Qunxing Paper Holdings Company Limited
群星紙業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3868)

ANNOUNCEMENT OF AUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 18.9% to RMB1,038.3 million.
- Gross profit decreased by approximately 1.4% to RMB220.9 million.
- Gross profit margin decreased from 25.6% to 21.3%.
- Profit attributable to equity shareholders decreased by approximately 7.9% to RMB158.8 million.
- Earnings per share decreased by approximately 31.3% from RMB16 cents to RMB11 cents.

INTERIM RESULTS

The board of directors (the "Board") of Qunxing Paper Holdings Company Limited (the "Company" or "QX Paper") is pleased to announce the audited condensed interim results of the Company and its subsidiaries (the "Group" or "QX Group") for the six months ended 30 June 2011 together with the comparative figures for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
		(Audited)	(Unaudited)
Turnover	*4*	**1,038,341**	873,569
Cost of sales		**(817,475)**	(649,561)
Gross profit		**220,866**	224,008
Other revenue	*5*	**1,628**	1,223
Other net loss	*5*	**(53)**	(84)
Selling expenses		**(11,240)**	(9,866)
Administrative expenses		**(28,199)**	(17,019)
Profit before taxation	*6*	**183,002**	198,262
Income tax	*7*	**(24,198)**	(25,754)
Profit for the period		**158,804**	172,508
Attributable to:			
Equity shareholders of the Company		**158,804**	172,508
			(restated)
Earnings per share (RMB cents)	*9*		
Basic		**11**	16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
		(Audited)	(Unaudited)
Profit for the period		**158,804**	172,508
Other comprehensive income for the period			
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")		**(3,383)**	(942)
Total comprehensive income for the period		**155,421**	171,566
Attributable to:			
Equity shareholders of the Company		**155,421**	171,566

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2011** *RMB'000* **(Audited)**	As at 31 December 2010 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*10*	**2,000,055**	2,015,579
Construction in progress	*10*	**202,260**	253,878
Lease prepayments		**14,298**	14,468
Prepayment for the acquisition of plant and equipment		**—**	24,029
Prepayment for flood prevention expenses		**40,800**	41,225
		2,257,413	2,349,179
Current assets			
Inventories	*11*	**51,917**	48,962
Trade and other receivables	*12*	**119,262**	111,288
Cash and cash equivalents		**896,176**	447,763
		1,067,355	608,013
Current liabilities			
Trade and other payables	*13*	**153,652**	87,040
Current taxation		**26,224**	22,708
		179,876	109,748
Net current assets		**887,479**	498,265
NET ASSETS		**3,144,892**	2,847,444
Capital and reserves			
Share capital	*14*	**147,562**	102,427
Reserves		**2,997,330**	2,745,017
TOTAL EQUITY		**3,144,892**	2,847,444

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company							
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Warrant reserve *RMB'000*	Other reserve *RMB'000*	Statutory surplus reserves *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2010 (Audited)		100,258	1,367,980	—	(10,323)	117,901	(51,633)	928,126	2,452,309
Profit for the period		—	—	—	—	—	—	172,508	172,508
Other comprehensive income for the period		—	—	—	—	—	(942)	—	(942)
Total comprehensive income for the period		—	—	—	—	—	(942)	172,508	171,566
Dividends declared and approved in respect of the previous year	7(b)	—	(67,385)	—	—	—	—	—	(67,385)
Shares issued in respect of scrip dividend of previous year	13(a)	2,169	65,216	—	—	—	—	—	67,385
Balance at 30 June 2010 (Unaudited)		102,427	1,365,811	—	(10,323)	117,901	(52,575)	1,100,634	2,623,875
Balance at 1 January 2011 (Audited)		**102,427**	**1,365,811**	**—**	**(10,323)**	**158,513**	**(54,004)**	**1,285,020**	**2,847,444**
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**158,804**	**158,804**
Other comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**(3,383)**	**—**	**(3,383)**
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**—**	**(3,383)**	**158,804**	**155,421**
Dividends declared and approved in respect of the previous year	7(b)	**—**	**(160,694)**	**—**	**—**	**—**	**—**	**—**	**(160,694)**
Shares issued under Open Offer	13(b)	**45,135**	**248,997**	**—**	**—**	**—**	**—**	**—**	**294,132**
Issue of warrants	Note	**—**	**—**	**8,589**	**—**	**—**	**—**	**—**	**8,589**
Balance at 30 June 2011 (Audited)		**147,562**	**1,454,114**	**8,589**	**(10,323)**	**158,513**	**(57,387)**	**1,443,824**	**3,144,892**

Note: On 14 January 2011, the Group entered into a subscription agreement with an independent third party to subscribe for warrants of up to HK$609,352,000 at a warrant subscription price of HK$0.05 per warrant, the aggregate of which amounting to HK$10,328,000 (equivalent to approximately RMB8,762,000).

