing	– 山東長星	400	400
– Guang Hua	– 光華	123	–
		523	400

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

27. 重大關連方交易(續)**(a) 經常性交易**

本集團與上述關連方於年內之重大交易詳情如下：

(b) 非經常性交易

(i) 本集團與上述關連方於年內之重大交易詳情如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Lease of leasehold land and properties	租賃租賃土地及物業		
– Guang Hua	– 光華	200	800

27. Material related party transactions (Continued)**(b) Non-recurring transactions (Continued)**

(ii) On 2 April 2007 and 8 May 2007, the Group entered into agreements with Guang Hua to acquire leasehold lands located in the PRC at the prevailing market value of RMB10,980,000 and RMB461,000 respectively.

(iii) Certain bank loans of the Group totalling RMB145,000,000 as at 31 December 2006 were guaranteed by SD Changxing. The above guarantees were released during the year ended 31 December 2007.

The directors of the Company are of the opinion that the above non-recurring related party transactions, excluding item (iii) above were conducted on normal commercial terms and in the ordinary course of business.

(c) Balances with related parties

As at 31 December 2007, the Group had the following balances with related parties:

27. 重大關連方交易(續)**(b) 非經常性交易**

(ii) 於二零零七年四月二日及二零零七年五月八日，本集團與光華訂立協議，分別以當時市值人民幣10,980,000元及人民幣461,000元收購其位於中國的租賃土地。

(iii) 本集團於二零零六年十二月三十一日有若干銀行貸款共人民幣145,000,000元由山東長星作擔保。上述擔保已於截至二零零七年十二月三十一日止年度解除。

本公司董事認為，除上述項目(iii)外，上述關連方交易乃根據一般商業條款在日常業務過程中進行。

(c) 與關連方結餘

於二零零七年十二月三十一日，本集團與關連方的結餘如下：

		2007 二零零七年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元
Amount due from a director – Mr Zhu Mo Qun	應收董事款項 – 朱墨群先生	–	15
Amounts due from related parties – Addinsight – Be Broad – Boom Instant – Jumbo Bonus	應收關連方款項 – Addinsight – Be Broad – Boom Instant – 諾天投資	– – – –	22 17 118 26
		–	183
Amounts due to directors – Mr Zhu Mo Qun – Dr Zhu Yu Guo	應付董事款項 – 朱墨群先生 – 朱玉國博士	– –	99,160 95,331
		–	194,491

27. Material related party transactions (Continued)**(d) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

		2007	2006
		二零零七年	二零零六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Short-term employee benefits	短期僱員福利	1,883	499
Contribution to defined contribution retirement plans	定額供款退休金計劃供款	33	15
		1,916	514

Total remuneration is included in "staff costs" (see note 5(b)).

27. 重大關連方交易(續)**(d) 主要管理人員酬金**

本集團主要管理人員的酬金(包括附註7所披露已付本公司董事的金額及附註8所披露已付若干最高薪酬僱員的金額)如下:

酬金總額已包括在「員工成本」內(見附註5(b))。

28. Share option scheme

Pursuant to an ordinary resolution passed by the then sole shareholder of the Company on 8 September 2007, the Company adopted a share option scheme (the "scheme") for the purpose of enabling the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 7 September 2017.

28. 購股權計劃

根據本公司當時唯一股東於二零零七年九月八日通過的一項普通決議案，本公司採納一項購股權計劃(「計劃」)，以使本集團能就僱員、董事及其他經挑選的參與者對本集團作出的貢獻作出回饋。計劃於採納計劃日期起計十年內一直生效，並將於二零一七年九月七日屆滿。

28. Share option scheme (Continued)

Under the Scheme, the Board may at their discretion grant options to:

- (a) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest ("Invested Entity") ("Eligible Employee");
- (b) any non-executive directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

28. 購股權計劃(續)

