



**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)**

## **FURTHER INDEPENDENT REVIEW AND INVESTIGATION REPORT — FURTHER DETAILS AND UPDATE OF PROGRESS**

Brief particulars of the results of the Further Investigation were disclosed in an announcement of the Company dated 22 April 2013. Further details of the key findings and observations of the Further Investigation are set out below.

### **SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:00 a.m. on 30 March 2011 and will remain suspended until further notice. The Company will make continuous effort to resume trading in its shares.

The Company refers to its announcements relating to the internal control review and follow-up review report and independent review and investigation report from Zhonglei dated 11 July 2011 and 22 July 2011 and its announcement relating to the progress of further independent review and investigation report from JLA Asia dated 2 November 2011, 24 October 2012, 30 January 2013, 1 March 2013 and 22 April 2013.

### **KEY FINDINGS AND OBSERVATIONS OF THE FURTHER INVESTIGATION**

JLA Asia were engaged by the Audit Committee to prepare the Report in respect of the Audit Issues.

The key issues asserted in the KPMG Letter related to the following:

- Identified Customers' and Identified Suppliers' confirmation of certain transactions and their balances with Qunxing;
- Identified Customers' and Identified Suppliers' principal places of business, registered offices address and meeting places;
- identities of the respective representatives of the Identified Customers and Identified Suppliers which KPMG met with;
- discrepancies in certain specific bank statements and bank advices;
- discrepancies between the names shown in the PRC tax bureau record and the names shown in certain specific VAT Invoices; and
- fixed assets purchased by Qunxing.

Brief particulars of certain key findings of the Further Investigation were disclosed in an announcement of the Company dated 22 April 2013. Further details of the key findings and observations of the Further Investigation are summarised as follows:

19 Identified Customers and Identified Suppliers were mentioned in the KPMG Letter. To the best knowledge and belief of the Board, all 19 Identified Customers' and Identified Suppliers are independent of the Company and the connected persons (as that term is defined in the Listing Rules) of the Company.

JLA Asia conducted the following procedures to ascertain the existence of all 19 Identified Customers and Identified Suppliers:

- (a) paid independent visits;
- (b) met with the representatives of the Identified Customers and Identified Suppliers (arranged by Qunxing);
- (c) reviewed delivery records of Qunxing and met with the representatives of the logistic companies (engaged by the Identified Customers to deliver goods to those customers); and
- (d) sent letters to all the Identified Customers and Identified Suppliers.

#### **Independent visits and meetings arranged by Qunxing**

JLA Asia conducted independent visits to the 19 Identified Customers and Identified Suppliers to verify their existence and operations prior to their meeting with them (arranged by Qunxing). Of the 19 Identified Customers and Identified Suppliers, 12 Identified Customers and Identified Suppliers appeared to be existent and operational and JLA Asia were unable to ascertain the status of the remaining 7.

JLA Asia met with representatives from the Finance Departments of the 19 Identified Customers and Identified Suppliers. 14 of these meetings were conducted at the registered offices of the relevant entities. Meetings with the remaining 5 Identified Customers and Identified Suppliers, were not conducted at their registered office, for reason(s) given by the representatives as follows:

- (a) premises have been relocated;
- (b) the location of the registered office has been torn down for redevelopment; and/or
- (c) separate locations to house the finance, sales, procurement and administration departments.

During JLA Asia's meetings with the respective representatives of the Identified Customers and Identified Suppliers, JLA Asia requested them to confirm the 2009 and 2010 purchases/sales with Qunxing and their respective balances. JLA Asia were able to match all purchases and sales, confirmed by the respective representatives, to Qunxing's accounts receivable/accounts payable ledgers.

In respect of the issues raised in the KPMG Letter concerning the validity of the confirmation received from one of the Identified Customers ("**Customer A**"), JLA noted that Customer A's turnover for 2009 and 2010 was nil from their review of the 2010 financial statistic figures as stated in the company search record. JLA Asia paid independent visits to the registered office and principal place of business of the Relevant Customer and met with the representative of Customer A. A copy of a meeting note prepared by JLA Asia was acknowledged by the representative of Customer A and stamped with that company's chop. Afterwards, JLA Asia sent a letter to the registered office and principal place of business of Customer A and subsequently received a written confirmation from the registered office of Customer A.