The warrants entitle the subscriber to subscribe for a total of 206,560,000 warrant shares at the warrant exercise price of HK$2.95 per warrant share (subject to adjustment as provided in the subscription agreement) at any time during a period of 12 months commencing from the completion date of the subscription of the warrants.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six moths ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Net cash generated from operating activities	**313,583**	260,406
Net cash used in investing activities	**(3,722)**	(257,287)
Net cash generated from financing activities	**142,027**	—
Net increase in cash and cash equivalents	**451,888**	3,119
Cash and cash equivalents at beginning of the period	**447,763**	682,764
Effect of foreign exchange rate changes	**(3,475)**	(1,063)
Cash and cash equivalents at end of the period	**896,176**	684,820

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 Group is principally engaged in manufacturing and trading of decorative base paper products and printing paper product. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 October 2007.

The condensed consolidated interim financial statements for the six months ended 30 June 2010 and 2011 have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual report for the year ended 31 December 2010 (the "2010 Annual Report").

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies used in the condensed consolidated interim financial statements for the six months ended 30 June 2011 are consistent with those in the preparation of the Group's 2010 Annual Report.

Warrant

Warrant issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the retained profits or accumulated losses.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The following new and revised standards, interpretations and amendments ("new IFRSs") issued by IASB have been applied by the Group in the current period which are or have become effective. The impact of the application of the new and revised standards and interpretations is discussed below.

IAS 24 (Revised) *Related Party Disclosures* is effective for annual period beginning on or after 1 January 2011. It introduces an exception from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

— The name of the government and the nature of their relationship

— The nature and amount of any individually significant transactions; and

— The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

Amendment to IAS 32 *Classification of Rights Issues* is effective for annual period beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

Amendment to IFRIC – Int 14 *Prepayments of a Minimum Funding Requirement* is effective for annual periods beginning on or after 1 January 2011. This is not currently applicable to the Group, as it does not have a minimum funding requirement.

IFRIC – Int 19 *Extinguishing Financial Liabilities with Equity Instruments* is effective for annual period beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

Improvement to IFRSs (2010) were issued in May 2010 by IASB are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

The Group has not early applied the following new IFRS that have been issued but are not yet effective:

IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
IAS 19 (Amendments) (as revised in 2011)	Employee Benefits[4]
IAS 27 (as revised in 2011)	Separate Financial Statements[4]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adpoters[1]
IFRS 7 (Amendments)	Disclosure — Transfer of Financial Assets[1]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The amendments to IAS 1 require companies preparing financial statements in accordance with IFRSs to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 19 make important improvements by:

- eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation.

- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.

- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

The standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investment that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 will affect the classification and measurement of the Group's financial assets.

In relation of financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Previously, under IAS 39, the entire amount of change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 will be effective from 1 January 2013, with earlier application permitted.

The amendments to IFRS 7 *Disclosures — Transfer of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard replaces SIC-12 *Consolidation — Special Purpose Entities* and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 *Fair Value Measurement* improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

4. **TURNOVER**

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:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Decorative base paper products	**960,743**	769,493
Printing paper product	**77,598**	104,076
	1,038,341	873,569

5. **OTHER REVENUE AND OTHER NET LOSS**

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Other revenue		
Bank interest income	**1,612**	1,223
Other	**16**	—
	1,628	1,223
Other net loss		
Gain on disposal of property, plant and equipment	**—**	21
Net foreign exchange loss	**(53)**	(105)
	(53)	(84)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
(a) Staff costs		
Contributions to defined contribution retirement plans	**3,405**	1,904
Salaries, wages and other benefits	**21,499**	19,307
	24,904	21,211

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
(b) Other items		
Amortisation of lease payments	**170**	170
Amortisation of prepayment for flood prevention expenses	**425**	—
Auditors' remuneration		
— audit services	**780**	589
— tax services	**—**	26
Depreciation	**96,496**	67,106
Gain on disposal of property, plant and equipment	**—**	(21)
Operating lease charges in respect of		
— leasehold land and properties	**3,144**	4,516
— others	**75**	75
Sewage disposal expenses	**219**	143
Research and development cost	**60**	129

7. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Current tax — PRC corporate income tax		
Provision for the period	**23,667**	25,304
Under-provision in respect of the prior period	**531**	450
	24,198	25,754

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(b) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subjected to Hong Kong Profits Tax during the periods.