根據計劃，董事會可酌情授出購股權予下列人士：

- (a) 本公司、其任何附屬公司或本集團持有股本權益之任何實體(「注資實體」)之任何僱員(不論全職或兼職並包括執行董事但不包括任何非執行董事)(「合資格僱員」)；
- (b) 本公司、其任何附屬公司或任何注資實體之任何非執行董事(包括獨立非執行董事)；
- (c) 向本集團任何成員公司或任何注資實體提供貨品及服務之任何供應商；
- (d) 本集團或任何注資實體之任何客戶；
- (e) 向本集團或任何注資實體提供研究、開發或其他技術支援之任何人士及實體；
- (f) 本集團任何成員公司或任何注資實體之任何股東或本集團任何成員公司或任何注資實體已發行之任何證券之持有人；
- (g) 本集團任何成員公司或任何注資實體之任何業務範圍或業務發展之顧問(專業或其他類型)或諮詢人；及
- (h) 曾經或可能藉合資經營、業務聯盟或其他業務安排而對本集團的發展及增長作出貢獻的任何其他類別參與者，

及就計劃而言，購股權可批授予屬於上述任何參與者類別之一位或多位人士全資擁有之任何公司。

28. Share option scheme (Continued)

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option, upon payment of a nominal consideration of HK\$1 per option. The maximum number of the Company's shares ("Share(s)") in respect to which options may be granted under the scheme shall not exceed 10% of the issued share capital of the Company on the date of listing (exclusive of shares issued upon the exercise of the over-allotment option). The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval of the refreshed limit in general meeting. However, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other scheme of the Company must not in aggregate exceed 30% of Shares in issue from time to time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. Options granted to substantial shareholders or independent non-executive Directors representing in aggregate over 0.1% of Shares in issue, and in excess of HK\$5 million must be approved in advance by the shareholders of the Company.

Options may be exercised at any time from the date of grant of the options to the 10th anniversary of the date of grant, subject to the provisions for early termination thereof.

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the scheme for the holding of an option before it can be exercised. The exercise price is determined by the Directors, and will not be less than the highest of (i) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

No option was granted by the Company under the scheme since its date of adoption.

28. 購股權計劃(續)

參與者可於授出購股權要約日期起計21日內，於繳納每份購股權象徵式代價1港元後接納購股權。根據計劃可能授出的購股權所涉及的本公司股份(「股份」)最高數目，將不得超過於本公司上市當日已發行股本的10%(不包括因行使超額配股權而發行之股份)。該上限可於任何時間予以更新，但新上限合共不得超過股東在股東大會上批准更新上限當日本公司已發行股本的10%。然而，於行使所有根據計劃以及本公司任何其他計劃授出但尚未行使的購股權而予發行的股份總數，合共不得超過不時已發行股份的30%。於任何十二個月期間向任何人士所授出的購股權所涉及股份最高數目，不得超過該十二個月期間最後一日已發行股份的1%，除非獲本公司股東根據上市規則作出批准。向主要股東或獨立非執行董事授出的購股權，倘合共超過已發行股份的0.1%或超過5,000,000港元，則必須獲本公司股東事先批准。

購股權可於授出購股權當日至授出日期十週年屆滿期間行使，惟可根據有關提前終止的條款予以終止。

除董事另有訂明以及於向承授人授出購股權的要約所列表明者外，根據計劃，於行使購股權前，該購股權概無持有的最低期限作出限制。行使價由董事釐訂，並將不少於下列者的最高者：(i)於授出要約日期(必須為營業日)聯交所每日報表所列的股份平均收市價；(ii)緊接授出要約日期前五個交易日聯交所每日報表所列的股份平均收市價；及(iii)股份面值。

本公司自採納計劃當日起並未根據計劃授出購股權。

29. Non-adjusting post balance sheet events

After the balance sheet date of 31 December 2007 and up to the date of this report, the Company repurchased its own shares on the Stock Exchange. The repurchased shares were cancelled and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK\$18,820,000 (equivalent to RMB17,419,000) was charged to the share premium account. Particulars of the shares repurchased after the balance sheet date and up to 29 February 2008 are as follows:

Month/year	年/月	Number of shares repurchased 購回股份數目	Highest	Lowest	Aggregate consideration paid 已付代價總額 HK\$'000 千港元
			price paid per share 已付每股股份最高價格 HK\$ 港元	price paid per share 已付每股股份最低價格 HK\$ 港元	
January 2008	二零零八年一月	3,990,000	3.02	2.80	11,897
February 2008	二零零八年二月	2,391,000	3.41	2.99	7,561
		6,381,000			19,458

30. Ultimate controlling company

The directors consider the ultimate controlling company of the Company as at 31 December 2007 to be Boom Instant, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

29. 非調整結算日後事項

於二零零七年十二月三十一日結算日後至本報告日期，本公司在聯交所購回本身股份。所購回股份已註銷，本公司已發行股本並因此按該等股份的面值減少。就購回股份支付的溢價18,820,000港元(相當於人民幣17,419,000元)已在股份溢價賬中支銷。於結算日後至二零零八年二月二十九日止所購回股份詳情如下：

30. 最終控股公司

董事認為於二零零七年十二月三十一日本公司的最終控股公司為Boom Instant，該公司於英屬處女群島註冊成立。該實體並未編製供公眾查閱的財務報表。

31. Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered “impaired” and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed at least annually in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volumes, sales revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, sales revenue and the amount of operating costs.

31. 主要會計估計及判斷

管理層會根據過往經驗及其他因素持續對該等估計及判斷作出評估，並包括在有關情況下作出認為合理的未來事件預測。

在審閱財務資料時，所考慮的因素包括關鍵會計政策的選擇、影響該等政策應用的判斷及其他不確定因素，以及因狀況和假設的改變影響所呈報業績的敏銳程度等。主要會計政策載於附註2。本集團相信，以下關鍵會計政策涉及編製財務資料時所採用的最重要判斷和估計。

(a) 減值

倘情況顯示資產的賬面值可能無法收回時，該資產會被視為「減值」而在損益表內確認減值虧損。該等資產的賬面值最少每年被檢討以評估可收回金額是否已跌至低於賬面值。當有事件或變動顯示該等資產的記錄賬面值可能無法收回時，該等資產會作減值測試。在發生減值時，賬面值會減至可收回金額。

可收回金額為公平值減銷售成本或使用價值之較高者。在釐定使用價值時，該資產產生的預期現金流量會被折現至其現值，而此需要就銷量、銷售收益及營運成本金額作重大判斷。本集團利用所有現有資料釐定可收回金額的合理概約金額，包括基於銷量、銷售收益及營運成本金額的合理及有依據的假設及預測而作出的估計。

31. Significant accounting estimates and judgements (Continued)

(b) Write-down of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventories analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, a write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(c) Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(d) Provision for taxation

Judgment is required in determining the provision for income taxes. There are transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. Additional provision is made in the consolidated financial statements to cover the expected outcome of the ultimate tax determination to the extent that outcomes are likely and reliable estimates can be made. However, the final outcomes are subject to uncertainties and resulting liabilities may exceed provisions.

31. 主要會計估計及判斷(續)

(b) 存貨撇減

本集團會釐定陳舊存貨的撇減。此等估計乃參考存貨賬齡分析、預期未來貨品的銷售情況及管理層的經驗及判斷而作出。根據此審閱，倘存貨的賬面值跌至低於其估計可變現淨值，則本集團會撇減存貨的價值。鑒於市況可能發生變動，實際貨品銷售的情況可能與估計有所不同，而此估計的差異可能影響損益。

(c) 折舊

物業、廠房及設備經考慮其估計剩餘價值(如有)後，於相關資產的估計可使用年期按直線法計提折舊。本集團每年審閱資產的估計可使用年期以釐定於列報期間所記錄的折舊費用金額。可使用年期乃根據本集團對類似資產的過往經驗及考慮到預期技術性變動後計算。倘過往估計出現重大變動，未來期間的折舊費用會予以調整。

(d) 稅項撥備

於釐訂所得稅撥備時須作出判斷。於日常業務過程中會有釐訂最終稅項屬不明朗的交易及計算。在綜合財務報表中作出額外撥備，以涵蓋可能出現的後果以及可作出合理的估計而釐訂的預期最終稅項後果。然而，最終後果涉及不明朗因素，而所產生的負債可能超逾撥備。

32. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and the financial statements:

		Effective for accounting periods beginning on or after 自下列日期起或之後 開始的會計期間生效
IFRS 8 國際財務報告準則第8號	Operating segments 營運分部	1 January 2009 二零零九年一月一日
Revised IAS 1 國際會計準則第1號 (經修訂)	Presentation of financial statements 呈列財務報表	1 January 2009 二零零九年一月一日
Revised IAS 23 國際會計準則第23號 (經修訂)	Borrowing costs 借貸成本	1 January 2009 二零零九年一月一日
Revised IFRS 3 國際財務報告準則第3號 (經修訂)	Business combinations 業務合併	1 July 2009 二零零九年七月一日
Amendments to IAS 27 國際會計準則第27號 (修訂本)	Consolidated and separate financial statements 綜合及獨立財務報表	1 July 2009 二零零九年七月一日
IFRIC 11 國際財務報告詮釋委員會詮釋 第11號	IFRS 2 – Group and treasury share transactions 國際財務報告準則第2號 – 集團及庫存股份交易	1 March 2007 二零零七年三月一日

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

32. 截至二零零七年十二月三十一日止年度已頒佈但尚未生效的修訂、新會計準則及詮釋可能產生的影響

截至本財務報表刊發日期，國際會計準則委員會已頒佈一系列在截至二零零七年十二月三十一日止年度尚未生效且本財務報表並未採納的修訂、新會計準則及詮釋。

上述發展中，以下為可能與本集團業務及財務資料有關的事項：

董事已確認本集團正在評估上述修訂、新準則及新詮釋在首次應用期間預期產生的影響，迄今，本集團認為採納上述各項修訂、新準則及新詮釋對本集團的經營業績及財務狀況造成重大影響的機會不大。

Four-Year Financial Summary

四年財務摘要

		For the year ended 31 December 截至十二月三十一日止年度			
		2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2006 二零零六年 RMB'000 人民幣千元	2007 二零零七年 RMB'000 人民幣千元
CONSOLIDATED INCOME STATEMENTS		綜合損益表			
Turnover	營業額	467,158	696,425	950,844	1,125,524
Cost of sales	銷售成本	(382,497)	(563,115)	(766,727)	(842,055)
Gross profit	毛利	84,661	133,310	184,117	283,469
Other revenue	其他收益	370	662	726	121,952
Other net loss	其他虧損淨額	–	–	–	(627)
Selling expenses	銷售開支	(5,084)	(7,008)	(9,597)	(9,459)
Administrative expenses	行政開支	(6,287)	(9,377)	(11,929)	(23,698)
Profit from operations	經營溢利	73,660	117,587	163,317	371,637
Finance costs	融資成本	(5,281)	(13,793)	(20,625)	(21,065)
Profit before taxation	除稅前溢利	68,379	103,794	142,692	350,572
Income tax	所得稅	(24,023)	(35,460)	(48,755)	–
Profit for the year	年度溢利	44,356	68,334	93,937	350,572
CONSOLIDATED BALANCE SHEETS		綜合資產負債表			
Non-current assets		非流動資產			
Property, plant and equipment	物業、廠房及設備	297,857	268,228	499,776	461,021
Construction in progress	在建工程	–	132,411	16,000	167,098
Lease prepayments	租賃預付款項	–	–	–	11,255
		297,857	400,639	515,776	639,374
Current assets		流動資產			
Inventories	存貨	33,124	38,365	50,989	35,487
Trade and other receivables	應收貿易賬款及其他應收款項	39,490	64,257	81,785	50,903
Amounts due from directors	應收董事款項	26	47	15	–
Amounts due from related parties	應收關連方款項	–	–	183	–
Cash and cash equivalents	現金及現金等價物	51,983	65,568	67,265	1,792,158
		124,623	168,237	200,237	1,878,548
Current liabilities		流動負債			
Bank loans	銀行貸款	127,200	250,200	332,000	30,000
Trade and other payables	應付貿易賬款及其他應付款項	39,700	111,885	79,013	229,404
Amounts due to directors	應付董事款項	119,986	–	194,491	–
Current taxation	即期稅項	14,686	17,549	21,671	9,868
		301,572	379,634	627,175	269,272
Net current (liabilities)/assets	流動（負債）／資產淨值	(176,949)	(211,397)	(426,938)	1,609,276
Total assets less current liabilities	資產總值減流動負債	120,908	189,242	88,838	2,248,650
Non-current liabilities		非流動負債			
Bank loans	銀行貸款	–	–	–	207,000
NET ASSETS	資產淨值	120,908	189,242	88,838	2,041,650
Capital and reserves		資本及儲備			
Share capital	股本	30,000	30,000	102	101,359
Reserves	儲備	90,908	159,242	88,736	1,940,291
TOTAL EQUITY	權益總值	120,908	189,242	88,838	2,041,650
Earnings per share – Basic (RMB)	每股盈利—基本（人民幣元）	0.06	0.09	0.13	0.42

