YOUBISHENG GREEN PAPER

Youbisheng Green Paper AG

Annual Report 2011

Youbisheng Green Paper AG

KEY FINANCIALS

		2010	**2011**	+/–%
Revenues	million €	75.3	92.2	+22.4
Gross profit	million €	18.8	23.1	+22.1
Gross profit margin	%	25.1	25.0	-0.1PP
EBIT	million €	17.7	20.8	+17.3
EBIT margin	%	23.5	22.5	-0.9PP
Net profit	million €	15.5	15.3	-1.3
Net profit margin	%	20.5	16.6	-3.9PP
Net cash flow from operating activities	million €	14.8	17.3	17.1

Content

COMPANY PROFILE

Youbisheng Green Paper AG is the German holding company of a Chinese clean-tech leader of environmentally friendly produced linerboard from up to 100% recovered fibres. The high-quality linerboard innovations of Youbisheng take up a special position in the Chinese market and are produced in the own production plant near Quanzhou City. They are used in the packaging industry in the Fujian and Guangdong Province (together about 141 million inhabitants), especially for visually attractive sales packaging and carrier bags of high-quality consumer goods.

DEAR FELLOW SHAREHOLDERS,

I am proud to present the first Annual Report of Youbisheng Green Paper AG after being listed on the Frankfurt Stock Exchange in July 2011. First and foremost, I am proud that we once again reached record results: Revenues increased by 22% to EUR 92.2 million and operating profit up by 17% to EUR 20.8 million. This is a great success in the light of our limited production capacities. And these financials are well above the outlook communicated during our IPO.

In the past year we maintained a strong balance sheet with an equity position of EUR 47.4 million and an equity ratio of 65%. The cash position amounted to EUR 30.9 million as of 31 December 2011. These funds will be used to finance the expansion of our production facilities with an estimated total investment of EUR 60 to 70 million. Currently, we are operating at full capacity.

Our double-sided testliner made from up to 100% recycled paper, the shift to unique high-value products and our innovations continue to drive our growth. In the past year, our R&D team has developed a new single-sided testliner with a higher basic weight of 400 g/m^2. We successfully introduced this product into the market in October 2011. On top of this, we launched our new anti-counterfeit testliner in February 2012. This is a highly innovative product that we have been developing for over a period of almost three years. Branded consumer goods need more and more protection against counterfeiting. Our team successfully integrated a very effective level of anti-counterfeit protection into our liner board by mixing the pulp of the middle layers with a certain dye.

The testliner industry continues to see growth in volume. This is due to the fact that domestic demand for consumer goods remains robust especially in urban areas. This increases the demand for our testliners since they provide the basic material for consumer packaging. I am confident that the sales of our testliner will remain strong due to the high quality and innovations that we offer our clients in the packaging industry. Despite the economic growth in China is slowing down, the demand for consumer goods remains strong.

In 2012, we plan to increase revenues once again. Our profits are expected to grow in line with sales but a higher share of production volumes outsourced to subcontractors will put some pressure on our margins.

I look forward to another year of growth, in which we are able to generate shareholder value. I thank you for your continuing confidence and support.

Yours sincerely

Haiming Huang
CEO Youbisheng Green Paper AG

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Youbisheng Green Paper AG was founded in financial year 2011. The short financial year ended on 31 December 2011 after the company's successful listing on the Prime Standard segment of the Regulated Market of the Frankfurt Stock Exchange. The reporting period was marked by the initial public offering and the associated structural changes within the corporate group, as well as the continued positive performance of the operating units. The group's dynamic growth has continued with an increase in sales revenues of about 22.5% (based on the figures for the operating unit) and a slight decline in after-tax earnings of about 1% compared to the previous year's figures. Reasons for the decline in earnings were (1) the loss of tax benefits and (2) the costs associated with the initial public offering. Positioning the company as a supplier of packaging and paper products to the high-growth Chinese domestic market has proven to be the right strategy in this reporting year. Of particular importance is the market introduction of a new single-sided testliner with a higher grammage, which will further contribute to the group's growth.

Supervision of the Management Board

The recently created structure of the Youbisheng Green Paper corporate group with its German parent company listed on the stock exchange, an intermediate holding company in Hong Kong, and an operating subsidiary in China presents particular challenges to the management and the Supervisory Board due to the physical separation, linguistic conditions and different mentalities. Active, open communication between the Management Board and the Supervisory Board has contributed to mutual understanding and trust. The willingness of the Management to stay abreast of the significant challenges faced by a company focused on the capital markets emphasises its desire to strengthen the confidence of shareholders in Youbisheng Green Paper AG through good corporate governance.

Youbisheng Green Paper AG first became active on the market through its subsidiary when the shares of Gui Xiang Industry Co Limited, Hong Kong, were contributed to Youbisheng Green Paper AG on 20 April 2011. The Supervisory Board has been subject to the requirements of capital market law with respect to the supervision of the company since the admission of its shares to trading on 12 July 2011.

The Supervisory Board, as currently composed, was elected on 14 April 2011. The operating and strategic development of the company was documented in the prospectus for admission to trading (*Börsenzulassungsprospekt*), and corporate planning for 2011 was completed.

The first task of the Supervisory Board was to adopt the resolutions needed to create the basis for the present group structure and to make listing on the stock exchange possible.

The Management Board provided the Supervisory Board with extensive and timely information on an ongoing basis, both orally and in writing. An open exchange of information also took place between the Management Board and the Chairman of the Supervisory Board outside the regular Supervisory Board meetings.

Thus, in accordance with the advisory and monitoring functions imposed by law, the Articles of Association and the rules of procedure, the Supervisory Board continuously monitored the activities of the Management Board during short financial year 2011 and advised the latter in the interest of the company and its shareholders. The standards utilised for this monitoring process were, in particular, the lawfulness, propriety, financial efficiency and expediency of the management of the company and the group.

Meetings of the Supervisory Board

The Supervisory Board held six meetings during the 2011 short financial year. The members of the Supervisory Board participated in the aforementioned meetings by appearing in person or participating via telephone conference. All the Supervisory Board members were present at the meetings. Since the Supervisory Board consists of only three persons, it has not formed any committees. The relevant topics are handled by the entire Supervisory Board.

The major topics of the Supervisory Board meetings and the resolutions adopted

4 March 2011: the chairman and the vice chairman were selected from among the members of the Supervisory Board by way of a written voting procedure. In addition, Mr. HUANG Haiming was appointed as the sole Management Board member.

20 April 2011: the conclusion of a contribution agreement and an agreement on the transfer of all the shares in Gui Xiang Industry Co Limited, Hong Kong, to Youbisheng Green Paper AG was approved by way of a written voting procedure.

12 May 2011: Mr. Hoo Kiet Chii (Clement Hoo) was appointed as Management Board member by way of a written voting procedure. Mr. Hunag Haiming was appointed as the Chairman of the Management Board.

30 May 2011: rules of procedure were adopted for the Management Board and the Supervisory Board by way of a written voting procedure. The conclusion of employment contracts with Mr. Huang and Mr. Hoo was also discussed at the meeting.

30 August 2011: the management report for the second quarter was approved through the adoption of a resolution by telephone.

23 November 2011: The management report for the third quarter was approved through the adoption of a resolution by telephone.

Composition of the Supervisory Board

Youbisheng Green Paper AG was founded on 4 March 2011. In accordance with the company's certificate of incorporation of 4 March 2011, the founder of the company appointed Mr. Gernot Kugler (chairman), Ms. Verena Dylla (vice chairman) and Dr. Gregor Wecker as members of the first Supervisory Board of the company until the end of the General Shareholders' Meeting that ratifies the acts of the members of the Supervisory Board for the short financial year ending on 31 December 2011. Dr. Gregor Wecker resigned from the Supervisory Board effective as of 14 April 2011, 12:00 a.m. The Extraordinary General Shareholders' Meeting of 14 April elected Mr. ZHANG Daopei as a new member of the Supervisory Board effective as of 15 April 2011, 12:00 a.m.

Annual financial statements and consolidated financial statements for 2011

The auditing company Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was elected by the General Shareholders' Meeting of 23 May 2011 as the independent auditor of the annual financial statements and the consolidated financial statements for the short financial year. The Supervisory Board has issued the respective audit assignment.

The present annual financial statements of Youbisheng Green Paper AG as of 31 December 2011 prepared in accordance with the HGB (*Handelsgesetzbuch,* German Commercial Code), the consolidated financial statements as of 31 December 2011 prepared in accordance with the EU IFRS, and the combined management report, including the accounting records, have been audited by the independent auditor, and an unqualified audit opinion has been issued with respect to them. The agreement with the independent auditor made auditing the impairment testing of the carrying amount of the investment and the trade accounts receivable as well as the existing liquid assets within the group the

focal points of the audit. In accordance with the relevant legal provisions, the group's risk management system was also a focal point of the audit.

The Supervisory Board obtained information on the progress of the audit from the independent auditor on a regular basis and noted the latter's audit reports with approval. The Supervisory Board itself also carefully reviewed the annual financial statements, the consolidated financial statements and the combined management report summary of the Youbisheng Green Paper Group and Youbisheng Green Paper AG for financial year 2011, which had been submitted to the Management Board and provided to the Supervisory Board, and determined that there were no objections to the final results of this audit. During the Supervisory Board meeting of 24 April 2012, the independent auditor submitted and explained the annual and consolidated financial statements to the Supervisory Board and answered the Supervisory Board members' questions on the audit. On 30 April 2012, the Supervisory Board approved the annual financial statements, the consolidated financial statements and the management reports for Youbisheng Green Paper AG and the group. Therefore, the annual financial statements have been adopted.

Corporate Governance

Since there is no control agreement in effect with the majority shareholder, the Management Board of Youbisheng Green Paper AG was obliged to produce a report on relations with affiliated companies in accordance with Section 312 of the AktG. This report, which was submitted to the Supervisory Board for review, includes the relations between the majority shareholder, Hong Kong Kai Yuan International Investment Holdings Ltd., and the companies affiliated with the Youbisheng Green Paper Group. In accordance with Section 312 (3) of the AktG, the Management Board declares, with respect to the transactions set forth in the report on relations with affiliated companies, that the company received good and valuable consideration under the circumstances that were known at the time when the transactions were undertaken. There were no measures subject to reporting in financial year 2011. The independent auditor has reviewed the report of the Management Board and prepared a report thereon, which has been submitted to the Supervisory Board. The auditor issued the following opinion in this regard:

„According to our obligatory audit and assessment we confirm that

1. The actual statements of the report are true,
2. The consideration provided by the company in respect of the legal transactions listed in the report was not unreasonably high, or disadvantages have been compensated,
3. In respect of measures stated in the report, no circumstances exist that would suggest an assessment that differs materially from that of the management board."

The Supervisory Board has reviewed the report of the Management Board on relations with affiliated companies as well as the auditor's report prepared in this regard and declares, based on the final results of its review, that it does not have any objections to the declaration of the Management Board at the conclusion of its report on relations with affiliated companies.

In addition, the Supervisory Board focused on corporate governance issues and considered the recommendations and suggestions of the German Corporate Governance Code. The Management Board and the Supervisory Board adopted a joint declaration of conformity in accordance with Section 161 of the AktG and made it available for inspection on the company's website. The Supervisory Board is not aware of any conflicts of interest on the part of the Supervisory Board members.

For additional information, please refer to the Management Board's and Supervisory Board's joint Corporate Governance Report.

The Supervisory Board hereby expresses its gratitude to the Management Board and the group's staff members for their strong commitment and services in the course of the preceding short financial year 2011. The Supervisory Board would like to thank the shareholders for the confidence shown in Youbisheng Green Paper AG.

Cologne, 30 April 2012

For the Supervisory Board:
Gernot F.W. Kugler

Chairman of the Supervisory Board

MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board

Huang Haiming, CEO

- Chairman and CEO of Youbisheng PRC and responsible for Strategy and Product development

Hoo Clement, CFO

- Responsible for Finance, Accounting and Investor Relations and CFO since February 2011

Members of the Supervisory Board

Gernot Kugler (Chairman)

Partnerships or a member of administrative, management or supervisory bodies of the following companies outside the Company:

- Partner of KMP Kugler März & Partner GbR, lawyers and tax consultants in Hamburg
- Vice- Chairman of in the Managing Board of the Dr. Hans Ritz and Lieselotte Ritz Foundation, Hamburg

Verena Dylla (Deputy Chairman)

Partnerships or a member of administrative, management or supervisory bodies of the following companies outside the Company:

- none

ZHANG Daopei

Partnerships or a member of administrative, management or supervisory bodies of the following companies outside the Company:

- Non-executive director of Youyuan International Holdings Ltd.