According to the KPMG Letter, a staff (the “**Staff**”) of Customer A’s sole shareholder (the “**Shareholder**”) had advised that Customer A is a dormant company. JLA Asia contacted the Staff and proposed a meeting with him. JLA Asia failed to receive a response from the Staff up to the date of the Report.

*Management’s response:*

At the request of JLA Asia, the Company assisted JLA Asia to facilitate the independent visits conducted by JLA Asia. However, the Company just played a liaison role. The Company’s representatives left after introducing the respective representatives to JLA Asia. All visits to the Identified Customers and Identified Suppliers conducted by JLA Asia were entirely independent.

Customer A had ceased business with Qunxing on its own initiative as the investigation conducted by the Company’s former auditors caused undue disturbance to them. It is reasonable for JLA Asia to make a judgment based on the information they obtained in their meeting with Customer A and the written confirmations they sent to and received from Customer A afterward.

*Views of the Audit Committee:*

JLA Asia paid an independent visit and sent letters to Customer A. Besides, the Staff’s representations mentioned by KPMG were made orally and without any supporting documents. It is obviously beyond the power of the Company to require the Shareholder to respond to JLA Asia. The Audit Committee made a judgment based on the written confirmations and relevant documents obtained by JLA Asia in the course of their investigation and was satisfied that the relevant transactions were carried out between Customer A and Qunxing.

### **Review of delivery records and meetings with logistic companies**

To ascertain the existence of and sales to the Identified Customers, JLA Asia reviewed Qunxing’s delivery records. JLA Asia noted that the delivery addresses of the respective Identified Customers are not shown on these records. JLA met with representatives of the logistic companies (the “**Logistic Companies**”) engaged by the Identified Customers to deliver goods to those customers. However, JLA Asia were advised by the respective representatives of the Logistic Companies that they do not keep detailed records of the delivery addresses and JLA Asia were only provided with the names of the suburbs where the goods were delivered to the respective Identified Customers. According to the representatives of the Logistic Companies, the respective drivers call Qunxing’s customers directly to obtain their exact addresses.

*Management’s response:*

Although the names of the recipients of goods are missing from the delivery notes, the customers signed and stamped return receipts. Moreover, despite the fact that the customers’ addresses are missing from the delivery notes, the addresses were stated in the transportation agreements entered into between the customers and the Logistic Companies according to the meeting notes of JLA Asia with the Logistics Companies. Further, given the transportation agreements are entered into between the customers and the Logistic Companies, the Group is not responsible for the transportation or delivery.

Nevertheless, in response to the recommendations given by JLA Asia and in order to strengthen the internal controls of the Group, the Group has re-designed its delivery note in order that the recipient of the goods and the addresses of the goods to be delivered are stated thereon.

*Views of the Audit Committee:*

Given that the customers' addresses were stated in the transportation agreements entered into between the customers and the Logistic Companies according to the meeting notes of JLA Asia with the Logistic Companies, the aforesaid issue does not call into question the existence of and sales to those customers.

**Letters sent to all Identified Customers and Identified Suppliers**

JLA Asia followed up with telephone calls, using telephone numbers shown in their company searches, to seek confirmation from the Identified Customers and Identified Suppliers that the representatives that JLA Asia had met with are staff members of the respective companies.

Of the people who answered these calls at the 19 Identified Customers and Identified Suppliers, 7 advised that they had not heard of the relevant representatives that JLA Asia asked to speak to, (one of them advised that he had no recollection of the meeting with JLA Asia), 9 advised the respective representatives JLA Asia had asked to speak to were out of the office and 3 of the Identified Customers and Identified Suppliers were not contacted by telephone because the number JLA Asia dialled was either busy, not in service or the wrong number.

To obtain further confirmation, JLA Asia sent letters to all Identified Customers and Identified Suppliers at their registered office, principal place of business and/or the meeting place (where applicable). Some of these letters were sent to more than one address for the same Identified Customer or Identified Supplier. The letters were addressed to the respective representatives that JLA Asia had previously met with, asking questions in respect of their meetings with them.