(c) Shandong Qunxing Paper Limited ("Shandong Qunxing") is a foreign investment enterprise and 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 the PRC income tax rate for the three years from 1 January 2009 to 31 December 2011. The applicable tax rate for Shandong Qunxing for the six months ended 30 June 2010 and 2011 is 12.5%.

In addition, the Group would be subject to withholding tax at the rate of 5% if profits generated by Shandong Qunxing after 31 December 2007 were to be distributed. As Shandong Qunxing is wholly owned by the Company, the Company can control the payments of dividends by Shandong Qunxing and the Company's directors have confirmed that it is unlikely that Shandong Qunxing will pay dividends in the foreseeable future.

8. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: Nil).

(b) Dividends payable to equity shareholders of the Company attributable to previous financial year approved and paid during the interim period

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Final dividend in respect of the year ended 31 December 2010, approved and paid during the interim period, of HK8.633 cents (equivalent to approximately RMB7.517 cents) per ordinary share (year ended 31 December 2009: HK7.403 cents, equivalent to approximately RMB6.525 cents, per ordinary share)	**119,252**	67,385
Special dividend in respect of the year ended 31 December 2010, approved and paid during the interim period, of HK3 cents (equivalent to approximately RMB2.612 cents) per ordinary share (year ended 31 December 2009: Nil)	**41,442**	—
	160,694	67,385

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the period ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB158,804,000 (2010 (unaudited): RMB172,508,000) and the weighted average number of 1,439,496,861 ordinary shares (2010 (unaudited and restated): 1,057,594,300) in issue during the period.

(b) Diluted earnings per share

The computation of diluted earnings per share for the six months ended 30 June 2011 does not assume the exercise of the Company's outstanding warrants as the exercise of warrants is anti-dilutive.

There was no dilutive events existed during the six months ended 30 June 2010.

10. CAPITAL EXPENDITURE

Capital expenditure comprises additions to property, plant and equipment and construction in progress. During the six months ended 30 June 2011, the Group incurred aggregate capital expenditure of RMB5,334,000 (2010 (unaudited): RMB258,510,000).

11. INVENTORIES

	At 30 June 2011 *RMB'000* **(Audited)**	At 31 December 2010 *RMB'000* (Audited)
Raw materials and consumables	**38,022**	33,372
Finished goods	**13,895**	15,590
	51,917	48,962

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 *RMB'000* **(Audited)**	At 31 December 2010 *RMB'000* (Audited)
Trade receivables	**117,743**	97,503
Prepayments, deposits and other receivables	**1,519**	1,228
Other tax recoverable	**—**	12,557
	119,262	111,288

The amount of prepayments, deposits and other receivables includes the current portion of RMB850,000 (At 31 December 2010 (audited): RMB850,000) relating to the prepayment for flood prevention expenses.

All of the trade receivables are expected to be recovered or recognised as an expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of the reporting period:

	At 30 June 2011 *RMB'000* **(Audited)**	At 31 December 2010 *RMB'000* (Audited)
Current	**117,743**	93,802
Less than one month past due	**—**	3,701
	117,743	97,503

13. TRADE AND OTHER PAYABLES

	At 30 June 2011 *RMB'000* **(Audited)**	At 31 December 2010 *RMB'000* (Audited)
Trade payables	**129,996**	75,596
Other payables and accruals	**23,656**	11,444
	153,652	87,040

Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period. The credit period granted by suppliers generally ranges from 30 days to 60 days.

	At 30 June 2011 *RMB'000* **(Audited)**	At 31 December 2010 *RMB'000* (Audited)
0 to 30 days	**87,149**	75,596
31 to 60 days	**42,847**	—
	129,996	75,596

All of the trade and other payables are expected to be settled within one year.

14. SHARE CAPITAL

	Note	2011 Number of shares '000	2011 RMB'000	2010 Number of shares '000	2010 RMB'000
At 1 January		**1,057,594**	**102,427**	1,032,800	100,258
Shares issued in respect of scrip dividends	(a)	**—**	**—**	24,794	2,169
Shares issued under Open Offer	(b)	**528,797**	**45,135**	—	—
At 30 June		**1,586,391**	**147,562**	1,057,594	102,427

(a) Share issued in respect of scrip dividends

The Board has resolved to recommend the payment of a final dividend for the year ended 31 December 2009 wholly in scrip form equivalent to HK7.403 cents (equivalent to approximately RMB6.525 cents) per ordinary share to shareholders whose names appear on the register of members of the Company on 5 May 2010, totalling of HK$76,458,000 (equivalent to approximately RMB67,385,000).