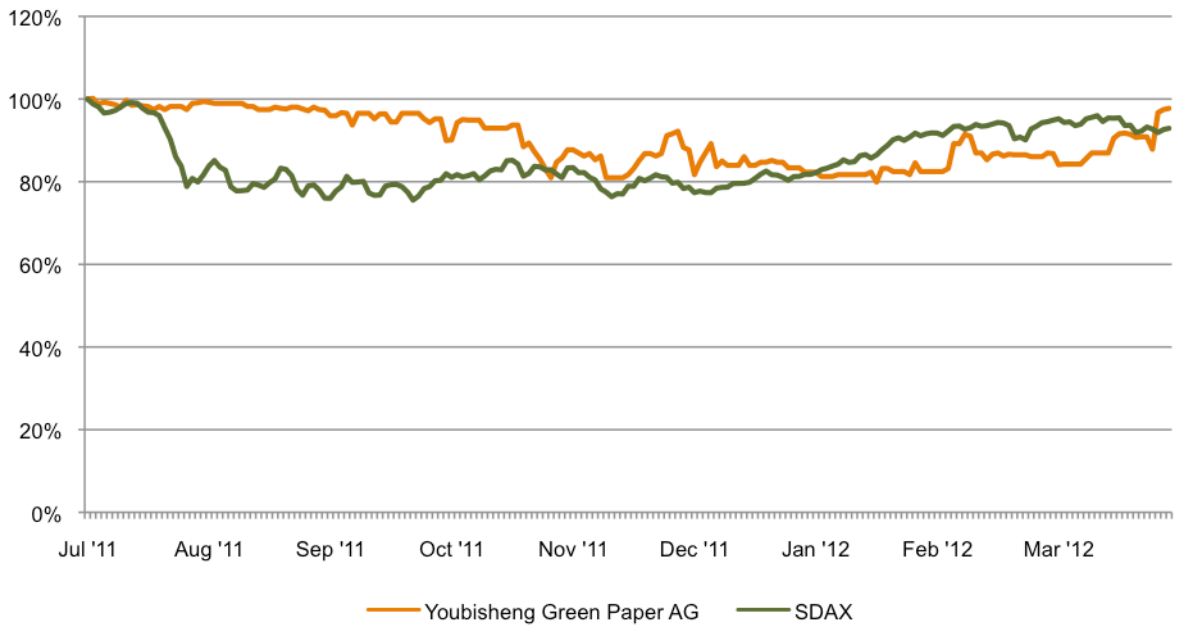
Youbisheng Green Paper AG

Production and Product Examples

The Share

Youbisheng Green Paper AG (Youbisheng) was listed in Frankfurt Stock Exchange, Germany on 13 July 2011. A total of 217,705 no par value ordinary bearer shares (Inhaberstückaktien) were placed in the IPO at an issue price of EUR 6.50. The first price for the share was EUR 6.60, approx. 15% above the issue price. During the third quarter 2011 the Youbisheng Green Paper AG's share price showed a slight decrease of nearly 2.5% and closed at EUR 6.44 as of 30 September 2011. In the fourth quarter the share price decreased by 15% to EUR 5.60 as of 31 December 2011. Since the beginning of 2012, the Youbisheng share price recorded an upward movement and amounted to EUR 6.10 as at 19 April 2012.

Compared to the benchmark index SDAX, which was down 8% since the IPO of Youbisheng in July 2011, the share of Youbisheng recorded a slight outperformance with a share price decrease of 6%.



Corporate Governance Report

To comply with sec. 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board are required to report once a year in the annual report on corporate governance in the company. The corporate governance report of Youbisheng Green Paper AG also includes the declaration on corporate management required by sec. 289a of the German Commercial Code (HGB). The declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB) comprises the declaration of conformity pursuant to sec. 161 of the German Stock Corporation Act (AktG), and descriptions of how the Management Board and Supervisory Board work, and of the composition and method of working of their committees.

The corporate governance report is also readily available in the internet at www.youbisheng-greenpaper.de/investor-relations.

Declaration of Conformity

The Management Board (Vorstand) and the Supervisory Board (Aufsichtsrat) of Youbisheng Green Paper AG hereby jointly declare that the recommendations of the German Government Commission for the German Corporate Governance Code have been complied with since the company's admission to trade on the regulated market of the Frankfurt Stock Exchange and will comply with the recommendations in fiscal 2012, except for the following deviations outlined below. The declaration is based on the recommendations of the Code in its version dated 26 May 2010, which was published in the electronic Federal Gazette on 2 July 2010.

Deviations from the Code's recommendations are as follows:

- **Paragraph 2.3.3 Sentence 2** of the Code is dealing with absentee voting procedures by mail, without explicitly recommending to provide for such absentee voting procedures. In the opinion of the company's Management and Supervisory Boards, there are still various technical and legal problems involved with absentee voting by mail ballot. Also, in fiscal year 2012, Youbisheng Green Paper AG will for the first time hold a public general shareholders meeting and thus is not able yet to judge the shareholders demand of such a service. Therefore, the Management Board has decided not to exercise its authorization as granted under Section 18 clause 3 of the company's articles of incorporation to permit absentee voting by mail ballot. However, shareholders continue being entitled to electronically grant proxies to proxy representatives nominated by the company.

- In **Paragraph 3.8 Sec. 5** of the Code recommends agreeing a specified deductible in any D&O (directors' and officers' liability insurance) policy to be taken out for Supervisory Board members. In the company's opinion the attitude of the Supervisory Board members in responsible acting and complying with German law will not be supported by such specified deductible. Also, a deductible would reduce the attractiveness of Supervisory Board activities, and thus also the company's chances in the competition to attract qualified candidates. The Code's recommendation in this regard has therefore not been and is not to be followed.

- **Paragraph 4.1.5** of the Code recommends taking diversity into consideration when filling management positions, and, in particular, to aim for an appropriate consideration of women. Youbisheng Green Paper AG is respecting diversity. However, the focus here is on the professional qualification of the candidates (men and women).

- According to **Paragraph 4.2.2** the full Supervisory Board determines the total compensation of the individual Management Board members and shall resolve and regularly review the Management Board compensation system. According to Paragraph **4.2.3** of the Code, the monetary compensation elements shall comprise fixed and variable elements, related to demanding, relevant comparison parameters. The Supervisory Board must

make sure that the variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments shall be taken into account when determining variable compensation components. All compensation components must be appropriate, both individually and in total, and in particular must not encourage taking unreasonable risks. Changing such performance targets or the comparison parameters retroactively shall be excluded. In 2011, Youbisheng Green Paper AG deviated from these provisions of the Code as the Management Board was not entitled to remuneration for their service as member of the Management Board. The members of the Management Board only received remuneration for their services as directors and/or officers of the company's subsidiaries. Furthermore, they do not receive any variable monetary compensation.

- Youbisheng Green Paper AG deviates from the recommendations set forth in **Paragraph 5.1.2** of the Code. Decisions on suitable candidates for appointment as members of the Management Board are taken on a purely objective basis and focus on the professional qualification of the candidates in accordance with German legislation on diversity. No age limits are set for members of the Management Board.

- Because of the company's size, the Supervisory Board of Youbisheng Green Paper AG only consists of three members and does not form any committees. Since it is a legal requirement that any committee that takes decisions must also have at least three members, the establishment of committees is neither necessary nor expedient. Thus, the company deviates from the recommendation of **Paragraph 5.2** and **Paragraph 5.3** of the Code.

- Youbisheng Green Paper AG deviates from the recommendations set forth in **Paragraph 5.4.1** of the Code. Decisions on suitable candidates for appointment as members of the Supervisory Board are taken on a purely objective basis and focus on the professional qualification of the candidates in accordance with German legislation on diversity. No age limits are set for members of the Supervisory Board. The members of the Supervisory Board believe it makes sense for the corporate bodies responsible for appointments to examine each candidate's age at the time of initial appointment or renewed appointment and that they should be free to appoint older candidates with relevant professional or other experience without being tied to rigid age limits. Furthermore the members of the Supervisory Board shall on their own take on the necessary training and further education measures for their tasks. They shall be supported by the company appropriately. As the requirements of the term „appropriate" are not clear the company declares for reasons of caution to deviate from the recommendation.

- Contrary to the recommendations in the Code under **Paragraph 5.4.6 Sec. 3 Sentence 1**, the members of the Supervisory Board do not necessarily receive performance-based remuneration. In terms of control and monitoring functions of the Supervisory Board, Youbisheng Green Paper AG currently identifies no need for a change and thinks that the current remuneration structure is suitable to protect the independence of the members of the Supervisory Board. The articles of incorporation thus do not exclude performance-based remuneration for the members of the Supervisory Board but delegates the decision of the amount of remuneration to the general shareholders meeting.

- The consolidated financial statements will probably not be made available publicly within 90 days from the end of the financial year and the interim reports will probably not be available within 45 days from the end of the reporting period as recommended in **Paragraph 7.1.2** of the Code. The company cannot guarantee that it can meet the deadlines recommended by the Code in view of the need to include foreign companies in the consolidated financial statements and interim reports. The consolidated financial statements will, however, be available within four months from the end of the financial year, while interim reports will be published within the statutory deadlines. This is because the Company was listed in 2011 and the 2011 annual report was the first report the Company prepared as a public company.

Youbisheng Green Paper AG will annually issue and publish a declaration in compliance with section 161 of the German Stock Corporation Act and make it continuously available on its website.

How the Management Board and Supervisory Board work

The dual management system of Youbisheng Green Paper AG, comprising a Management Board and a Supervisory Board, both of which have separate competencies, is a basic principle of the German Stock Corporation Act. Within the context of responsible corporate management, the Management Board and Supervisory Board work together closely and trustfully in management and oversight tasks for the benefit of the company.

The way in which the Management Board and Supervisory Board of Youbisheng Green Paper AG operate is based on the applicable laws, the articles of incorporation of Youbisheng Green Paper AG, the decisions taken by the Annual General Meeting of Youbisheng Green Paper AG, the rules of procedure for the Supervisory Board, the rules of procedure and business allocation plan for the Management Board and the many recommendations set out in the German Corporate Governance Code.

In conformance with the German Stock Corporation Act, the Supervisory Board appoints the members of the Management Board. The Supervisory Board advises and oversees the Management Board in the management of the company and decides pursuant to sec. 7 of the articles of incorporation on the number of members of the Management Board (according to the articles of incorporation the Management Board comprises one or more members). It can appoint one member of the Management Board as chairperson of the Management Board. Sections 4 and 5 of the articles of incorporation govern the level and allocation of the capital stock state make the authorisation to undertake certain capital transactions and how they may be undertaken dependent on the approval of the Supervisory Board. Restricted exclusion of subscription rights in certain circumstances also requires the approval of the Supervisory Board. The representation rules set out in sec. 9 of the articles of incorporation provide that, notwithstanding the joint representation arrangements, the Supervisory Board can authorize any member of the Management Board to represent the company alone and can waive the constraints imposed by sec. 181 of the German Civil Code (BGB). Mr. Huang Haiming has been authorised to represent the company alone. Mr. Huang has also been exempted from the restrictions set out in sec. 181 sentence 1 2nd alt. of the German Civil Code (BGB). Sec. 112 AktG remains unaffected.

In accordance with sec. 8 of the articles of incorporation, the Supervisory Board provided rules of procedure for the Management Board and has drawn up a business allocation plan. Under the rules of procedure, the Management Board is required to work together constructively with the company's other governance bodies for the good of the company. The members of the Management Board are jointly responsible for the overall management of the company. They are required to work together constructively and keep each other informed of the main activities and events in their areas of responsibility. Each member is required to seek a resolution of the entire Management Board on issues relating to other areas of responsibility about which he/she has serious reservations, where such reservations cannot be eliminated by discussion with the responsible Management Board member. The Management Board takes decisions on all matters where a resolution by the Management Board is required by law, the articles of incorporation or the rules or procedure. In addition, there are rules on representation, a description of the tasks of the Chairman of the Management Board, the mode of convening meetings of the Management Board, how meetings are to be conducted, the permitted methods of adopting resolutions, the required majorities and the documentation of meetings and resolutions. The rules of procedure also contain a list of the business matters requiring the approval of the Supervisory Board.

The Management Board is responsible for managing the company, for its strategic focus, budget planning, and defining and overseeing the operating segments. It is also responsible for ensuring that the company has an appropriate risk management and control system. Systematic risk management as part of value-driven corporate management is to ensure timely identification, analysis and evaluation of risks and optimisation of risk positions.

The Supervisory Board has adopted rules of procedure for its own work. These stress the duty of the Supervisory Board to work constructively with the other governance bodies in the performance of its duties, for the good of the company. They also contain details of electing the chairperson and deputy chairperson, the method of convening meetings, how they are to be conducted, the permitted methods of adopting resolutions and the documentation of meetings and resolutions. The Supervisory Board decides whether the members of the Management Board should attend meetings of the Supervisory Board. The Management Board or a member of the Management Board regularly attends meetings of the Supervisory Board. Further, it sets out the requirement to work with the Management Board with regard to the appointment and dismissal of members of the Management Board to ensure long-term succession planning.

The Management Board and Supervisory Board maintain regular contact. The Management Board and Supervisory Board are jointly responsible for ensuring that the Supervisory Board receives sufficient information. The Management Board provides the Supervisory Board with full and timely information on the development of the company, its current position, current risks and how they progress. It provides written and verbal reports on individual items on the agenda and issues on which decisions are to be taken, and answers questions asked by members of the Supervisory Board. The Supervisory Board discusses and agrees the strategy with the Management Board. Progress in implementing strategic planning and possible deviations from the plans are reported to the Supervisory Board. Major decisions by the Management Board have to be approved by the Supervisory Board. The Management Board also informs the Supervisory Board of the management of risks and opportunities in the group.

The Supervisory Board oversees the work of the Management Board and is directly integrated into decisions of fundamental importance for the company. On a regular basis, the Supervisory Board receives written reports on the Group's financial position, assets and results of operations. A detailed explanation of any discrepancy between the planned and actual business development is to be given to the Supervisory Board. Further, the Chairman of the Supervisory Board is informed directly and regularly of the current situation, important business events and significant upcoming decisions.

The work of the Supervisory Board is outlined every year in the Report of the Supervisory Board, which is commented on by the Chairman of the Supervisory Board at the Annual General Meeting.

The company's three-member Supervisory Board has not established any committees as this is not deemed necessary or expedient; all relevant issues are handled by the full Supervisory Board. This applies in particular to examination of the quarterly and annual financial statements and personnel issues relating to the members of the Management Board.

There is a D&O insurance policy for the members of the Management Board and Supervisory Board. A deductible has been agreed with the members of the Management Board.