JLA Asia received replies from all Identified Customers and Identified Suppliers. Based on the replies received and the express mail service bill attached to the returned courier envelope, JLA Asia noted that:—

- (a) all 19 replies from the Identified Customers and Identified Suppliers were received via the courier company that JLA Asia had specified in JLA Asia's letter to the Identified Customers and Identified Suppliers;
- (b) the names of the respective representatives that JLA Asia had previously met with were shown at the bottom of the replies as well on the express mail service bill;
- (c) 16 of the 19 replies JLA Asia received were signed but JLA Asia stated that they are not in a position to verify the signatures; and
- (d) all 19 replies JLA Asia received were stamped with the relevant company's chop. JLA Asia compared the company's chop in all the replies to the minutes prepared by JLA Asia (stamped with the company's chop). JLA Asia note that the respective company chops are the same as those stamped on the minutes, with the exception of one of the Identified Customer's chop (the company's finance chop was used instead of the company's chop stamped on JLA Asia's minutes).

However, JLA Asia noted that a reply letter from one of the Identified Customers ("**Customer B**") quoted the wrong reference number (being that of another Identified Customer) assigned by them.

*Management's response:*

The written confirmations were sent and received by JLA Asia independently. Although the Company was aware that JLA Asia would send letters to the Identified Customers and Identified Suppliers beforehand, the Company was not aware of the details of such process and procedures, and did not provide any assistance to JLA Asia on this matter.

As regards the wrong reference number appearing in the reply letter from Customer B, the Company believes this is likely to be simply a typographical error made by staff of that customer. The wrong reference number has nothing to do with the transactions between the Group and that customer.

The Company would like to emphasise that the approach of seeking evidence by means of phone calls adopted by JLA Asia is unreliable. JLA Asia's calls were made without prior notice to the relevant customers or suppliers. It is unlikely that the customers and suppliers (regardless of who the caller claims to be) would disclose to unknown callers their own corporate information, particularly sensitive information pertaining to finance staff and financial data. Moreover, there is no guarantee that the phone numbers obtained by JLA Asia from their company searches were accurate and are the phone numbers currently in use by the relevant companies.

*Views of the Audit Committee:*

Judging from the fact that all the replies received by JLA Asia have shown that they were sent from the respective representatives that JLA Asia had previously met with, the Audit Committee considers that such evidence sufficiently substantiates the existence of the relevant customers and suppliers.

Moreover, the Audit Committee is of the view that it may not be appropriate to draw conclusions on the basis of the results of the phone calls initiated in the ways described in the Report. As the Report makes clear that all the replies received by JLA Asia have shown that they were sent from the respective representatives that JLA Asia had previously met with, the Audit Committee considers that such documents are sufficient to substantiate the existence of the relevant customers and suppliers.

The Audit Committee also concurs with the view of the Management that a wrong reference number appearing in the reply letter from Customer B is most likely a typographical error only and does not call into question the existence of that customer.

## **Discrepancies in bank statements and bank advices**

*Findings:*

JLA Asia visited bank branches where Qunxing had opened accounts during which staff members advised JLA Asia to return to collect the bank statements because they needed to retrieve the information (which is over 1 year ago). Therefore, JLA Asia were unable to observe the printing of the bank statements.

In respect of issues raised in the KPMG Letter in relation to the format of the bank statements, JLA Asia observed that the format of the bank statements JLA Asia obtained from the respective banks (the "**Relevant Banks**") and those provided by Qunxing was consistent for the entire year of 2010 and the correct year was shown in these bank statements for the month of January 2011 (as the year was wrongly stated as 2010 in the bank statements reviewed by KPMG). JLA Asia's observations are contrary to those raised in the KPMG Letter in that, the format of the bank statements changed during the year and the incorrect year was shown in the January 2011 bank statements.

In respect of the discrepancies raised in the KPMG Letter in relation to the incorrect brought forward dates, JLA Asia observed that the bank statements provided by Qunxing have the correct brought forward dates. However, certain bank statements JLA Asia obtained from the respective banks have no brought forward dates shown on continuing pages and therefore JLA Asia are not in a position to confirm all brought forward dates on these bank statements are correctly stated.

JLA Asia noted certain differences in respect of the format of the bank statements. JLA Asia also noted discrepancies in relation to certain transactions shown in 3 bank accounts of Qunxing maintained with the Relevant Banks when JLA Asia compared the bank statements JLA Asia obtained from the Relevant Banks and those provided by Qunxing. For example, the dates of 3 transactions in the bank statements obtained from one of the Relevant Banks differed from these provided by Qunxing:—

- (a) the bank statements JLA Asia obtained from the Relevant Banks can be matched to Qunxing's bank ledger;
- (b) the bank statements KPMG obtained from the Relevant Banks can be matched to the bank statements provided to JLA Asia by Qunxing; and
- (c) the bank statements KPMG obtained from the Relevant Banks cannot be matched to the bank statements JLA Asia obtained from the Relevant Banks.