For the purpose of calculating the number of scrip shares allotted in respect of the final dividend in 2009, the market value of the scrip dividend was HK$3.0837, which was the average closing price of the Company's share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding 5 May 2010, less a discount of 5% and rounding such figure to four decimal places.

On 8 June 2010, the Company issued and allotted 24,794,300 of shares in scrip form to shareholders totalling of HK$76,458,000 (equivalent to approximately RMB67,385,000), out of which RMB2,169,000 was recorded in share capital and RMB65,216,000 was recorded in share premium. These shares rank pari passu with the existing shares of the Company in all aspects.

(b) Share issued under Open Offer

On 10 January 2011, the Company issued 528,797,150 ordinary shares pursuant to the Open Offer on the basis of one offer share for every two shares held on the record date at a subscription price of HK$0.66 per offer share. The ordinary shares were issued for the purpose of increasing general working capital for the Group. The new shares rank pari passu with the existing shares in all respects.

MODIFICATION TO THE AUDITORS' REPORT

The audit opinion for the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 has been modified and is extracted as follows:

"Basis for qualified opinion

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by another firm of auditors (the "Previous Auditor"), who expressed a disclaimer of opinion on those statements on 30 March 2011. As stated in its independent auditor's report dated 30 March 2011, the Previous Auditor identified inconsistencies between the information contained in the Group's accounting records with respect to transactions and balances with certain customers and suppliers and independently obtained information. The Previous Auditor also identified discrepancies which indicated that documents contained in the Group's accounting records relating to some of the Group's bank transactions might not be authentic or otherwise reliable. In performing our audit of the interim financial information of the Group for the six months ended 30 June

2011, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances as at 1 January 2011 and comparative figures of 31 December 2010 were fairly stated. Any adjustments found to be necessary to the opening balances as at 1 January 2011 may affect the results and cash flows of the Group for the six months ended 30 June 2011 and related disclosures in the interim financial information.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the interim financial information gives a true and fair view of the state of affairs of the Group as at 30 June 2011, and of its profit and cash flows for the six months then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other matters

1. Without further qualifying our opinion, we draw attention to the fact that the corresponding figures set out in the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2010 and related disclosures in the interim financial information have not been audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

2. The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by the Previous Auditor who expressed a disclaimer of opinion on those statements on 30 March 2011."

INTERIM DIVIDEND

The directors (the "Directors") of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (1H2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As the global economy recovery continues since 2010, the China's economy maintained a good growth momentum in the first half of 2011. According to the National Bureau of Statistics of the PRC, China's gross domestic product (GDP) reached RMB20.4 trillion in the first half of 2011, up 9.6% as compared to the same period last year. All these reflected the steady economic growth, sustained rising living standard and accelerating urbanisation in China for the first half of 2011.

Although the central government tightened measures to cool down the property market as well as the People's Bank of China has increased interest rates, the adjustment in sales volume was merely temporary. In the first half of 2011, commodity housing sector in China grew, in terms of area sold and price, by 12.1% and 22.3%, respectively, over the same period of 2010, indicating the demand-driven nature of the PRC property market. The accelerating urbanisation in second- and third-tier cities as well as the construction of social security housing have driven the demand for housing decoration materials. Taking advantage of the positive market environment, the Group has maintained appropriate cost control initiatives and implemented its strategy to boost sales of high-end products as per consumer preference and delivered satisfactory performance marked by continuous growth momentum.

For the six months ended 30 June 2011, the Group recorded a turnover of RMB1,038.3 million, up 18.9% as compared with the same period last year. Profits for the period reached RMB158.8 million, representing a 7.9% decrease from the same period last year. Basic earnings per share were RMB11 cents (1H2010: RMB16 cents).

Stable sales growth

During the period under review, selling prices of the Group's products remained steady with increase in sales volume of 18.9%, reflecting increased production capacity and expanded demand for premium decorative base paper. As Production lines nos. 12 and 13 commenced production in the fourth quarter of 2010, full-capacity operations could not be achieved in the phase of trial operation during the period. As a result, the effects of economies of scale have not been reflected in the period. In addition, upon commencement of such trial operations, electricity and gas supply were inadequate for all of our production lines, leading to average production volume of our production lines less than expected. Meanwhile, fixed costs had to be committed in the trial phase of operations of Production lines nos. 12 and 13, reducing our gross profit margin for the first half of 2011 to 21.3% from 25.6% for the same period last year.

Expansion of production capacity

The Group launched the reconstruction of Production lines nos. 1 and 2 in September 2010 and completion is scheduled for the fourth quarter of 2011. Upon completion, our annual design production capacity will further increase to 410,000 tonnes. The expansion of production capacity mainly involves premium decorative base paper products that have a higher profit margin. This will effectively alleviate the pressure on the gross profit margin resulting from the surge in the cost of wood pulp.