INFORMATION ON IMPORTANT CORPORATE MANAGEMENT PRACTICES

Ensuring a sustained rise in the value of the company is the guiding principle for the members of the Management Board and Supervisory Board of Youbisheng Green Paper AG. Securing the confidence of investors and other stakeholders in effective and transparent management is a matter of prime significance. The aim of Youbisheng Green Paper AG's investor relations activities is to achieve the level of transparency expected by the capital markets and give shareholders a true and fair view of the company. In keeping with the principle of fair disclosure, all shareholders and major target groups are treated equally in terms of the provision of information. The underlying rule is providing the company's owners with timely and reliable information on major events at their company. Transparency also constitutes an opportunity to gain new investors from Germany and other countries. The Management Board and Supervisory Board therefore constantly strive to optimise communication to ensure a sustained and appropriate valuation of the company's stock.

The company's website at www.youbisheng-greenpaper.de also provides further information on the Youbisheng Green Paper Group, its business model and its products.

INFORMATION ON RISK MANAGEMENT

A responsible approach to corporate risk is part of good corporate governance. Youbisheng Green Paper AG will start establishing a systematic risk management system which shall also operate as Youbisheng Green Paper AG's risk early detection system by 31 July 2012 at the latest. The Management Board will regularly notify the Supervisory Board of the existing risks, their development and the preventive action taken.

Further details of risk management can be found in the opportunity and risk report in the combined management report for 2011 for the Youbisheng Green Paper Group and Youbisheng Green Paper AG. The management report also contains the reports on the accounting-related internal control and risk management system required by the German Accounting Law Modernization Act (BilMoG). Monitoring the observance of compliance directives is to be defined as an important element of risk management in the Youbisheng Green Paper Group. That is to include providing continuous information for employees on fundamental legal principles and the corresponding requirements for internal and external communication. All relevant persons working for the company who have legitimate access to insider information are entered in a register of insiders and informed of their obligations under insider law.

REMUNERATION

In fiscal 2011 the members of the Management Board of Youbisheng Green Paper AG did not receive either fixed or variable remuneration from this company for their role as Management Board members. All remuneration received by them was paid by the Chinese subsidiaries for their work at these companies. Contrary to the recommendations in the German Corporate Governance Code, to simplify matters no variable remuneration was paid during the IPO process. The Supervisory Board of Youbisheng Green Paper AG should receive fixed remuneration that will be voted on by the Annual General Meeting that ratifies the actions of the Management Board and Supervisory Board for fiscal 2011. The company's articles of incorporation state that the Annual General Meeting may decide on the level of such remuneration. Moreover, no variable remuneration has currently been agreed for the Supervisory Board. However, the articles of incorporation do not rule out this type of remuneration, so it could be decided on by the Annual General Meeting.

As of 31 December 2011 there were no warrants and no valid warrants program so no member of the Management Board or Supervisory Board currently has warrants or conversion rights on shares in Youbisheng Green Paper AG.

Further details of the remuneration system for members of the governance bodies can be found in section "Remuneration System" of the management report.

SECURITIES HELD BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD / DIRECTORS' DEALINGS

As Chairman of the Management Board and founder of the company, Mr. Huang Haiming holds around 90.49% of the company's shares (9,246,000 shares). The other members of the Management Board and Supervisory Board do not hold any shares in the company. The company does not hold any treasury stock.

In accordance with sec. 15a of the German Securities Trading Act (WpHG), the members of the Management Board and the Supervisory Board have a legal obligation to disclose the purchase and sale of securities in Youbisheng Green Paper AG, insofar as the value of the transactions undertaken by the member and related parties reaches or exceeds EUR 5,000 in a calendar year. In the shortened 2011 fiscal year, the following transaction in shares in Youbisheng Green Paper AG subject to sec. 15a of WpHG was undertaken by members of the Management Board and Supervisory Board of Youbisheng Green Paper AG subject to these disclosure requirements:

Huang Haiming (CEO): Purchase of 34,000 shares at a price of EUR 6.45 per share on 30 September 2011

All transactions are disclosed on the company's website at www.youbisheng-greenpaper.de/investor-relations as soon as they are undertaken.

No member of the Supervisory Board or Management Board currently holds warrants or conversion rights to shares in Youbisheng Green Paper AG.

Cologne, 30 April 2012

The Supervisory Board

The Management Board

Combined Management Report

1 Jan 2011 – 31 Dec 2011

Combined Management Report

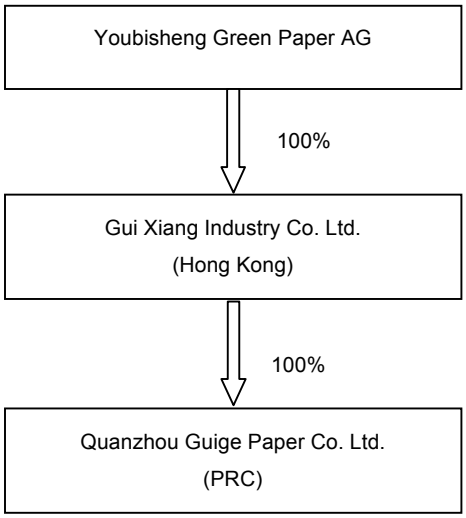
Group Profile

Youbisheng Green Paper AG is the German holding company of a Chinese clean-tech leader of environmentally friendly produced linerboard which uses up to 100% recovered fibres. The high-quality linerboard innovations of Youbisheng hold a special position in the Chinese market and are produced in the own production plant near Quanzhou City, Fujian Province, People's Republic of China. Linerboards are used in the packaging industry to produce various products such as shoe boxes, carton boxes, product labels, paper bags, envelopes, files and tags. Youbisheng supplies its products mainly to printing and packaging companies that produce packaging solutions for branded consumer goods such as shoes, apparel and electronic products as well as toys. Youbisheng has been operating as a paper producer since 2000. The Company is one of the largest linerboard producers in Fujian and Guangdong provinces which together have about 141 million inhabitants.

Youbisheng has consistently launched innovative products. Since 2008, Youbisheng was the first producer using 100% recycled paper to produce linerboard. In 2010, Youbisheng launched double sided linerboard which is the substitute for traditional Kraftliner in terms of strength and printability. In October 2011, new heavy single sided linerboard with higher basic weight of 400g/m2 was launched for the production of small boxes which require a high level of stability. In February 2012, anti-counterfeit linerboard was launched for branded consumer goods packaging to avoid counterfeiting.

Group structure

Youbisheng Group was formed on 18 May 2011 by contribution in kind, when the transfer of the entire share capital in Gui Xiang Industry Co. Ltd., Hong Kong ("Youbisheng HK") into Youbisheng Green Paper AG, Cologne, Germany took legal effect. Youbishen HK is an intermediate holding company for the Group's operating entity Quanzhou Guige Paper Co., Ltd. ("Youbisheng PRC"), which is located in the People's Republic of China ("PRC"). The operating business of Youbisheng Group was and is carried out by Youbisheng PRC.



On 20 April 2011, the extraordinary shareholders' meeting of the Company resolved to increase the share capital from EUR 50,000 by EUR 9,950,000 to EUR 10,000,000. The capital increase by way of contribution in kind has been registered in the commercial register with the local court of Cologne. In July 2011, the shares of Youbisheng Green Paper AG started trading successfully in the Prime Standard, a segment of the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange, Germany.

MACROECONOMIC SITUATION

China has become a powerhouse economy since the country adopted the capital market policy. Ever since then, the Gross Domestic Product ("GDP") of the country has achieved double digit growth. Through rising speculative behaviour the Chinese economy has overheated within the past years, especially with regard to the real estate sector. Since 2010, the Chinese government has taken drastic measures to cool down the economy and to avoid that the property market bubble bursts. The aim of these measures is to avoid substantive economic consequences which might have a significant effect not only on the Chinese economy but also on the global economy.

After an impressive GDP growth of 10.3% in 2010, China's GDP growth has slightly decreased by 1.1% points to 9.2% in 2011. As a reaction to the global economic crisis in 2008, the government started to use stimulus packages to generate economic growth. This successfully implemented policy will be continued in order to sustain the achieved economic growth as the government intends to cut down the reliance on export as well.

Despite China's economic growth there are a lot of areas where the Chinese government still wants to see improvements such as the increased inflation rate, low wages, insufficient loans for small and medium sized companies, gaps of income between urban and rural workers and others. The government is taking steps to ensure the issues are taken care of so that the country will continue its stable economic development.

With a continuing stable economic development, the consumption of goods will increase in the future. For 2011 the average income per capita has increased by 14.1% and the consumer spending has increased by 17.1%.

SECTOR DEVELOPMENT

The paper industry in China still strongly relies on the import of various raw materials such as mainly recycled paper and wood pulp. Currently, North America, Europe and Japan are the top paper producers in the world. Based on the growth of the paper industry in China, it is expected that China will surpass Japan and Europe in a few years. Therefore, China will continue to import raw materials for its domestic paper production. Even though there are companies that produce wood pulp in China, it is far below the demand of the Chinese paper industry given the fact that China's forest resources are limited. Currently, China is the largest importer of paper pulp in the world. The positive development of the Renminbi over the past few years has given an advantage to the Chinese paper industry since the producing companies depend on imported raw materials.

Under the 12th Five Years Plan, the government is focusing on improving the supply of raw material, mainly paper pulp, in order to reduce the reliance on imports. In addition, the government also focuses on improving the recycled paper collection system as well as increasing the usage of recycled paper. Secondly, the government is putting more effort into improving technology and increasing innovation in the Chinese paper industry in order to cut down on energy consumption, reduce the pollution and at the same time improve quality and recovery rates in the paper industry. Lastly, the government will take more measures on environmental protection so that the paper industry continues to grow with a minimum of pollution.

The paper industry is undergoing a consolidation process where the smaller producers will slowly phase out due to environmental issues. The closure of the smaller production sites has provided opportunities for the larger producers to fill the gap. Records of the past show that paper packaging is growing at 18% to 20% per year. Following the high GDP growth, the demand for packaging exceeds supply especially on the high grade packaging paper. Due to high grade packaging paper having a better structure, content and printability, the usage of this paper increased as well. During the 5th "LuxepackShanghai 2012", "LuxePackingGreen" became an important topic. It focuses on green packaging products for luxury goods. The market anticipates that the sales of luxury goods will triple in 2012. At the same time, the green packaging products for the luxury goods will triple as well.

DEVELOPMENT OF YOUBISHENG GROUP

Youbisheng Group developed successfully in financial year 2011 and realized revenues of kEUR 92,213. Revenue were derived mainly from the increased sales volume of the Group's operating subsidiary Youbisheng PRC. Especially the innovative product double sided testliner and the heavy weight testliner contributed to the increased sales volume. Above that we managed to gain new customers and distributed our innovative products to other provinces outside of Fujian and Guangdong provinces such as Zhejiang, Hunan, Anhui, Sichuan and Hubei.

Furthermore our successful listing on the Frankfurt Stock Exchange in July 2011 improved our Group's reputation, especially with respect to existing and prospective customers.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of Operations

As the Group is applying the reverse acquisition model in accordance with IFRS 3, full year figures are presented for the financial year ended 31 December 2011. The following analysis of the revenues includes the comprehensive income of Youbisheng Group:

	Year ended 31 December
	2011
	kEUR
Revenue	92,213
Cost of sales	(69,163)
Gross profit	23,050
Other operating income	874
Selling and distribution expenses	(220)
Administrative expenses	(2,929)
Other operating expenses	(8)
Finance income	99
Finance cost	(28)
Profit before taxation	20,838
Tax expenses	(5,528)
Net profit and profit attributable to equity holders of the Company	15,310
Other comprehensive income	
Movement in foreign currency transaction reserve	4,530
Total comprehensive income	19,840
Selected Financial data	
Gross profit margin	25.0%
EBIT	20,767
EBIT margin	22.5%
Net profit margin	16.6%

Group revenue and income

The Group's revenue is derived from manufacturing and selling single-sided testliner ("SST") and double-sided testliner ("DST"). The Group's production facility in Quanzhou, PRC, is working at full capacity since 2008. Subsequently, the Group's revenue relies on subcontracting production as well as optimizing the product mix towards higher value added products. The following shows the breakdown of the Group's revenue in FY 2011:

		Sales volume **tons**	Sales **kEUR**	Gross profit **kEUR**
Youbisheng	Single-sided Testliner	112,295	45,765	11,783
Youbisheng	Double-sided Testliner	39,304	17,729	5,316
Sub-Contractor	Single-sided Testliner	70,142	28,719	5,951
Total		**221,741**	**92,213**	**23,050**

The following shows the breakdown of revenue in FY 2010 on consolidated Youbisheng HK-level, which is comparable to what is in the meantime Youbisheng Group:

		Sales volume **tons**	Sales **kEUR**	Gross profit **kEUR**
Youbisheng	Single-sided Testliner	109,752	42,644	10,759
Youbisheng	Double-sided Testliner	27,999	12,458	3,906
Sub-Contractor	Single-sided Testliner	51,982	20,201	4,214
Total		**189,733**	**75,303**	**18,879**

The comparable revenue has increased by 22.5% from kEUR 75,303 to kEUR 92,213. Despite the limited capacity, the management achieved increased sales revenues through an optimized product mix and outsourcing production to subcontractors. The demand for testliner of Youbisheng PRC is growing rapidly due to the high quality and innovative characteristics of our products. Sales volume increased from 189,733 tons to 221,741 tons, an increase of 16.3%. The average selling price increased by 4.8% from EUR 397 per ton to EUR 416 per ton.