Four-Year Financial Summary (Continued) 四年財務摘要(續)

Key financial ratios 主要財務比率		As of or for the year ended 31 December 於十二月三十一日或截至該日止年度				
		Note 附註	2004 二零零四年	2005 二零零五年	2006 二零零六年	2007 二零零七年
Profitability ratios		盈利能力比率				
Gross profit margin	毛利率	1	18.1%	19.1%	19.4%	25.2%
Net profit margin	淨溢利率	2	9.5%	9.8%	9.9%	31.1%
Return on assets	資產回報率	3	10.5%	12.0%	13.1%	13.9%
Return on equity	權益回報率	4	36.7%	36.1%	105.7%	17.2%
Liquidity ratios		流動資金比率				
Current ratio	流動比率	5	0.4	0.4	0.3	7.0
Quick ratio	速動比率	6	0.3	0.3	0.2	6.8
Gearing ratio	資產負債比率	7	30.1%	44.0%	46.4%	9.4%
Inventory turnover days	存貨週轉天數	8	37	30	30	20
Debtors' turnover days	應收賬款週轉天數	9	31	34	31	16
Creditors' turnover days	應付賬款週轉天數	10	30	24	31	35
Notes:		附註：				
1.	Gross profit margin is calculated based on the gross profit divided by turnover and multiplied by 100%.	1.	毛利率以毛利除以營業額乘以100%計算。			
2.	Net profit margin is calculated based on the profit for the year divided by turnover and multiplied by 100%.	2.	淨溢利率以本年度溢利除以營業額乘以100%計算。			
3.	Return on assets is calculated based on the profit for the year divided by the total assets at the end of the year and multiplied by 100%.	3.	資產回報率以本年度溢利除以年末資產總值乘以100%計算。			
4.	Return on equity is calculated based on the profit for the year divided by capital and reserves at the end of the year and multiplied by 100%.	4.	權益回報率以本年度溢利除以年末資本及儲備乘以100%計算。			
5.	Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.	5.	流動比率以流動資產總值除以年末流動負債總值計算。			
6.	Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year.	6.	速動比率以流動資產總值與存貨的差額除以年末流動負債總值計算。			
7.	Gearing ratio is calculated based on the total bank borrowings divided by total assets and multiplied by 100%.	7.	資產負債比率以銀行借貸總額除以資產總值乘以100%計算。			
8.	Inventory turnover days is calculated based on the inventory at the end of the year divided by the total purchases during the year and multiplied by the number of days during the year.	8.	存貨週轉天數以年末存貨除以本年度採購總額乘以本年度內天數計算。			
9.	Debtors' turnover days is calculated based on trade receivables at the end of the year divided by turnover during the year and multiplied by the number of days during the year.	9.	應收賬款週轉天數以年末應收賬款除以本年度營業額乘以本年度內天數計算。			
10.	Creditors' turnover days is calculated based on trade payables at the end of the year divided by the total purchases during the year and multiplied by the number of days during the year.	10.	應付賬款週轉天數以年末應付賬款除以本年度採購總額乘以本年度內天數計算。			



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