Sophisticated distribution channels

During the period under review, the Group continued to focus on expanding its business in six designated retail sales regions, namely Shandong, Sichuan, Guangdong, Beijing, Jiangsu and Zhejiang. We boast a sophisticated distribution network and our clientele are formed by more than 130 customers spanning across 13 provinces, autonomous regions and municipalities in China.

Versatile product portfolio

The Group has striven to develop widely applicable and quality decorative base paper products. At present, we develop and market over 80 types of decorative base paper products catering to different markets. Our products are suitable for a broad range of applications from furniture and home and office products to stadiums, community halls, exhibition centres, as well as interior decoration of vehicles and aircrafts. QX Group will continue to enhance sales of premium decorative paper base products to increase its profitability.

Environmental protection

We are committed to fulfilling our corporate social responsibilities and environmental protection has always been one of our first priorities. The premium wood pulp that we use to produce decorative base paper products causes almost zero environmental pollution during the production process and is in line with the national policies on environmental protection. In addition, we have two waste water treatment systems with a total annual processing capacity of approximately 5,350,000 cubic metres. The Group has upgraded and improved one of the systems with an annual processing capacity of approximately 1,700,000 cubic metres in October 2010 to enhance its sewage standard. The other system has an annual processing capacity of approximately 3,650,000 cubic metres. Waste water after treatment is reused for irrigation at the Group's production base in Shandong, the PRC.

Independent Internal Control Review and Investigation Report

On 19 April 2011, the Audit Committee (the "Audit Committee") of the Board engaged ZHONGLEI Risk Advisory Services Limited ("ZHONGLEI"), an independent professional advisor, for conducting independent internal control reviews and investigation on, among other things, the financial reporting system, the internal control procedures and the corporate governance of the Group. The internal control review and follow-up internal control review report was issued on 11 July 2011, and its independent review and investigation report was issued on 22 July 2011. ZHONGLEI concluded that no significant deficiency in the financial reporting system, the internal control procedures and corporate governance mechanism of the Group was found during the internal control review. ZHONGLEI further stated in the report that based on the follow-up internal control review, they observed that the Group has taken necessary actions in response to their recommendations as set out in the report to their satisfaction. Nothing has come to their attention to indicate that the Group is unable to meet its obligations and requirements under the Listing Rules during the independent internal control reviews.

The Audit Committee and the Board confirmed that the scope of review and investigation carried out by ZHONGLEI was sufficient and appropriate; there are no material negative implications on the financial and trading position of the Group identified; and the audit issues have been clarified following the assessment of the findings of the investigation report. The Board and the Audit Committee concluded that, through the taking of necessary actions by the Group in response to the recommendations made by ZHONGLEI as set out in the Internal Control Report to their satisfaction, the Group has proper internal control system and corporate governance mechanism in place to discharge its obligations under the Listing Rules and that there are no significant areas of concerns which may adversely affect the interests of the Company and its shareholders as a whole. The Group will make continuous efforts to reinforce its internal control system whilst the Directors will closely monitor the Group's internal control system for sustained improvement.

Details of the aforesaid reports have been disclosed in two announcements of the Company dated 11 July 2011 and 22 July 2011 respectively.

An announcement in respect of resumption of trading of the Company's shares will be made by the Company as and when appropriate.

FINANCIAL REVIEW

Turnover

Turnover increased by approximately 18.9% from RMB873.6 million for the six months ended 30 June 2010 to RMB1,038.3 million for the six months ended 30 June 2011.

The increase in turnover for the six months ended 30 June 2011 was mainly attributable to the combined effects of (i) the increase in overall sales volumes by approximately 11.9% from 76,858 tonnes to 85,998 tonnes, out of which sales volumes of the decorative base paper products increased by approximately 23.1% from 60,329 tonnes in 2010 to 74,245 tonnes in 2011; and (ii) the increase in the average selling prices of the decorative base paper products by approximately 1.5% from RMB12,755 per tonne in 2010 to RMB12,940 per tonne in 2011, as well as the printing paper product by approximately 4.8% from RMB6,297 per tonne in 2010 to RMB6,602 per tonne in 2011.