The Group has about 90 customers. The top 10 customers contributed 50.5% to our total revenue in 2011. Most of the customers are located in Guangdong and Fujian provinces, a region with a population of about 141 million. Apart from Guangdong and Fujian provinces. In 2011, Youbisheng managed to sell its products also to other provinces such as Zhejiang, Hunan, Anhui, Sichuan and Hubei.

Single sided testliner is mainly sold to customers in the Guangdong and Fujian provinces whereas double sided testliner is also sold to customers outside the region. On a comparable basis sales of SST increased from kEUR 62,845 to kEUR 74,484, an increase of 18.5%. This is due to an increasing demand for our high quality products as well as the new innovative product of heavier SST with a higher basic weight of 400g/m^2. Additionally, the closure of some small

scale linerboard manufacturers has provided new market potential for our products. On a comparable basis sales of DST increased from kEUR 12,458 to kEUR 17,729, an increase of 42.3%. Due to the restricted production capacity on the own production lines, Youbisheng shifted production from the lower margin SST to the higher margin DST, as for both products the same machinery is used. The sales made to other provinces outside of Fujian and Guangdong provinces make out about 4.0% of the total sales.

Cost of Sales

The total cost of sales for the year 2011 amounted to kEUR 69,163. The cost of sales for SST produced at our own production facilities in Quanzhou amounted to kEUR 33,982 and the cost of sales related to DST amounted to kEUR 12,413. The cost of sales in connection with SST outsourced to subcontractors amounted to kEUR 22,768.

Gross profit margin analysis

The average gross profit margin for SST from our production line was 25.7% whereas the gross profit margin from products produced by subcontractors was 20.7%. As for our DST, the gross profit margin was 30%. With the higher DST gross profit margin being offset by the lower margin realized by subcontractors' products, our average gross profit margin for the financial year was 25%.

Other income

Other income is mainly related to government incentives granted by the Chinese local government.

Selling and distribution expenses

Selling and distribution expenses mainly comprise payroll costs and transportation costs paid for the delivery of finished goods to our customers. Selling and distribution expenses amounted to kEUR 220 which corresponds to the increased volume produced by subcontractors in order to meet our customer's demand. All our products are sold by our own sales team, which is organized according to our geographical sales areas. As an incentive for better sales results, members of the sales team are granted performance based bonuses.

Administrative expenses

Administrative expenses mainly comprise payroll related expenses, traveling, entertainment, vehicles, depreciation of the office building, research and development expenses and other administration expenses. Administrative expenses amounted to kEUR 2,929 mainly due to the cost related to the listing process.

Other expenses

Other expenses are predominantly related to donations to charity organizations and amounted to kEUR 8 in financial year 2011.

EBIT

Youbisheng's EBIT amounted to kEUR 20,767 in financial year 2011. This amount is impacted by non-recurring costs for the successful IPO in July 2011.

Finance income

Finance income is the interest received from deposit with the local bank and amounted to kEUR 99 in financial year 2011.

Finance costs

Finance costs comprise mostly the change of net present value of long-term liabilities from the purchase of land use rights and expected payments for pollution rights to the respective authorities.

Tax Expenses

Youbisheng Green Paper AG did not have assessable profit during the financial year. The operating PRC subsidiary is subject to PRC income tax. The decrease of profit by 1% from the previous year of kEUR 15,458 is due to the expiration of a tax incentive which was 12.5% for the corporate rate. The current year corporate rate is 25%. The provision for PRC income tax on profits arising from operations in the PRC is calculated based on income tax rates of 25% for the financial year in accordance with the relevant PRC income tax rules and regulations. The tax expenses comprise current income tax and deferred income tax. The deferred income tax is mainly attributed to the discount on land use rights amounted to kEUR 3. The amount of income tax payable for the period amounted to kEUR 5,525.

Profit for the period

Profit for the year 2011 amounts to kEUR 15,310 and is in line with management's expectations. In addition to the above described effect of the expiration of the corporate income tax incentive, the profit for the period was impacted by the IPO expenses.

Capital Expenditure

In 2011, Youbisheng Group invested kEUR 106 in machinery. The management replaced a new steam boiler in order to operate more efficiently.

Financial Position

Consolidated cash flow statement

	Year Ended 31 December
	2011
	kEUR
Cash flows from operating activities	
Profit before taxation	20,838
Interest income	(99)
Interest expenses	29
Depreciation of property, plant and equipment	1,762
Amortisation of land use right	16
Operating profit before working capital changes	22,547
(Increase)/decrease in inventories	(819)
(Increase)/decrease in trade and other receivables	(4,538)
Increase/(decrease) in trade and other payables	4,713
Income tax paid	(4,578)
Net cash provided by operating activities	17,324
Cash flows from investing activities	
Purchase of property, plant and equipment	(106)
Net cash from investing activities	(106)
Cash flows from financing activities	
Finance income received	99
Finance costs	(29)
Increase in share capital and capital reserves from IPO	1,475
Bank and other borrowings increase/decrease	(554)
Net cash from financing activities	991
Net increase in cash and bank balances	18,209
Effect of currency translation on cash and cash equivalents	3,619
Cash and bank balance at the beginning of the year	9,060
Cash and bank balance at the end of financial year	30,889

The net cash generated from operating activities amounted to kEUR 17,324.

The management purchased a new steam boiler machine during the year amounted to kEUR 106 which resulted in net cash outflow from investing activities.

With the issuance of new shares, the repayment of loans and new loans received, the net cash inflows from financing activities amounted to kEUR 991.

The net increase in cash and cash equivalents for the year was kEUR 18,209 and cash and bank balance at the end of the financial year amounts to kEUR 30,889.

Net assets

The asset and capital structure developed as follows: the balance sheet total increased from kEUR 45,218 by kEUR 28,167 to kEUR 73,385. This rise is principally attributable to an increase in trade and other receivables and cash and bank balances.

Consolidated balance sheet

	Year Ended 31 December	
	2011	**2010***
	kEUR	**kEUR**
Assets		
Non-current		
Land use rights and buildings	5,515	5,538
Plant and equipment	8,677	9,514
Other assets	38	42
Deferred tax assets	79	40
	14,309	15,134
Current assets		
Inventories	3,811	2,739
Trade and other receivables	24,376	18,285
Cash and bank balances	30,889	9,060
	59,076	30,084
Total assets	73,385	45,218
Equity and liabilities		
Equity		
Share capital	10,218	3,058
Capital reserve	(5,685)	0
Statutory reserve	9,081	7,515
Foreign currency translation reserve	9,325	4,795
Retained earnings	24,434	10,690
	47,373	26,058
Liabilities		
Non-current liabilities		
Trade and other payables	923	882
Deferred tax liabilities	50	100
Total non-current liabilities	973	982
Current liabilities		
Trade and other payables	16,543	10,708
Borrowings	6,914	7,068
Liabilities to related parties	118	0
Liabilities for current tax	1,464	402
	25,038	18,178
Total equity and liabilities	73,385	45,218

* Due to the fact that the Group only came into existence on 18 May 2011, comparatives show the consolidated figures on Youbisheng HK-level for the year ended 31 December 2010.

Non-current assets

Non-current assets comprise mainly land use rights, buildings, machineries, equipment, motor vehicles, other fixed assets and deferred tax assets. The total balance decreased from kEUR 15,134 to kEUR 14,309 due to current year's depreciation and amortization with the exception that deferred tax assets increased by kEUR 38 to kEUR 79.

Current assets

Current assets comprise inventories, trade and other receivables as well as cash and cash at bank. Current assets increased from kEUR 30,084 to kEUR 59,076 as at year end. Inventories comprise raw material and finished goods. Inventories increased to kEUR 3,811 from kEUR 2,739 due to some stock up for the early Chinese New Year festival. Trade receivables increased from kEUR 17,600 to kEUR 23,500, which is due to an increased number of sales to customers in other provinces. Other receivables increased from kEUR 670 to kEUR 876 due to refundable German VAT. Cash and cash at bank increased significantly from kEUR 9,060 to kEUR 30,889. The increase is mainly due to operational profits.

Equity

After the incorporation of Youbisheng Green Paper AG, it has increased its share capital twice. From the initial share capital of EUR 50,000, the Company increased the share capital by EUR 9,950,000 to EUR 10,000,000 on 18 May 2011. The increase was executed by transferring all shares in Youbisheng HK to the Company against the issuance of 9,950,000 new no par value ordinary bearer shares. The contribution agreement and the capital increase have been approved by an extraordinary shareholders' meeting on 21 April 2011 and have been registered in the commercial register with the local court of Cologne on 18 May 2011. On 13 July 2011 in accordance with a resolution passed at the extraordinary general meeting, in the course of the IPO 217,705 new shares were issued and Youbisheng AG was successfully listed on the Frankfurt Stock Exchange. The total amount of share capital as at 31 December 2011 is EUR 10,217,705.

The capital reserve comprises share premium resulting from the contribution in kind of the transfer of shares in Youbisheng HK to Youbisheng AG as well as proceeds from the IPO in July 2011. The capital reserve of Youbisheng AG amounts to kEUR 21,257 but due to the application of the reverse acquisition model the combined capital reserve amounts to kEUR (5,685) as at 31 December 2011.

Statutory reserves increased from kEUR 7,515 to kEUR 9,081 due to the fact that PRC law requires Youbisheng PRC to contribute 15% from its profit after tax into the statutory reserve.

The foreign currency reserve increased from kEUR 4,795 to kEUR 9,325 due to currency conversion differences.

Retained earnings increased from kEUR 10,690 to kEUR 24,434 which is in line with the Group's profit for the period.

Non-current liabilities

Non-current liabilities comprise long term payables and deferred tax liabilities. This is a slight decrease from kEUR 982 to kEUR 973 in financial year 2011.

Current liabilities

Current liabilities comprise trade and other payables, short-term loans, tax liabilities and related party liabilities. Trade payables increased from kEUR 8,926 to kEUR 15,198 due to raw material stock purchases at the end of the financial year. Short term borrowings remained about the same at kEUR 6,914. Liabilities to related parties are amounts incurred for administrative expenses paid on behalf by related parties. Liabilities for tax increased from kEUR 402 to kEUR 1,464.

Results of Operations, Financial Position and Net Assets of Youbisheng Green Paper AG

The statement of financial position of Youbisheng AG shows a net equity of kEUR 30,850. In the financial year 2011 Youbisheng AG realized a loss of kEUR 625 mainly caused by IPO expenses as well as other legal and advisory fees.

The investment in affiliated companies amounts to kEUR 30,000 and refers to the investment in Youbisheng HK. Receivables due from affiliated companies of kEUR 920 comprise an intercompany loan of kEUR 680 as well as invoices paid on behalf of Youbisheng PRC. Other receivables amount to kEUR 87 and mainly relate to VAT claims and other short-term receivables. Cash and cash equivalents of kEUR 138 relate to liquid funds on current bank accounts.

Other provisions of kEUR 111 are accrued costs relating to the preparation and audit of the annual financial statements and the consolidated financial statements as well as costs in respect of the annual shareholder meeting regarding the financial year 2011 and the remuneration of both management and supervisory board.

Other operating expenses of kEUR 637 relate to current business expenses, mainly for the preparation and audit of the consolidated annual financial statements, fees for lawyers and other advisors and IPO expenses. Due to the loss realized in 2011 no income tax arises on the result.

General Statement on Business Development

In the financial year 2011, Youbisheng achieved financial results in line with expectation.

Youbisheng AG remained an investment holding company. The Company provided management services and loans to Youbisheng HK. The Company was successfully listed on the Frankfurt Stock Exchange on 13 July 2011. The Company will provide a platform for the Group to source financing through the equity market or other markets. Due to limited income from management fee and interest received the Company has realized a loss of kEUR 625.

OTHER FACTORS THAT IMPACTED ON RESULTS

Research and Development

Youbisheng PRC has established a research and development department in order to create various types of new products and to stay competitive. Youbisheng PRC's research and development department focuses on both product quality and innovation. In addition, Youbisheng PRC works closely together with the Fujian Agricultural and Forestry University to improve production technology as well as the quality of products. As a result Youbisheng PRC managed to create and produce heavy weight testliner, double sided testliner and anti-counterfeit testliner, which was launched in February 2012. The Group will continue to invest in research and development in order to meet the customer's demand and convince with new innovative and high quality products. The Group does not consider that it meets the criteria to capitalize research and development costs as an intangible asset.

Supply Chain

Recycled paper accounts for more than half of the production costs. The recycled paper is mostly imported from North America as well as Europe. Youbisheng PRC purchases the recycled paper through local traders who are more efficient in sourcing the recycled papers and guarantee stable prices. The currency risk related to the purchases made from North America or Europe is managed by the local traders, but the price of the local traders is influenced by the global market for recycled paper.

Production

Youbisheng Group has one production site located at Fonei industrial park, NanAn Matou Town, Quanzhou City, Fujian, China. At its facility the Group has two production lines with 300,000 tons production capacity per annum. The production lines are shut down every two weeks for one or two days to perform maintenance. In the event that parts of the production machinery break down, the maintenance workers and spare parts are always available for repair immediately. Due to constant maintenance the production facilities, the production machineries have only a minimum down-time risk.

Employees

In the year ended 31 December 2011 the Group had an average number of 307 employees. The breakdown of the average number of employees of the Group is as follows:

Executive director	2
Management and administrative	74
Sales	14
Quality control	15
Research and development	18
Maintenance	14
Production	165
General	5
Total	**307**

For the year ended 31 December 2011, total costs of payroll for the Group amounted to kEUR 858. The Group has an assessment management system which ensures that employees are properly rewarded.

REMUNERATION SYSTEM

The remuneration report describes the remuneration paid to the members of the Management Board and the Supervisory Board. It takes into account the recommendations of the German Corporate Governance Code and the commercial law requirements.