JLA Asia were advised by the 3 Relevant Banks (via letter stamped with the relevant bank's chop) that the discrepancies were due to their computer systems.

In respect of the issues raised in the KPMG Letter concerning the validity of a bank account (the "**Bank Account**") of one of the Identified Customers ("**Customer C**") maintained with the respective bank ("**Bank A**"), KPMG questioned whether the Bank Account was in use. Bank A was not able to disclose the information of the Bank Account to JLA Asia, but it appeared to JLA Asia that the Bank Account was active and operational during 2010 for the following reasons:—

- (a) the details shown in the bank advices JLA Asia obtained separately from Customer C and Qunxing shows that Customer C had remitted funds from the Bank Account to Qunxing during 2010; and
- (b) Bank A had confirmed the transaction details of the respective bank advice referred to in the KPMG Letter.

In respect of the issues raised in the KPMG Letter concerning another Identified Customer ("**Customer D**"), JLA obtained the relevant bank advices from Qunxing, Customer D and KPMG and noted discrepancies in relation to the dates of these bank advices.

KPMG also noted that certain Identified Customers' bankers changed their names and bank codes during 2010 but the former banks' names and former bank codes were still shown on the Bank Advices provided by Qunxing. JLA Asia reviewed the relevant bank advices and noted that:—

- (a) the Identified Customers' bankers mentioned in the KPMG Letter have changed their names either prior to, or during 2010;
- (b) the Identified Customers' former bank names and former bank codes were shown in the Bank Advices provided by Qunxing for the whole of 2010;
- (c) the Identified Customers' new bank names and new bank codes were shown in the Bank Advices provided by Qunxing for the month of January 2011; and
- (d) JLA Asia's observations are consistent with those stated in the KPMG Letter in so far the bank advices selected by KPMG and referred to in the KPMG Letter falls within 2010.

In respect of the Bank Advices referred to in the KPMG Letter, JLA Asia obtained confirmation from Bank A of the transaction details shown in the bank advices provided by Qunxing. The staff member of Bank A also confirmed that the bank's system had been updated in relation to the change of bank name.

JLA Asia met with the representatives of KPMG to obtain clarification in relation to JLA Asia's above observations. At the KPMG office, JLA Asia reviewed certain bank advices (provided by Qunxing to KPMG) referred to in the KPMG Letter and those selected by KPMG. JLA Asia noted that 3 bank advices (with different dates in January 2011) appeared to be different from the corresponding bank advices obtained from Qunxing, despite the fact that the two sets of bank advices were obtained from Qunxing's voucher books. The discrepancies include the former bank names and former bank codes shown on the bank advices provided by Qunxing to KPMG while the new bank names and new bank codes were shown on the bank advices provided by Qunxing to JLA Asia. However, the two versions of bank advices stated the same printing date and time. Despite the discrepancies referred, Bank A confirmed the details of the two sets of bank advices.

JLA Asia advised that in addition to the aforesaid 3 bank advices, there are a total of 30 other bank advices in respect of which Qunxing had noted discrepancies. All those bank advices had been re-printed and replaced by Bank A in response to the queries raised by KPMG. JLA Asia noted that these 30 bank advices are all dated within the month of January 2011 and related to 5 Identified Customers totalling RMB23.6 million. In respect of these 30 bank advices, Qunxing advised that Bank A had confirmed with Qunxing that the details shown in the 30 bank advices are incorrect and subsequently provided replacement for these 30 bank advices; and Qunxing returned the 30 bank advices (with incorrect details) to Bank A.

Staff at Bank A advised JLA Asia as follows:—

- (a) Bank A had re-printed and replaced the 30 bank advices at the request of Qunxing (despite the fact that the watermark of a non-commercial bank ("**Bank B**") was shown in the 30 bank advices);
- (b) as the two versions of the bank advices were computer generated, the printing date and time were identical; and
- (c) at the time Qunxing requested the bank to re-print the 30 bank advices; the bank was undergoing a system update and therefore was able to do so. JLA Asia noted that on JLA Asia's previous visits to the same bank, the staff members advised that they were unable to reprint the bank advices and that Qunxing already had a copy of them.