Cost of sales

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

Overall cost of sales increased by approximately 25.8% from RMB649.6 million for the six months ended 30 June 2010 to RMB817.5 million for the six months ended 30 June 2011. The increase in cost of sales was primarily due to the combined effects of (i) the increase in usage of raw materials, which are the major component of our cost of sales, as a result of the increased sales volume, (ii) the increase in average purchasing costs of wood pulp and titanium dioxide powder, our principal raw materials for production during the six months ended 30 June 2011 (as discussed below), (iii) the increase in production overheads, such as electricity and steam expenses, in line with the increase in production volume; and (iv) the increase in depreciation expenses due to the commercial production of Production lines nos. 12 to 13 since October 2010.

Principal raw materials

Our results of operations are subject to the price fluctuations of raw materials used in the production process. The principal raw materials for our production are wood pulp and titanium dioxide powder.

For each of the six months ended 30 June 2010 and 2011, the purchase of wood pulp amounted to approximately RMB251.5 million and RMB303.5 million, respectively, representing approximately 38.7% and 37.1% of the total cost of sales for the respective periods. The increase is due to the combined effect of (i) the increase in usage of wood pulp, in line with the increased sales volume; and (ii) the increase in the average purchase price (value added tax inclusive) of wood pulp by approximately 10.1% from approximately RMB5,917 per tonne in 2010 to RMB6,512 per tonne in 2011. For each of the six months ended 30 June 2010 and 2011, the purchase of titanium dioxide powder amounted to approximately RMB183.2 million and RMB235.9 million, respectively, representing approximately 28.2% and 28.9% of the total cost of sales for the respective periods. The increase was mainly due to the combined effect of (i) the increase in usage of titanium dioxide as a result of the increased sales volume in decorative base paper products; and (ii) the increase in the average purchase price (value added tax inclusive) of titanium dioxide by approximately 3.5% from approximately RMB13,242 per tonne in 2010 to RMB13,711 per tonne in 2011.

Utilities and steam expenses

Our electricity and steam expenses increased by approximately 12.7% from RMB76.3 million in the six months ended 30 June 2010 to RMB86.0 million in the six months ended 30 June 2011, which was mainly due to the increase in production volume as a result of the commercial operation of Production lines nos. 12 to 13 since October 2010. The electricity and steam expenses accounted for approximately 11.7% and 10.5% of the total cost of sales for the respective periods.

Depreciation charges

Our depreciation charges included in cost of sales increased by approximately 45.3% from RMB65.3 million in the six months ended 30 June 2010 to RMB94.9 million in the six months ended 30 June 2011, which was mainly due to the commercial operation of Production lines nos. 12 to 13 since October 2010.

Gross profit and gross profit margin

The gross profit of our Group decreased by approximately 1.4% from RMB224.0 million for the six months ended 30 June 2010 to RMB220.9 million for the six months ended 30 June 2011.

The following table sets forth the gross profit margin of each category of the products for the six months ended 30 June 2010 and 2011:

	For the six months ended 30 June	
	2011	2010
Products		
Decorative base paper products	**22.3%**	26.9%
Printing paper product	**8.3%**	16.6%
Overall	**21.3%**	25.6%

The decrease in overall gross profit margin of our decorative base paper products in 2011 was mainly attributable to the economies of scale has not been achieved for Production lines nos. 12 to 13, which commenced commercial operation in October 2010. As a result, the average unit cost for decorative base paper products was comparative higher for the six months ended 30 June 2011 upon sharing the sunk costs of Production lines nos. 12 to 13.

The gross profit margin of printing paper product was decreased from 16.6% in 2010 to 8.3% in 2011 mainly due to the termination of business with a customer where the economies of scale in operating the printing paper product segment was affected. The Group is already making its utmost effort in soliciting new customers with an aim to effectively utilize the resources of the Group to maximize the returns for shareholders.

As a result, our overall gross profit margin decreased from approximately 25.6% for the six months ended 30 June 2010 to approximately 21.3% for the six months ended 30 June 2011.

Other revenue and other net loss

Other revenue, which represented the interest income earned from bank deposits, increased by approximately 33.3% from RMB1.2 million for the six months ended 30 June 2010 to RMB1.6 million for the six months ended 30 June 2011 mainly due to the increase in cash held on hand under the cash generated from operating activities and Open Offer.

Selling expenses

As at 30 June 2011, our Group had 46 sales and marketing staff to carry out various promotional activities in an attempt to solicit new customers in the six designated sales regions in the PRC. As a result, the selling expenses increased by approximately 13.1% from RMB9.9 million for the six months ended 30 June 2010 to RMB11.2 million for the six months ended 30 June 2011. As a percentage of turnover, our selling expenses were maintained at approximately 1.1% for the six months ended 30 June 2011. This was in line with the existing policy of our Group to allocate approximately 1.0% of the revenue from sales as the annual budget for the marketing activities.

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 costs, and pension contributions.