Total remuneration of the Management Board for the financial year was as follow:

Mr. Huang Hai Ming	kEUR 44
Mr. Clement Hoo	kEUR 62

According to Section 20 of the Article of Association each member of the Supervisory Board receives the compensation, which is determined by the General Shareholders' Meeting. If a member of the Supervisory Board does not serve the entire year, compensation will be paid on a pro-rata basis. The ordinary annual general shareholders' meeting 2012 will determine the pro-rata compensation for the members of the first Supervisory Board in 2011 The compensation is due and payable at the end of the year. The Supervisory Board members are reimbursed for the expenses incurred in performing the duties of its office.

Total remuneration of the Supervisory Board for the year was as follow:

Mr. Gernot Kugler	kEUR 17
Ms. Verena Dylla	kEUR 13
Mr. Zhang Dao Pei	kEUR 9

DISCLOSURES IN ACCORDANCE WITH SEC. 315 PARA. 4 HGB AND NARRATIVE EXPLANATIONS

Other information (pursuant to Section 315 (4) of the HGB [Handelsgesetzbuch, German Commercial Code])

Composition of subscribed capital

As of 31 December 2011, the share capital of Youbisheng Green Paper AG was EUR 10,217,705.00 and was divided into 10,217,705 no par value bearer shares, each share representing EUR 1.00 of the share capital. All shares have the same voting and dividend rights. The rights and obligations of the shareholders are specified in detail in the provisions of the German Stock Corporation Act (Aktiengesetz, AktG), in particular in Sections 12, 53a et seq., 118 et seq. and 186 of the AktG.

Restrictions regarding voting rights or the transfer of shares

Restrictions on the voting rights of shares are stipulated in statutory provisions (Sections 71b and 136 of the AktG). Besides that, the Management Board is not aware of any restrictions on the exercise of voting rights or the transfer of shares.

Interests in share capital that exceed 10% of the voting rights

In accordance with the German Securities Trading Act (Wertpapierhandelsgesetz), every investor that acquires, exceeds or falls below a certain percentage of voting rights in the company through purchase, sale or in some other way must notify the company and the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) thereof. The lowest threshold value for this notification obligation is 3%. Mr. HUANG Haiming has notified the company that he indirectly holds an interest in the company's share capital that exceeds 75% of the voting rights through Hong Kong Kai Yuan International Investments Holdings Limited.

Shares with special rights conferring powers of control

There are no shares with special rights that confer powers of control.

Type of voting rights control where employees hold an interest in share capital and do not exercise control directly

Presently there is no employee stock option plan for Youbisheng Green Paper AG.

Legal provisions and the requirements of the Articles of Association concerning the appointment and dismissal of members of the Management Board and the amendment of the Articles of Association

The appointment and dismissal of the members of the Management Board are governed by Sections 84 and 85 of the AktG. According to the provisions of law (Section 179 (1) of the AktG), any amendment to the Articles of Association requires a resolution of the General Shareholders' Meeting. Additional provisions on amendments to the Articles of Association can be found in Sections 113 and 119 of the AktG. In accordance with Section 10 (2) of the company's Articles of Association, the Supervisory Board is authorised to make amendments to the Articles of Association which relate solely to their wording.

In addition, pursuant to the resolution of the General Shareholders' Meeting of 21 April 2011, the Supervisory Board has been authorised to amend Section 5 of the Articles of Association in accordance with the respective utilisation of 2011 Authorised Capital and after the end of the respective term of authorisation.

Authority of the Management Board to issue or repurchase shares

As of 31 December 2011, the Management Board was authorised pursuant to Section 5 (1) of the Articles of Association to increase the company's share capital by up to EUR 5,000,000.00 by 20 April 2016, with the consent of the Supervisory Board, by issuing new shares on one or more occasions against cash and/or non-cash contributions. For further details please refer to Section 5 (1)-(3) of the company's Articles of Association, which is available on the company's website in the Investor Relations/Corporate Governance section.

There are no resolutions of the General Shareholders' Meeting that authorise the company to repurchase its own shares.

Significant agreements of the company that take effect in the event of a change of control following a takeover bid

There are no agreements that provide for certain rights on the part of the contracting parties in the event that there is a change in the company's shareholder, management or ownership structure.

Company compensation agreements entered into with the members of the Management Board or with employees in case of a takeover bid

There are no compensation agreements with the members of the Management Board or with the employees in the event of a takeover bid.

RISK REPORT

Description of the main features of the Internal Control and Risk Management System Relating to the Financial Reporting Process Pursuant to 315 para. 2 (5) HGB (German Commercial Code)

Youbisheng Green Paper AG has an internal control system in place and is currently implementing a risk management system. There is clear responsibility assigned to every department. The finance and accounting department ensures that the integrity and the duties of the departments are carried out properly. Any weakness is reported to the management and the corrective action is taken accordingly.

The Company's IT system is equipped with effective systems that ensure all the data is recorded accurately. The company implemented a system which crosschecks with different departments to ensure data such as quantity and value are recorded correctly. The accounting records and processes are constantly monitored and randomly checked by the accounting department to ensure the completeness and correctness. All transactions are recorded, processed and documented accordingly. Cross checking and reconciliation were done to detect any discrepancy. All the financial data is processed by an accounting software to prepare the financial statements.

Every department has the proper channel and information flow related to their operation and responsibilities. The purpose of the information flow system is to ensure that precautionary measures can be taken to encounter potential risks. As such, risks can be minimized and controlled accordingly. Management is developing a new system which incorporates software in the risk management control system.

The features of the internal control and risk management system related to the financial reporting system ensure that corporate measures are recorded, processed, and validated correctly and are incorporated into the financial reporting. In addition, they ensure that all transactions are recorded, processed and documented in accordance with the legal provisions and comply with regulations.

Risk and Opportunity Management

Risk related to the business always exists together with an opportunity. The internal and external risks and opportunities are identified to ensure that the risks are managed properly and opportunities are fully utilized. The management takes

the initiative to recognize and analyse risks and reduces them by appropriate measures. This is an ongoing task for the management to maintain the growth of the group. Opportunities of the business occur whenever there is change in the business environment. Therefore, the Group is focusing on the analysis of changes in the market, environment, regulations and technologies to identify the opportunities.

Youbisheng Group is mainly competing within the regional market. Our group strategy is to introduce new products in the market to capture more market share of the existing market and to expand our new products to other markets. Our research and development team is constantly working on innovative new products such as double sided testliner and anti-counterfeit testliner. This is to reduce the risk of relying too much on a single product or market.

The Group is strengthening its internal control system by implementing a fixed asset management system and a risk management system. This is to ensure that risks are reduced to minimum level. The Group is also planning to set up an internal audit department and implementing corresponding improvements. With these measurements, the Group is committed to communicate and manage the risks

Development of production capacity

Youbisheng Group intends to expand its production capacity to triple its existing production capacity. For the new production facilities to be in place, Youbisheng may need a longer time frame to complete the construction. The construction of the factories requires funds which are subject to the availability of the Group's cash and financing. It is still uncertain if the new production facilities will start production according to the planned schedule. Furthermore, the new production facilities may not perform up to the expected standard. In these events, the performance of the Group will be affected.

Personnel risk

The success of the Group relies on the continuing services of its management and other key employees. The Group needs to maintain competent employees to enable the group to stay competitive. Most of the key employees have vast experience. The management offers attractive benefits and career development opportunities as well as a good living and working environment for its employees. Incentives are provided on the basis of performance and the promotion plan is constantly reviewed.

Insufficient insurance

Youbisheng Group has taken out some property and machinery insurances. However, these insurances are not sufficient to cover all potential liabilities or losses. The Group is subjected to other risks including natural disasters or other events outside the control of the group. This may result substantial losses or disruption to the operation of the Group. The occurrence of such an event could have a material adverse effect on the Group's business and its net assets, financial condition and results of operations.

Economic risks

China has been growing rapidly for the past two decades. Recently, the government has taken measurements to cool down the overheated economy and to avoid a hard landing. The most obvious measurement is the restriction on the sale and purchase of real estate property. With the slowing down of real estate market, other sectors were affected and the economic growth is slowing down. For year 2012, the government has lowered the targeted growth in China. There are potential risks associated with the economic growth which will affect the performance of the Company. The Company has penetrated markets outside Fujian and Guangdong provinces such as Hunan, Anhui, Sichuan, Hubei and Zhejian. The Company has invested in new products such as double-sided testliner and anti-counterfeit testliner to reduce the reliance on the single sided testliner where the company is facing stiff competition. The risk of the slowing growth of the economy can be offset by product diversification.

Regulatory risks

The Group is subject to environmental laws and regulations. There are potential risks that the government may change the laws and regulations. The PRC government is putting more stringent measures on the environmental issues. The Group currently meets the environmental standard set by PRC government. The Group will continue to improve the waste water treatment system to achieve a high efficiency in order to exceed the standard set by the government. If more stringent environmental protection laws and regulations are introduced, the Group may need to utilize significant financial resources to ensure compliance, which will result in an increase in the Group's operating costs and have an adverse effect on Group's profit. If the group is unable to comply with more stringent environmental protection standards, then the business may be suspended which would have a severe impact on group's net assets, financial condition and results of operations.

Product development risks

Youbisheng Group has invested in research and development for many years. The Group has managed to develop new products and improve production technique. The major new products developed are double sided testliner and anti-counterfeit testliner. The new production technique uses up to 100% recycled paper to produce high quality testliner. There is no guarantee that the group can continuously produce new products and improve production techniques to maintain its competitiveness. Due to the lower cost and environmental friendly use of recycled paper to produce testliner, the company offers a competitive advantage in the market. In the event that there are certain technologies or products that can replace or substitute testliner, there will be adverse effect on the Group's business and its net assets, financial condition and results of operations.

Insufficient supply and price fluctuation of raw materials

The main raw material used in the manufacturing of the Group is recycled paper. Recycled paper accounts for more than half of the total production cost. The availability and price of recycled paper, being an internationally traded commodity, depends on many factors outside of the Group's control. In the event that there is a shortage or significant change of price, it will have significant impact on the Group operations if the Group is unable to pass the cost on to the consumers. Unless the group is able to find other sources or alternatives to the recycled paper, the Group's business and its net assets, financial condition and results of operations may be materially affected.

Fluctuation of currency

The consolidated financial statements are prepared in EUR,. The functional currency of the Group's operating business is RMB and the value of the RMB is controlled by Chinese authorities. Any decrease or increase in RMB against EUR will affect the translation of the consolidated financial statements. A change in foreign exchange policies will affect the cost of recycled paper as the recycled paper is imported by import agents. If the Group is unable to pass the increase of the price of recycled paper to the customer, it will have a material effect on the performance of the Group. Therefore, fluctuation of currency exchange rate could have material adverse effect on the business, financial condition and results of the operation.

DEPENDENCY REPORT

The Management Board of Youbisheng Green Paper AG has prepared a report on the relations of the Company to affiliated enterprises pursuant to Sec. 312 Para. 1 Sentence 1 of the German Stock Corporation Act. The Management Board of Youbisheng AG declares as follows:

"Youbisheng Green Paper AG has received an adequate consideration for all transactions with its affiliated companies in the business year 2011. There have been no detriments for Youbisheng Green Paper AG caused by any transaction concluded in the interest of or instructed by affiliated companies."

Corporate Governance Statement

The declaration on Corporate Governance according to Sec. 289a of the German Commercial Code is openly available for inspection on the Company's website at www.youbisheng-greenpaper.de.

Developments after the End of the Reporting Period

In February 2012, Youbisheng Group managed to launch its new anti-counterfeit testliner ("ACT"). The ACT is a product that will help branded consumer goods producers to prevent other producers from counterfeiting their products. With the launching of ACT, the management is anticipating a steady growth in 2012.

Other than that, no other item, transaction or event of material or unusual nature has arisen in the interval between 31 December 2011 and the date of the report from the independent auditor.

Outlook

Future industry environment and opportunities

The Chinese market foresees the paper packaging industry to grow at a rate of 12% to 15% within the next two years. In order to remain competitive in the market, Youbisheng Group focuses on the quality, function, life span and cost efficiency of its paper products. The Chinese government will ensure proper allocation of resources as well as the investment in the paper industry so that the industry can sustain and grow steadily. Youbisheng's management expects to develop at least in accordance with the market trend described above and is able to realize sustainable and profitable growth over the next years.

The implementation of environment measures will help the big scale paper manufacturers to take over the market shares of the smaller scale paper manufacturers as the latter are facing closure of operations due to pollution issues.

There are opportunities in the central and western part of China for the paper industry where the areas severely lack modern production lines. With the high infrastructure investments in this area, there will be opportunities for the paper manufacturers to invest and benefit as well.

Strategy and company development

Management is targeting the nationwide market with DST and ACT. With the limited capacity, the Group will continue to embark on a larger production facility to meet the growing demand of the linerboard market. While the Group is waiting for the new production facility to be in place, the management is continuing to expand the sales network outside of Fujian and Guangdong provinces. At the same time, the management will focus on research and development and constantly bring new innovative products to the market.

Outlook on financial development

Youbisheng is able to generate a cash flow of about kEUR 17,000 annually from its operations. Given the cash generated from operations, the Group is able to accumulate additional kEUR 34,000 cash over the next two years. The management's plan is to expand our production facility with the estimated investment cost of EUR 60 to 70 million. Under the current situation, the management intends to construct a mixed financial structure to finance the new production facility and expects to start the construction of the facility at the end of 2012 or the beginning of 2013. The new production facility is crucial for the future development of the Group as it triples the current production capacity. Once the new production facility starts production, it will generate more cash flows for the group.