JLA Asia noted that payments remitted from certain Identified Customers to Qunxing during 2010 were made via a Payment and Settlement System of Bank B. JLA Asia requested the Audit Committee to issue a letter to Bank B to further clarify the matters raised in the KPMG Letter and confirm that relevant bank advices were issued by Bank B but Qunxing had received legal advice to the effect that obtaining confirmation from Bank B may constitute a disturbance on the work procedures of Bank B and its branches given that they are prohibited by law from conducting any business transactions with non-financial institution and individuals. Obtaining confirmation from Bank B may potentially give rise to disputes, investigative action and even an administrative penalty.

JLA Asia independently visited and asked the staff members of the relevant banks the reason for the discrepancies in specific bank statements and bank advices. The respective staff members of the banks have provided JLA Asia with their written explanations and stamped with the respective banks' chops that the discrepancies were due to changes in computer systems (系統原因). Such discrepancies have been explained.

*Management's responses:*

It appears clear that the bank statements obtained by JLA Asia from the respective banks are the latest versions after the bank's computer system changes whilst the bank statements obtained by the Company from the respective banks are the old versions prior to the system changes. Further, the respective banks have already explained to JLA Asia the reason for the discrepancies in the specific bank statements.

The Company prepares its bank ledger on an “actual” basis, i.e., to record bank transactions in the ledger on the same day that the transactions take place. JLA Asia made no adverse comment on the Company’s ledger and did not suggest that it is in anyway inadequate.

*Views of the Audit Committee:*

Based on the relevant findings of JLA Asia and the evidence they received, the Audit Committee considers that the relevant Audit Issue has been addressed in a satisfactory manner through the Further Investigation.

**Discrepancies between names shown in VAT invoices and names shown in VAT invoices in PRC tax bureau records of VAT invoices**

*Findings:*

The KPMG Letter identified certain VAT invoices of 3 Identified Suppliers (the “**Relevant Suppliers**”) that showed names other than those of respective companies.

JLA met with the representatives of 2 of the Relevant Suppliers and the respective representatives advised them that:

- (a) in respect of the relevant VAT invoices issued to Qunxing, they were not aware that and do not know the reasons why another company’s name was shown on the information obtained from the Tax Bureau website (instead of the relevant company’s name); and
- (b) they have not heard of the names of the companies shown on the information obtained from the Tax Bureau website.

In respect of the discrepancy of each company’s name noted in the VAT invoices issued to Qunxing, JLA Asia verified the VAT invoices with the local Tax Bureau. JLA Asia were not able to ascertain the reason(s) the names of the Relevant Suppliers are not shown on the information obtained from the Tax Bureau website. However, JLA Asia obtained confirmation from the National Tax Bureau that all specific VAT invoices were tax deductible for Qunxing.

In respect of the nature and validity of the underlying transactions, JLA Asia performed procedures such as seeking evidence including examining documents such as purchase contracts, purchase orders, warehouse warrants, VAT invoices, bank payment vouchers, bank statements, paying independent visits to the relevant banks and suppliers and obtaining confirmation of the transactions in physical meetings and through sending letters to all the Identified Customers and Identified Suppliers independently.

*Management’s responses:*

The inconsistencies noted in the names as shown in several VAT invoices are the responsibility of the issuers and have nothing to do with the Group. There is no evidence to indicate that either the VAT invoices are not genuine or the underlying transactions are not valid.

*Views of the Audit Committee:*

Based on the findings of JLA Asia and the evidence they received, the Audit Committee are of the view that all the underlying transactions are genuine. However, in order to further safeguard the interests of the Company and to reinforce the Group’s risk management, the Audit Committee has reminded the Company to carefully verify all VAT invoices it receives via websites. The Company has implemented the above procedure in verifying the VAT invoices.

## Fixed assets purchased by Qunxing

### *Findings:*

In respect of the existence and purchase price of two Production lines nos. 12 and 13 (the “**Fixed Assets**”) referred to in the KPMG Letter, KPMG noted from their company search result that the sales statistic figure of the supplier (“**Supplier A**”) of the Fixed Assets in 2009 were lower than the purchase price of the Fixed Assets recorded in the Group’s accounting records in 2009.