Administrative expenses increased by approximately 65.9% from RMB17.0 million for the six months ended 30 June 2010 to RMB28.2 million for the six months ended 30 June 2011. The increase was mainly due to (i) the continuing expansion of our business where additional supportive staff were employed such that the administrative staff costs, employee benefits and pension expenses were increased; and (ii) additional costs incurred for performing reviews on the audit matters raised by the Group's preceding auditors.

Finance costs

Our Group did not incur any finance costs during the six months ended 30 June 2010 and 2011.

Income tax

Members of the Group are incorporated in different jurisdictions, with different taxation requirements.

Shandong QX, our principal operating subsidiary in the PRC, had been exempted from PRC income tax for the two years 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 grandfathering treatments of the Corporate Income Tax Law of the PRC passed on 16 March 2007. As such, our Group is liable to pay PRC income tax for the six months ended 30 June 2010 and 2011 and is subject to the PRC income tax rate of 12.5% for the respective periods.

No provision has been made for Hong Kong Profits Tax as the Group did not earn assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2010 and 2011.

Liquidity and financial resources

Current and quick ratio

The current ratio of the Group increased from 5.5 as at 31 December 2010 to 5.9 as at 30 June 2011 and the quick ratio of the Group increased from 5.1 as at 31 December 2010 to 5.6 as at 30 June 2011, respectively, which was mainly due to the increase in cash held on hands under the cash generated from operating activities and Open Offer.

Financial resources

The financial resources of the Group continued to be strong. As at 30 June 2011, shareholders' fund of the Group totalled RMB3,144.9 million, representing an increase of approximately 10.4% from RMB2,847.4 million at 31 December 2010. The Group had cash and cash equivalents of approximately RMB896.2 million as at 30 June 2011 (31 December 2010: RMB447.8 million).

The Group continues to enjoy a stable and strong net cash inflow from operations. During the six months ended 30 June 2010 and 2011, the net cash generated from operations was RMB260.4 million and RMB313.6 million, respectively, representing an increase of 20.4% on a period-to-period comparison.

Financial management and treasury policies

The Group adopts a conservative approach for cash management and investment of uncommitted funds with an objective of enhancing the practicable returns for shareholders and maintaining adequate liquidity and preservation of capital. The Group's financing and treasury activities are centrally managed and controlled at the corporate level and aim to ensure that adequate financial resources are available for refinancing and business growth. The Group reviews its liquidity and financing arrangements periodically. 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.

As at 30 June 2011, the Group did not have any borrowings. The Group conducts its business transactions principally in the PRC. All of the Group's turnover and cost of sales and most of the Group's monetary assets and liabilities are denominated in RMB. RMB is the functional currency of the Group's principal operating subsidiary and used as the reporting currency in the preparation of the consolidated financial statements of the Group. As such, the fluctuation of RMB against foreign currencies during the periods did not have significant impact on the results of the Group.

Capital expenditure

During the six months ended 30 June 2011, the Group recorded aggregate additions to property, plant and equipment and prepayment for the acquisition of plant and equipment of approximately RMB5.3 million (six months ended 30 June 2010: RMB258.5 million).

Capital commitments and contingencies

The Group invested to expand the production capacity and reengineering and modify the existing production facilities to enhance production efficiency. Part of such capital commitments was financed by the net proceeds received from the initial public offering on 2 October 2007. For details, please refer to the paragraph "Use of proceeds from Initial Public Offering".

The Group has environmental contingencies under the increasingly stringent environmental protection laws and regulations in the PRC. However, as at the date hereof, the Group has not incurred any significant expenditure for environmental remediation and is currently not involved in any environmental remediation. In addition, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present. As such, the Group has not accrued any amounts for environmental remediation relating to its operations. Saved as disclosed above, the Group had no material contingent liabilities as at 30 June 2011.

Use of proceeds from the 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 Over-allotment Option *(Note 1)* on the Listing Date. As disclosed in the Prospectus, 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 30 June 2011, part of the net proceeds had been applied as follows:

	Planned amount *RMB'000*	**Amount utilized up to 30 June 2011** *RMB'000*	**Balance as at 30 June 2011** *RMB'000*
Settlement of the remaining balance of the construction costs of Production line no. 7	**163,300**	**163,300**	**—**
Construction of new Production lines nos. 8 to 11	**720,000**	**720,000**	**—**
Construction of new Production lines nos. 12 to 13 *(Note 2)*	**360,000**	**278,980**	**—**
Re-engineering and modification of the existing Production lines nos. 1 and 2	**40,000**	**40,000**	**—**
	1,283,300	**1,283,300**	**—**

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 was 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 decided to further increase our production capacity by 60,000 tonnes by way of constructing two more Production lines nos. 12 to 13.