The demand for Youbisheng's testliner will remain high due to the good quality and its innovative products. Despite the fact that the economic growth in China is slowing down, the demand for consumer goods remains strong, especially for

the middle and high quality consumer products which need high quality packaging. Despite its limited production capacity, Youbisheng Group expects to increase its sales in the following years. The inflation rate in China has been stabilised at the end of 2011. It is expected in 2012 that the inflation rate will not increase substantially. This will ease the pressure on production costs and other costs so that the Group's EBIT will continue to grow in line with the Group's sales. Still the EBIT margin might slightly decrease in the following years as Youbisheng Group has only limited production capacity and will most likely engage more subcontractors to meet the customer's demand.
Further outsourcing as well as Youbisheng's innovative high margin products – the double-sided testliner, the new heavy testliner and the new anti-counterfeit testliner – will contribute to the growth in 2012. For full year 2012, management expects revenues to reach over EUR 105 million and EBIT margin to be at least 20.0%.

Outlook of Youbisheng Green Paper AG

As Youbisheng Green Paper AG is a holding company for Youbisheng Group with major business in the PRC the future perspective of Youbisheng Green Paper AG highly depends on the world economy and expectations and perspectives of the operational entities in the PRC as discussed above. Without considering potential dividend payments from its subsidiaries, Youbisheng Green Paper AG expects to sustain a small net profit including a positive operating cash flow in 2012 and beyond.

General Statement of the Future Business Development

China is one of the largest paper producing and trading countries in the world. The continuing growth in China's economy will increase the growth of the paper and packaging industry accordingly. In line with the anticipated increased demand for consumer goods, the testliner industry will participate at the economy's growth, as more packaging solutions will be required in the future. Youbisheng Group will continue to rely on the quality and innovation of its products and is confident to be able to acquire new customers and further expand its distribution network in the PRC. In addition, the environmental awareness is getting more common and the industry has to comply with the environmental standard set up by the PRC government and it is expected that more packaging companies will buy Youbisheng Group's products which comply with the environmental standards.

With our strong financial position, our innovative products and our brand being further strengthened, Youbisheng is well prepared for its future business. Therefore we strongly believe that Youbisheng will be able to further strengthen its market position in the Chinese testliner market and further increase sales and profit.

Consolidated Financial Statements of Youbisheng Green Paper AG

for the financial year ended 31 December 2011 in accordance with IFRS

Financial Statements Youbisheng Green Paper AG

Consolidated balance sheet

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 kEUR	2010* kEUR
Assets			
Non-current			
Land and buildings	4	5,515	5,538
Plant and equipment	4	8,677	9,514
Other assets	4	38	42
Deferred tax assets	13	79	40
		14,309	15,134
Current assets			
Inventories	6	3,811	2,739
Trade and other receivables	7	24,376	18,285
Cash and bank balances	8	30,889	9,060
		59,076	30,084
Total assets		73,385	45,218
Equity and liabilities			
Equity			
Share capital	9	10,218	3,058
Capital reserve		(5,685)	0
Statutory reserve	9	9,081	7,515
Foreign currency translation reserve	9	9,325	4,795
Retained earnings	9	24,434	10,690
		47,373	26,058
Liabilities			
Non-current liabilites			
Trade and other payables	10	923	882
Deferred tax liabilities	13	50	100
Total non-current liabilities		973	982
Current liabilities			
Trade and other payables	10	16,543	10,708
Borrowings	11	6,914	7,068
Liabilities to related parties	23	118	0
Liabilities for current tax	12	1,464	402
		25,039	18,178
Total equity and liabilities		73,385	45,218

* Due to the fact that the Group only came into existence on 18 May 2011, comparatives show the consolidated figures on Youbisheng HK-level for the year ended 31 December 2010.

The accompanying notes form an integral part of the consolidated financial statements and should be read in conjunction therewith.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 kEUR
Revenue	**14**	**92,213**
Cost of sales	15	(69,163)
Gross profit	**15**	**23,050**
Other income	16	874
Selling and distribution expenses	17	(220)
Administrative expenses	18	(2,929)
Other expenses	18	(8)
Finance income	19	99
Finance cost	19	(28)
Profit before taxation		**20,838**
Tax expenses	20	(5,528)
Net profit after taxation		**15,310**
Other Comprehensive income:		
Movement in foreign currency translation reserve		4,530
Total Comprehensive income		**19,840**
Profit for the year attributable to owner of the parent		15,310
Total comprehensive income attributable to owner of the parent		19,840
Weighted average number of shares		6,354,964
Earnings per share (undiluted and diluted)		2.41

The comparability is also affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The accompanying notes form an integral part of the consolidated financial statements and should be read in conjunction therewith.

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	Equity attributable to Shareholders					
	Share capital kEUR	Capital reserves kEUR	Statutory reserves kEUR	Translation reserve (OCI) kEUR	Retained earnings kEUR	Total equity kEUR
1 January 2011	50	10	7,515	4,795	13,688	26,058
Share capital issued	10,168	21,247	0	0	0	31,415
Transfer to statutory reserve	0	0	1,566	0	(1,566)	0
Total comprehensive income	0	0	0	4,530	15,310	19,840
Adjustment Reverse Acquisition	0	(26,942)	0	0	(2,998)	(29,940)
As at 31 December 2011	10,218	(5,685)	9,081	9,325	24,434	47,373

The accompanying notes form an integral part of the consolidated financial statements and should be read in conjunction therewith.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 kEUR
Cash flows from operating activities	
Profit before taxation	20,838
Interest income	(99)
Interest expenses	29
Depreciation of property, plant and equipment	1,762
Amortisation of land use right	16
Operating profit before working capital changes	22,547
(Increase)/decrease in inventories	(819)
(Increase)/decrease in trade and other receivables	(4,538)
Increase/(decrease) in trade and other payables	4,713
Income tax paid	(4,578)
Net cash provided by operating activities	17,324
Cash flows from investing activities	
Purchase of property, plant and equipment	(106)
Net cash from investing activities	(106)
Cash flows from financing activities	
Finance income received	99
Finance costs	(29)
Increase in share capital	1,475
Bank and other borrowings increase/decrease	(554)
Net cash from financing activities	991
Net increase in cash and bank balances	18,209
Effect of currency translation on cash and cash equivalents	3,619
Cash and bank balance at the beginning of the year	9,060
Cash and bank balance at the end of financial year	30,889

The accompanying notes form an integral part of the consolidated financial statements and should be read in conjunction therewith.

Selected Notes to the Consolidated Financial Statements

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2011

1. THE COMPANY

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in so far as these have been endorsed by the EU. They are the first consolidated financial statements prepared by the Group which are compliant with International Financial Reporting Standards, adopted for use in the EU.

The consolidated financial statements are presented in thousands of Euro ("kEUR"), unless otherwise stated. The functional currency of the Group is Chinese Renminbi ("RMB").

The English names of certain companies/parties referred to in the consolidated financial statements represent unofficial translations of their registered Chinese names by management and these English names have not been legally adopted by these entities/parties.

The consolidated financial statements of the Group for the financial year ended 31 December 2011 are expected to be approved and authorized for issue by the Management Board of Youbisheng Green Paper AG at the end of April 2012. They are expected to be approved by the Supervisory Board of Youbisheng Green Paper AG at the end of April 2012.

Group structure

Youbisheng Green Paper AG ("Youbisheng AG" or "Company") is the Group's legal parent company. This company is a publicly traded German limited liability stock corporation, which is domiciled in Cologne, Germany. Youbisheng AG's shares are traded in the Prime Standard, a special segment of the regulated market of the Frankfurt Stock Exchange. The first day of trading of Youbisheng AG's shares occurred on 13 July 2011.

The principal activity of Youbisheng Group which comprises Youbisheng AG, Gui Xiang Industry Co., Limited, Hong Kong ("Youbisheng HK") and its 100% subsidiary Quanzhou Guige Paper Co., Limited, People's Republic of China ("Youbisheng PRC"), (hereafter "Group"), is the manufacture and distribution of testliners. The operating business of Youbisheng Group was and is carried out by Youbisheng PRC.

The Group's principal place of business is located at Meiling Village, Matou Town, Nan'an City, Fujian Province. The Group's products are sold in the People's Republic of China ("PRC"), especially in Fujian and Guangdong provinces.

Youbisheng Group was formed on 18 May 2011 when the transfer of the entire share capital in Youbisheng HK into Youbisheng AG took legal effect. At the time of the transaction, Youbisheng was essentially a shell company, without own business. The purpose of the transaction was to enable the operating group of Guixiang, Hong Kong to obtain a listing on the Prime Standard of the German Stock Exchange. Hence this transaction has been accounted for similarly to a reverse acquisition, without the recognition of goodwill.

As at the date of this report, there is only one class of shares of Youbisheng AG, being ordinary no par value bearer shares. The rights and privileges of the shares are stated in the Articles of Association. There are no founder, management or deferred shares reserved for issuance for any purpose.

The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 5.

2. BASIS OF PREPARATION

The financial year of Youbisheng AG and the Group is between 1 January and 31 December. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by the European Union. In these consolidated financial statements all intercompany transactions and balances have been eliminated.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The consolidated financial statements have been generally prepared under the historical cost convention except as otherwise stated in these consolidated financial statements.

The consolidated financial information, especially with regard to 2011, has been presented as if Youbisheng Green Paper AG already existed over the whole period in order to have comparable figures. The subsidiaries, whose shares – from a legal perspective – have been acquired in 2011, but which have to be regarded as acquirers from an economic perspective, have a full business year. The acquisition of the sub "Business Combination" of Youbisheng Green Paper AG – which has to be regarded as transaction under common control – has been analogously accounted for in accordance with the principles of reverse acquisition accounting, on the basis that the former majority shareholders of the subsidiaries retain effective control of the Group. Consolidation measures are essentially related to equity elements in the balance sheet and do not materially affect the equity total. No goodwill arose in respect of the acquisitions.

The preparation of consolidated financial statements requires the Management Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Management Board is also required to exercise its judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Management Board's best knowledge of events and actions, actual results could differ from those estimates. Thus, the Management Board of the Group is responsible for preparing the consolidated financial statements.

The operating subsidiary Youbisheng PRC maintains its accounting records in RMB (functional currency) and prepares its statutory financial statements in accordance with the PRC generally accepted accounting practice.

First Adoption of IFRS

The Group has adopted all EU IFRS that were effective on the balance sheet date for the preparation of the consolidated financial statements for the financial year ended 31 December 2011.

IFRS 1, First-time Adoption of Financial Reporting Standards, has been applied in preparing these Financial Statements. Youbisheng HK maintains its accounting records in Hong Kong Dollars (HKD) and Youbisheng PRC in Chinese Renminbi (RMB). Youbisheng HK remains to prepare its statutory financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and Youbisheng PRC remains to prepare its statutory financial statements in accordance with People´s Republic of China (PRC) generally accepted accounting practice. The financial information in these financial statements is based on the statutory records with differences between local accounting records and IFRS, especially for the disclosure of land use rights, the valuation of the inventories, and the deferred tax calculation.

Published but not yet applied Standards, Interpretations and Amendments

At the time of preparation of these consolidated financial statements, the following standards and interpretations of the IASB as well as their changes and revisions have either not been endorsed by the EU or were not compulsorily applicable in the financial year ended 31 December 2011 and were therefore not applied by the Group:

- IFRS 9 – Financial Instruments and subsequent amendments (amendments to IFRS 9 and IFRS 7)
  The standard is effective for annual periods beginning on or after 1 January 2015. Under IFRS 9, all recognised financial assets that are within the scope of the IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

  In relation to 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 all 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. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- IFRS 10 – Consolidated Financial Statements
  This 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. The company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 12 – Disclosures of Interests in other Entities
  This includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13 – Fair Value Measurement
  Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, 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 or US GAAP. The group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 11 – Joint Arrangements
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 12 (Amendments) – Deferred Tax: Recovery of Underlying Assets
- IFRS 1 (Amendments) - Severe Hyperinflation and Removal of Fixed Assets for First-time Adopters
- IAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income
- IAS 19 (Amendments) – Employee benefits
- IFRS 7 (Amendments) – Disclosures – Offsetting Financial Assets and Financial Liabilities

The Management Board of Youbisheng AG is currently assessing the impact of the new and amended IFRSs upon initial application. So far, the Management Board assumes that all new and amended standards and interpretations mentioned above will likely not have a material effect on the consolidated financial statements when they are applied by the Group.

Overall Considerations

The consolidated financial statements have been prepared in accordance with the significant accounting policies set out below and these accounting policies are in accordance with IFRS as endorsed for application in the EU.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgments, estimates and assumptions that affect the application of accounting policies as disclosed below, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the financial years.

The consolidated financial statements have been prepared using the measurement bases and accounting policies specified by IFRS for each type of asset, liability, income and expense. These are more fully described below.

Presentation of Financial Statements

The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The statement of comprehensive income has been prepared using the cost of sales method. The Company has elected to adopt IAS 1 (Revised 2007) by presenting the 'Statement of Comprehensive Income' in one statement.

Critical accounting estimates and judgment

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 50 years. The carrying amounts of the Group's property, plant and equipment as 31 December 2011 were kEUR 13,545. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Income tax

The Group has exposure to income taxes primarily in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact

the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Company's income tax payables as at 31 December 2011 amounted to kEUR 1,464.

Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Changes in these estimates could result in revisions to the valuation of inventories. The Group's core business is subject to raw material price changes and changes in customer behaviour which may cause selling prices to change rapidly. The carrying value of inventories as at 31 December 2011 is kEUR 3,811.

Provisions

The respective legislation in the PRC requires the Company to commit itself to remediate any environmental damages which may have been incurred. Management is of the opinion that no environmental damage has been caused by the Company and hence has not provided for this.