### *JLA Asia noted that:*

- (a) contracts were executed between Supplier A and Qunxing for the construction of the Fixed Assets for a total amount of RMB393,200,000 (VAT included);
- (b) there were 34 VAT Invoices of Supplier A issued for the purchase of the Fixed Assets;
- (c) the total amount of RMB393,200,000 shown on the contracts matched with the amount in the fixed asset ledger of Qunxing for 2010; and
- (d) the amount shown in the 34 VAT invoices of Supplier A matched with payments shown in Qunxing’s bank statement and the respective bank advices.

JLA Asia noted from a valuation report dated 20 June 2011 prepared by an independent valuer that the value of the Fixed Assets as at 31 December 2010 was RMB338,320,000 (VAT excluded) which is RMB2,251,624 higher than the purchase price of RMB336,068,376 (VAT excluded) paid by Qunxing.

The Company engaged an international firm specialising in valuation to assess the Fixed Assets and to issue a valuation report. JLA Asia noted from the valuation report dated 20 June 2011 prepared by the independent valuer that the value of the Fixed Assets as at 31 December 2010 was higher than the purchase price paid by Qunxing.

In respect of the issues raised in the KPMG Letter concerning the sales recorded in the financial statements of Supplier A, the representative of Supplier A explained to JLA Asia that the financial statements of Supplier A that KPMG referred to (obtained from the company search) were not prepared by Supplier A.

### *Management’s responses:*

Qunxing has subsequently communicated with Supplier A and found that the representative of Supplier A only wanted to explain to JLA Asia that the financial data of Supplier A shown in the company search obtained by JLA Asia was beyond his control since the financial statements were not prepared by him.

### *Views of the Audit Committee:*

The Audit Committee is of the view that as the valuation report proved that value of the Fixed Assets was higher than the purchase price paid by Qunxing, no impairment is required to be made for diminution in the value of the Fixed Assets.

In addition, it is the sole decision of Supplier A to report the relevant financial data to the relevant authority. The Company is not in a position to comment on Supplier A’s filings and they have nothing to do with the Group.

## GENERAL

The Company has applied to the Stock Exchange for the resumption of trading in the shares of the Company. The Board and the Audit Committee consider that the issues raised by the Company's former auditors have been properly investigated and addressed and are no longer of relevance to the business or state of affairs of the Group. Moreover, audit opinions issued by HLB Hodgson Impey Cheng Limited, the Company's current auditors, on the Group's 2011/2012 interim results and its 2011/2012 annual results confirmed that the Group's financial information gives a true and fair view of the state of affairs of the Group as at the relevant period end and of its profit and cash flows for the respective periods. In any case, the Group has made and will make continuous efforts to reinforce its internal control system and corporate governance mechanism.

## SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:00 a.m. on 30 March 2011 and will remain suspended until further notice. The Company will make continuous effort to resume trading in its shares.

## DEFINITIONS

In this announcement the following terms have the meanings set opposite them:—

“Audit Committee”	the audit committee of the Board
“Audit Issue(s)”	certain audit issues asserted by KPMG, the former auditors of the Company, in the course of their audit on the financial statements of the Group for the year ended 31 December 2010
“Board”	the board of directors of the Company
“Company”	Qunxing Paper Holdings Company Limited ( 群星紙業控股有限公司 ), a company incorporated in the Cayman Islands with limited liability, and the issued shares of which are listed on the Main Board of the Stock Exchange
“Further Investigation”	the further independent review and investigation in respect of the Audit Issues conducted by JLA Asia
“Group”	the Company and its subsidiaries
“Identified Customers and Identified Suppliers”	19 customers and suppliers of Qunxing specified in the KPMG Letter
“JLA Asia”	JLA Asia Limited
“KPMG Letter”	a letter from KPMG to the Audit Committee dated 7 April 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qunxing”	Shandong Qunxing Paper Limited ( 山東群星紙業有限公司 ), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Report”	an independent investigation report dated 20 November 2012 prepared by JLA Asia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhonglei”	ZHONGLEI Risk Advisory Services Limited
“VAT”	Value-added tax in the PRC

By Order of the Board  
**ZHU Yu Guo**  
*Chairman*

Shandong, the PRC, 17 July 2013

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