HUMAN RESOURCES

As at 30 June 2011, our Group employed approximately 1,600 employees in the PRC and Hong Kong. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. Promotion and salary increments are assessed based on a performance related basis.

The Group has neither 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. The Group maintains a good working relationship with its employees.

OUTLOOK

Under the "12th Five-Year" plan launched by the central government last year, construction of more social security housing has become one of the key policies of the State. In 2011, the number of newly constructed social security housing will reach 10 million units, surging the market demand for decorative base paper products. In view of the Group's high-end technology in producing decorative base paper products and its solid foundation, the Board believes the Group's business will continue to grow steadily in the second half of 2011.

We will continue to optimise the existing production facilities orderly and enhance production capacities as well efficiency of Production lines nos. 12 and 13, so as to further strengthen our competitiveness. Paralleled to consolidating our leading market position and client base in the mainland market covered by our sales network, we will make an effort to boost the sales and market share of premium products with a higher gross profit margin, and implement rigorous cost-control measures, aiming at enhancing profitability. The QX Group is keeping a lookout for suitable and potentially lucrative acquisition targets in the decorative base paper industry of China and related areas, with a view to generating greater returns for our shareholders in the long run. The Group will make an announcement in accordance with the requirements of the Listing Rules when such opportunities are realised.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period except for the issue of 528,797,150 shares by way of open offer to shareholders, details of which were set out in the prospectus of the Company dated 17 December 2010 and an announcement of the Company dated 10 January 2011.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company did not engage in any material acquisitions or disposals during the period.

CONVERTIBLE BONDS, SHARE OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

During the six months ended 30 June 2011, the Company has not issued any convertible bonds, share options or similar rights.

On 14 January 2011, the Company entered into a subscription agreement with an independent third party to subscribe for warrants of up to HK$609,352,000 at a warrant subscription price of HK$0.05 per warrant, the aggregate of which amounting to HK$10,328,000 (equivalent to approximately RMB8,762,000).

The warrants entitle the subscriber to subscribe for a total of 206,560,000 warrant shares at the warrant exercise price of HK$2.95 per warrant share (subject to adjustment as provided in the subscription agreement) at any time during a period of 12 months commencing from the completion date of the subscription of the warrants.

CORPORATE GOVERNANCE

The Board and the management are committed to promoting the Group's standards of corporate governance with emphasis on independence, effective internal control, transparency and accountability to shareholders. It is the belief of the Board that such commitment is crucial to the continuing development of the Group and to enhance our shareholders' value.

The corporate governance practices adopted by the Company throughout the six months ended 30 June 2011 were consistent with those disclosed in the Company's 2010 Annual Report.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

As at 30 June 2011, the Company has 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except the following deviation:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated 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 an executive Director and a chairman of the Board, 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, an executive Director, a general manager of the Company as well as a vice-chairman of the Board, is responsible for the overall management of the Group's business operation and implementing 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.

Model Code for Directors' Securities Transaction

The Company has adopted a securities dealing code (the "QX Securities Dealing Code") regarding Directors' and employees' securities transactions on terms no less exacting than the required standard as set out in Mode Code for Securities Transactions by Directors of Listed Issuers (the "Mode Code") contained in Appendix 10 to the Listing Rules. The QX Securities Dealing Code also applies to the relevant employees who may be in possession of unpublished price sensitive information. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard as set out in both the QX Securities Dealing Code and the Model Code throughout the six months ended 30 June 2011.

Audit Committee

The Audit Committee currently comprises all three independent non-executive Directors. The Audit Committee has reviewed with our management, the audited consolidated interim financial statements of the Group for the six months ended 30 June 2011 and the accounting principles and practices adopted by the Group during the period.

PUBLICATION OF 2011 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Company at www.qxpaper.com and HKEXnews website of the Stock Exchange at www.hkexnews.hk. The Company's 2011 Interim Report will be available at both websites and will be despatched to the Company's shareholders as soon as practicable.

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 services and contributions and to our shareholders, business associates and investors for their valuable support during the period.

By Order of the Board
ZHU Yu Guo
Chairman

Shandong, the PRC, 18 August 2011

As at the date of this announcement, the executive Directors are Dr. ZHU Yu Guo (Chairman), Mr. ZHU Mo Qun (Vice-Chairman) and Mr. SUN Zhen Shui; the non-executive Director is Ms. SUN Rui Fang; the independent non-executive Directors are Messrs. ZHAO Wei, WANG Lu and KWONG Kwan Tong.

The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.