Critical judgment made in applying accounting policies

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements and the reported amount of revenue and expenses during the reporting period.

In the process of applying the Group's accounting policies as described below, management is of the opinion that there are no instances of application of judgments which are expected to have a significant effect on the amounts recognised in the consolidated financial statements.

Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Group's customers and the current market condition. Management assesses the impairment loss at the date of the statement of financial position and makes the provision, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the working condition and location for its intended use.

The land use rights required are capitalized according to the purchase price paid plus the net present value of future instalment payments. The respective liabilities for outstanding instalment payments are measured at the present value of the future cash outflows.

Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally recognized in profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Advance payments for property, plant and equipment acquired are recognised as an asset when payment for the property, plant and equipment has been made in advance of the final delivery of the property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land use rights	according to agreements
Leasehold building	20 years
Plant and machinery	5–10 years
Furniture, fixtures and office equipment	5 years

The estimated residual values, estimated useful lives and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognized in profit or loss is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

Impairment of non-financial assets

Other assets and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

Financial assets

The financial assets of the Group are categorised as loans and receivables. The Group does not have any other financial assets. The Group's loans and receivables comprise trade and other receivables, receivables from related parties and cash and cash equivalents in the statement of financial position.

Regular purchases and sales of financial assets are accounted for at trade date.

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally via the provision of goods and services to distributors (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue if any, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of receivables, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivables. For trade receivables, which are reported net of impairment provisions, such provisions are recorded in a separate allowance account with the loss being recognized within administration expense in the statement of comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Gains on loans and receivables are primarily from interest and are determined on the effective interest method. Losses are primarily from impairment and are determined by management analysis of the ageing of loans and receivables based on experience of default risk and history.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, as all mature within 12 months after the statement of financial position date.

Receivables are measured on initial recognition at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Allowances for impairment are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour and other overheads that have been 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.

The carrying values of inventories are disclosed under note 6.

Equity and dividend payments

Share capital is determined using the nominal value of shares that have been issued by Youbisheng AG.

Capital reserves include any premiums received on the issue of share capital. Transaction costs associated with the issuing of shares have not been deducted from capital reserves, as due to the low number of newly issued shares the deductible amount would only have a marginal impact on capital reserves.

In accordance with the relevant laws and regulations of PRC, companies established in PRC are required to transfer 15% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the company's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the company subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage. The statutory reserves are not available for dividend distribution to the shareholders

Retained earnings include all current and prior period results as determined in the statements of comprehensive income.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the translation reserve.

Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value, plus in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value. All interest related charges are recognised as an expense in profit or loss.

Financial liabilities are derecognized when the obligation for the liabilities is discharged or cancelled or expired. For financial liabilities other than derivatives, gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, and through the amortization process.

The Group's financial liabilities include interest bearing bank borrowings, trade and other payables, including instalments for land use rights, wage and salary payables and related party payables.

Trade and other payables

Trade and other payables, interest bearing bank borrowings and related party payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the combined statement of comprehensive income net of any reimbursement.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. All provisions and contingent liabilities are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions for environmental protection are recorded if future cash outflows are likely to be necessary to ensure compliance with environmental regulations or to carry out remediation work, such costs can be reliably estimated and no future benefits are expected from such measures. Estimating the future costs of environmental protection and remediation involves many uncertainties, particularly with regard to the status of laws and regulations. Management considers that environmental damage has not been caused by the Company and hence has not provided for environmental protection.

Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable and presented net of goods and services taxes and trade discounts.

The Group is principally engaged in the manufacturing and selling premium grade testliners, using 100% of recovered fibres. The group offers testliners in various weight classes (grams per squares meters) and with specific product attributes. The customer base consist of a variety of packaging materials manufacturers using the testliners as primary product for manufacturing corrugated boards and boxes, paper bags as well as apparel labels and tags. The group does not sell products to end users. Revenue from the sale of manufactured products is recognized when the Company has transferred to customers the significant risks and rewards of ownership of the goods, which generally coincides with the delivery to and acceptance of goods by the customers, and when the Company can reliably measure the amount of revenue and the cost incurred and to be incurred in respect of the transaction; and it is probable that the collectability of the related receivables is reasonably assured. No revenue is recognized if there are significant certainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Finance income

Finance income is recognised using the effective interest method.

Employee benefits – retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are recognized in profit or loss as incurred. These plans are considered defined contribution plans. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions into the national pension schemes. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain managers are considered key management personnel of the Group.

Income tax

Tax expense recognized in profit or loss comprises the sum of current and deferred tax charges.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in the country in which the Company is operating.

Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the official currency of the primary economic environment in which the Group operates (the “functional currency”). The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB).

The presentation currency of the Group is EUR, being the presentation currency of its ultimate German domiciled legal parent and holding company, and therefore the financial information from Youbisheng PRC has been translated from RMB to EUR and the financial information from Youbisheng HK has been translated first from HKD in the functional currency RMB and then from the functional currency RMB to the presentation currency EUR at the following rates:

	Period end rates	Average rates
31 December 2011	EUR 1.00 = RMB 8.2420	EUR 1.00 = RMB 9.0424

	Period end rates	Average rates
31 December 2011	EUR 1.00 = HKD 10.0579	EUR 1.00 = HKD 10.9067

	Period end rates	Average rates
31 December 2011	HKD 1.00 = RMB 0.8176	HKD 1.00 = RMB 0.8276

The results and financial positions of the Group in its functional currency RMB are translated into the presentation currency for the purpose of consolidation as follows:

(1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised in the foreign currency translation reserve, a separate component of equity.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective statement of financial position dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Related parties

The Group has the following types of related parties:

(i) entities or individuals which directly, or indirectly through one or more intermediaries, (1) control, or are under common control with, the Group; (2) have an interest in the Group that gives them significant influence over the Group;

(ii) the key management personnel of the Group or its ultimate parent company;

(iii) close members of the family of any individual referred to in (i) or (ii);

Leases

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized on borrowing costs. Rentals are recognized as expenses in the periods in which they are incurred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocation resources and assessing performance of the operating segments, has been identified as the Management Board of Youbisheng AG which makes strategic decisions.

The Management Board of the Group defines the company as a one segment entity due to the following facts:

1. Products:

The Group is manufacturing testliners varying only in the weights in grams per square meter and the type of coating. The production process is basically the same for all variations of the testliner. The production takes place on two paper machines and is to a wide extend interchangeable between the machines.

2. Customers:

The customers are printing and packaging companies and manufacturers of cardboards. These entities deliver their products to customers in the food, retail, shoe, and other manufacturing industries, whereas the Group usually has no information about in which end products their testliners end up. The marketing and sales structures and measures are the same for the different customers.

3. Geographic:

Usually all of the products are sold to customers in the Fujian and Guangdong provinces. The economic, legal and cultural environment does not differ between the geographical sales areas.

Development activities

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new products and ranges are also expensed as they do not meet the criteria to be recognized as an intangible asset in accordance with IAS 38.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land use rights	Buildings	Plant and machinery	Motor vehicle	Furniture, fixtures and office equipment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
At 1 January 2011	807	7,541	18,998	559	73	27,978
Additions	0	0	106	0	0	106
Translation adjustment	50	482	1,225	35	5	1,797
At 31 December 2011	857	8,023	20,329	594	78	29,881

Accumulated depreciation	Land use rights	Buildings	Plant and machinery	Motor vehicle	Furniture, fixtures and office equipment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
At 1 January 2011	147	2,663	9,484	525	65	12,884
Depreciation charge	16	330	1,426	5	1	1,778
Translation adjustment	10	200	742	33	4	989
At 31 December 2011	173	3,193	11,652	563	70	15,651
Net Book Value						
At 31 December 2010	660	4,878	9,514	34	8	15,094
At 31 December 2011	685	4,830	8,677	29	8	14,230

(i) All property, plant and equipment held by the Group are located in the PRC.

(ii) The land use rights have been acquired between Year 1998 and Year 2003. The land use rights are recorded at cost plus net present value of outstanding instalment payments less depreciation. The land use rights have a duration of 50 years and will expire between 2048 and 2053. The instalment payments are due between 2013 and 2044.

(iii) The buildings are recorded at historical construction cost less accumulated depreciation considering a useful life of 20 years. No impairment charges occurred so far.

(iv) The machinery comprises among others of two main production lines for testliners and are recorded at historical costs less accumulated depreciation considering a useful life of 10 years.

(v) The motor vehicles are recorded at historical costs less accumulated depreciation considering a useful life of 5 years.

(vi) The furniture, fixtures and office equipment are recorded at historical costs less accumulated depreciation considering a useful life of 5 years.

(vii) As at 31 December 2011, the land use rights, buildings and machinery with carrying amount of kEUR 1,432 have been pledged to bank.

5. Investment in Subsidiaries/Companies included in the Consolidated Financial Statements

The following companies are included in the consolidated financial statements. All information presented on equity and net income refers to the annual financial statements as at 31 December 2011:

Name	Currency	Group equity share	Equity in kEUR	Net income kEUR
Gui Xiang Industry Co., Ltd. (Hong Kong)	HKD	100%	613	(857)
Quanzhao Guige Paper Co., Ltd. (PRC)	RMB	100%	63,321	16,530

6. Inventories

	as at 31 December	
	2011	**2010**
	kEUR	**kEUR**
Raw materials	3,009	1,661
Finished goods	802	1,078
Total	3,811	2,739

(i) The amount of inventories recognized as an expense during the financial year 2011 are included in cost of sales and amounted to kEUR 69,163 for the financial year 2011.

(ii) At the balance sheet dates 31 December 2011 and 2010 Youbisheng PRC had closed down the production facilities for maintenance purposes. As the production of the testliners is a continuous flow through process no work in process exists during such maintenance periods.

(iii) The full amount of the inventories at the end of the financial year 2011 is expected to be recovered within twelve months. There were no write-downs and reversal of inventories during the year.

7. Trade receivables and Other Receivables

	as at 31 December	
	2011	**2010**
	kEUR	**kEUR**
Trade receivables	23,500	17,600
Other receivables	876	685
Total	24,376	18,285

(i) The fair values of financial assets other than cash equivalents classified as loans and receivables approximate their carrying amounts due to the relatively short term maturity of the financial instruments.

(ii) The trade receivables are unsecured. The normal trade term granted by the Group is ninety (90) days and the average credit period on sales of goods is sixty (60) days. No interest is charged on trade receivables and the Group has not recognized an allowance for doubtful debts since most of the debtors pay in time and therefore all receivables are recoverable.

The aging of trade receivables is as follows:

	as at 31 December	
	2011	**2010**
	kEUR	**kEUR**
Within 30 days	10,308	6,386
31 to 60 days	9,397	6,061
More than 60 days	3,795	5,153
	23,500	17,600

(iii) All trade receivables are denominated in Renminbi.

(iv) Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year.

(v) In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. There are no customers who present more that 7.0% of the total balance of trade receivables. The largest customer accounted for 6.5% in financial year 2011.

(vi) The other receivables mainly bear advance payments to sub-contractors for future supplies of raw materials as at 31 December 2011. The advance payments are unsecured and interest free.

8. Cash and Bank Balances

	as at 31 December	
	2011	**2010**
	kEUR	**kEUR**
Cash at banks	30,096	8,846
Fixed deposits	789	209
Cash on hand	4	5
	30,889	9,060

(i) The cash at banks bear effective interest rates of 0.500% and 0.361% per annum as at years ended 31 December 2011 and 2010 respectively. Finance income of kEUR 99 and kEUR 76 was earned on cash and cash equivalents in 2011 and 2010 respectively. Apart from this no net gains or losses on loans and receivables occurred in 2011 or 2010. The maximum credit risk is assessed by management to be the amounts shown in the above table as at the respective reporting dates. The fixed deposits placement with an amount of kEUR 789 and kEUR 209 in 2011 and 2010 mainly exists for bill payables.

(ii) The currency exposure profile of cash and cash equivalents are as follows:

	as at 31 December	
	2011	**2010**
	kEUR	**kEUR**
Cash in RMB	30,713	9,049
Cash in Euro	137	0
Cash in HKD	37	0
Cash in USD	2	11
	30,889	9,060

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

9. SHARE CAPITAL AND RESERVES

Share capital

The capital stock of the Parent Company amounts to EUR 10,217,705 and is divided into 10,217,705 no par value bearer shares with a notional amount of the share capital of EUR 1 each.

After the incorporation of Youbisheng AG on 12 April 2011, share capital has been increased twice. From the initial of EUR 50,000 share capital, Youbisheng AG increased the share capital by EUR 9,950,000 to EUR 10,000,000 on 18 May 2011. The increase was executed by way of transfer of all shares in Youbisheng HK to Youbisheng AG against the issue of 9,950,000 new no par value ordinary bearer shares. The contribution agreement and the capital increase by way of contribution in kind was approved by an extraordinary share holders' meeting of Youbisheng AG on 21 April 2011 and has been registered in the commercial register with the local court of Cologne on 18 May 2011. On 12 July 2011, in accordance with a resolution passed at the extraordinary general meeting, the Management Board decided to issue 217,705 new shares from the total number of authorized shares of 5,000,000 with a notional value of EUR 1.00 each and full dividend rights as of 1 January 2011 with the approval of the Supervisory Board. After the transaction, the remaining authorized capital amounts to EUR 4,782,295. Following the completion of the capital increase and the entry in the commercial register, the share capital of Youbisheng Green Paper AG amounted to EUR 10,217,705, divided into 10,217,705 bearer shares. On 13 July 2011, the shares of Youbisheng Green Paper AG started trading successfully at a price of EUR 6.50 in the Prime Standard of Deutsche Borse in Frankfurt, Germany.

Capital reserve

Capital reserves include any premiums received on the issue of share capital. The amounts in the capital reserve, with the inclusion of the above movements arising from capital increases are as follows:

	kEUR
Balance as at 1 January 2011	10
Add: contribution in kind	20,050
Add: proceed from IPO	1,197
Less: Adjustment Reverse Acquisition	(26,942)
Balance as at 31 December 2011	(5,685)

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, Youbisheng PRC is required to transfer 15% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve until the reserve balance reaches 50% of the Company's share capital, any further transfer of its annual statutory net profit is optional.

Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

The statutory reserve of the company amounts to kEUR 9,081 at 31 December 2011 (2010: kEUR 7,515).

Foreign currency translation reserve

Foreign currency translation reserve represents the foreign currency translation difference arising from the translation of the consolidated financial statements from RMB to EUR.

Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognized in the Group's statement of comprehensive income.

The retained earnings of the Group amount to kEUR 24,434 at 31 December 2011 resulting from the application of the reverse acquisition method (2010: kEUR 10,690).

10. TRADE AND OTHER PAYABLES

	as at 31 December	
	2011	2010
	kEUR	kEUR
Long term	923	882
Short term		
Trade payables	15,198	8,919
Other payables and accruals	1,345	1,789
	16,543	10,708
Total	16,593	11,590

(i) Trade payables are dominated in the following currencies:

	as at 31 December	
	2011	2010
	kEUR	kEUR
RMB	14,935	8,757
USD	263	162
Total	15,198	8,919

(ii) The other long-term payables comprise the net present value of the outstanding instalment payments for land use rights to the respective authorities.

(iii) Long-term payables for land use rights amount undiscounted to kEUR 798 and kEUR 750 at the end of the financial years 2011 and 2010 respectively. Long term payables are discounted to the net present value using a discount rate of 7% p.a.

(iv) All short-term liabilities are recorded at amortized cost and fall due within one year. Due to the short term nature of these payables, the management considers the carrying amounts of financial liabilities measured at amortized cost in the statement of financial position to be reasonable approximation of their fair value.

(v) Trade payables generally have credit terms of 30 to 90 days. No interests are charged in the payables within the credit term. All trade payables are denominated in Renminbi.

(vi) The other payables mainly bear outstanding payment for account balances (ie electricity, interest expenses), payables related to employees, and VAT payables at the years ended 31 December 2010 and 2011 respectively. The other payables are unsecured and interest free.

11. INTEREST-BEARING BANK BORROWINGS

	as at 31 December	
	2011	2010
	kEUR	kEUR
Short-term bank loans	6,914	7,068

The Group's interest-bearing bank loans are secured by pledged assets and guarantees from related parties and bear effective interest rates of 6.56% and 5.39% per annum as at years ended 2011 and 2010. Finance costs related to these loans amounted to kEUR 408 and kEUR 568 in the years 2011 and 2010 respectively. All short-term bank borrowings fall due within twelve (12) months.

Details of the securities of the secured short term bank loans are as follows:

	as at 31 December	
	2011	2010
	kEUR	kEUR
Secured by:		
- Land use rights	1,432	235
- Buildings	1,189	1,308
Total	2,621	1,543

As at 31 December 2011, secured short term loans of kEUR 6,914 (2010: kEUR 7,068) are guaranteed by Mr. Huang Haiming, the Chairman of Youbisheng AG's Management Board.

The information on financial risks of borrowing is disclosed in note 21 to the consolidated financial statements.

12. CURRENT TAX LIABILITIES

	as at 31 December	
	2011	2010
	kEUR	kEUR
Current tax liabilities	1,464	402

The current tax liabilities at the end of the year resulted from the outstanding payments for the last quarter of each period as well as from adjustments by the compilation of the financial statements of each period which is due within one year.

13. DEFERRED TAX ASSETS AND LIABILITIES

	as at 31 December	
	2011	2010
	kEUR	kEUR
Deferred tax assets	79	40
Deferred tax liabilities	50	100

Temporary differences are differences, which gave rise to deferred tax assets and deferred liabilities at the dates of the statement of financial position.

These differences are mainly due to differences in the accounting for land use rights and the valuation of the inventories.

14. REVENUE

An analysis of the Company's revenue is as follows:

	Year ended 31 December
Revenue	2011
Sales of goods	kEUR
Single sided testliner	45,765
Double sided testliner	17,729
Subcontractor testliner	28,719
	92,213

Revenue is generated from sales of testliners to various packaging customers within the Fujian and Guangdong provinces in the PRC.

The largest customer accounted for 6,5% of total revenues in the financial year 2011.

The largest ten customers accounted for 50.5%of the total revenues in the financial years 2011.

15. COST OF SALES

Cost of sales comprise purchasing materials, labour costs for personnel employed in production, depreciation and amortization of non-current assets used for production purposes, factory utilities, maintenance charges, interest expenses and other production overheads.

The following table shows a breakdown of costs of sales for the period under review for each category:

	Year ended 31 December
	2011
	kEUR
Materials	39,202
Labour	374
Production overheads	6,694
Total self-production cost	46,270
Subcontracted products cost	22,489
Total self-production and subcontracted cost	68,759
Other taxes	403
Cost of goods sold	69,163

In 2008 the Group reached the production limit of its machineries due to an excellent order situation by its customers. As a result the Group is using subcontractors to satisfy its orders by customers since July 2009.

The following table shows the development of the Group's total gross margin from the financial year 2011:

	Year ended 31 December
	2011
	kEUR
Revenue	92,213
Cost of goods sold	(69,163)
Gross profit	23,050
Gross profit margin	25.00%

The development of the Gross Margin of the products which have been self-produced and sold in the financial year 2011 is displayed in the schedule below:

	Year ended 31 December
	2011
	kEUR
Revenue self-production	63,494
Cost of goods sold self-production	46,394
Gross profit self-production	17,100
Gross profit margin self-production	26.93%

Since July 2009 the group involved subcontractors to meet the excellent order situation. The development of the Gross Margin of the products produced by subcontractors and sold in the financial year 2011 are displayed in the schedule below:

	Year ended 31 December
	2011
	kEUR
Revenue sub-contracted	28,719
Cost of goods sold sub-contracted	22,768
Gross profit sub-contracted	5,951
Gross profit margin sub-contracted	20.72%

The Gross Profit Margin for self-produced products is naturally higher than for sub-contracted produced products (as shown in the table below). The Gross Profit Margin considering self-production as well as sub-contracted production amounted to 25.00% for the fiscal year 2011.

16. OTHER INCOME

Other income comprises of government rewards and incentives, currency exchange gains and others.

	Year ended 31 December
	2011
	kEUR
Government rewards and incentives	338
Release of Accruals	490
Other	46
Total	874

17. SELLING AND DISTRIBUTION COSTS

Selling and distribution costs comprise marketing and advertising costs, freight costs for product delivery and personal expenses for employees of the sales and marketing department.

	Year ended 31 December
	2011
	kEUR
Labour cost	100
Freight costs	105
Other	15
Total	**220**

18. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses comprise, among others, personnel costs for management and other administrative functions, depreciation and amortization charges, research and development expenses, travel and entertainment expenses, other taxes not levied on income, insurance expenses and other miscellaneous expenses incurred for administrative purposes.

19. FINANCE INCOME AND FINANCE COSTS

Finance income

	Year ended 31 December
	2011
	kEUR
Finance income	99

Finance costs

	Year ended 31 December
	2011
	kEUR
Finance costs	28

(i) The finance income derives from interest income on short-term cash at banks.

(ii) The short-term loans are dedicated to refinance raw material purchases. Therefore the respective interest expenses are shown as cost of goods sold or capitalized in inventories.

(iii) The finance expenses comprise on the change of the net present value of the long-term liabilities from the purchase of land use rights and expected payments for pollution rights to the respective authorities.

20. TAX EXPENSE

	Year ended 31 December
	2011
	kEUR
Profit before tax (Group)	20,838
Loss Youbisheng AG	625
Tax base vs. IFRS base	637
Taxable profit PRC	22,100
Current year tax expenses (25% thereon)	5,525
Deferred tax expenses	3
Total tax expenses	5,528

Youbisheng PRC is subject to PRC tax on profit arising or derived from the tax jurisdiction in which the Youbisheng PRC operates and is domiciled. Youbisheng PRC is located in one of the Coastal Economic Development Zones. Under Income Tax Law of the PRC, Youbisheng PRC is entitled to full exemption from income tax for the first two years and a 50% exemption in income tax for the next three years starting from its first profitable year of operations. For the purpose of determining the tax holiday period, the fiscal year 31 December 2006 was the first profitable year. Therefore the reduced tax rate of 12.5% was applicable for the financial year 2010. For the financial year 2011 and ongoing the tax rate amounts to 25% in accordance with the relevant PRC income tax rules and regulations.

Therefore the relevant tax rate for the calculation Youbisheng PRC's deferred tax position was set at 25%.

Deferred tax has been provided as Youbisheng PRC has temporary differences which gave rise to a deferred tax asset and deferred tax liability at the statement of financial position dates (note 13). These differences are mainly due to differences in the accounting for land use rights and the valuation of the inventories.

21. DIVIDENDS

Dividends were not paid in 2011.

22. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risk, liquidity risk, and interest rate risk. The Company's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Management Board provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's exposure to financial risk in accordance with the objectives and underlying principles approved by the board of directors. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposures to market risk are kept at minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2011, the Group's financial instruments mainly consisted of trade receivables, cash and bank balances, trade and other payables, interest bearing bank borrowings.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group typically gives existing customers credit terms from 30 days to 90 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, payment history and credit worthiness. The Group's top ten customers in aggregate formed approximately 5.1% of the trade receivables balances as at 31 December 2011.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers.

There is no impairment loss recognized in the income statements as all the receivables were subsequently received.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve for cash to meet its liquidity requirement in the short and long term. The bank borrowings for the years ended 31 December 2011 have maturity period of less than 1 year from the statement of financial position date.

The instalment payments for the land use rights have the following maturity dates (undiscounted amounts in the table):

Land use Right No:	Square meters	Installment	Purchase date	Maturity	Undiscounted Amount EUR
1	45190	2nd Payment	24.12.1998	2015-12-24	54,815.47
		3rd Payment	24.12.1998	2025-12-24	54,815.47
		4th Payment	24.12.1998	2035-12-24	54,815.47
		5th Payment	24.12.1998	2045-12-24	21,926.19
2	39773	2nd Payment	14.10.2003	2013	48,487.25
		3rd Payment	14.10.2003	2023	48,487.25
		4th Payment	14.10.2003	2033	48,487.25
		5th Payment	14.10.2003	2043	48,487.25
3	39913	2nd Payment	14.10.2003	2013	48,414.47
		3rd Payment	14.10.2003	2023	48,414.47
		4th Payment	14.10.2003	2033	48,414.47
		5th Payment	14.10.2003	2043	48,414.47
4	39525	2nd Payment	14.10.2003	30.3.2014	47,943.83
		3rd Payment	14.10.2003	30.3.2024	47,943.83
		4th Payment	14.10.2003	30.3.2034	47,943.83
		5th Payment	14.10.2003	30.3.2044	47,943.83
					0.00
5	6600	2nd Payment	14.10.2003	30.3.2014	8,005.80
		3rd Payment	14.10.2003	30.3.2024	8,005.80
		4th Payment	14.10.2003	30.3.2034	8,005.80
		5th Payment	14.10.2003	30.3.2044	8,005.80
			Total undiscounted amount		**797,777.97**

(amounts are converted by using the period end change rate as of 31 December 2011)

The maturity profile of the Group's financial liabilities as at balance sheet date, based on the contracted undiscounted amounts, is displayed in note 10.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

(iv) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group carries out its business in the PRC and most of its transactions are denominated in Renminbi. Accordingly, the Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

(v) Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing borrowings from banks. Interest-bearing loans from banks bear floating interest rates and thus exposing the Company to cash flow interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in note 11.

23. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern and to support the Group's stability and growth in order to maximize the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings as detailed in note 11 offset by cash and bank balances as detailed in note 8) and equity of the Group (comprising share capital, statutory reserve, currency translation reserve, and retained earnings as detailed in note 9).

In accordance with the relevant laws and regulations of PRC, Youbisheng PRC is required to transfer 15% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. The statutory reserves are not available for dividend distribution to the shareholders.

The Group's net debt to equity ratio at financial position dates was as follows:

	as at 31 December	
	2011	**2010**
	kEUR	**kEUR**
Total borrowings	6,914	7,068
Less: Cash and bank balances	30,889	9,060
Net debt / (cash)	(23,975)	(1,992)
Total equity	47,373	26,058
Net debt to equity ratio	(0.506)	(0.076)

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group's objectives when managing capital are:

1. To safeguard the Group's ability to continue as going concern, so that it continues to provide returns to shareholders and benefits for other stakeholders;

2. To support the Group's stability and growth; and

3. To provide capital for the purpose of strengthening the Group's risk management capability.

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

24. RELATED PARTY DISCLOSURES – SIGNIFICANT RELATED PARTY TRANSACTIONS

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: (i) it possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decision of the Group or vice versa; or (ii) it is subject to common control or common significant influence.

Related party information

The following persons and entities are considered to be related parties:

a) Entities / individuals with common control or significant influence over the company.

Related Party	Type of business	Relationship with the Company
Huang Haiming		CEO
Clement Hoo		CFO
Lin Xiangqing		Executive director
Gernot Kugler		Chairman of Supervisory Board
Verena Dylla		Deputy Chairman of Supervisory Board
Zhang Daopei		Member of Supervisory Board
Hong Kong Kai Yuan International Investment Holdings Ltd.	Investment Holdings	100% owned by Huang Haiming
Gui Xiang Industry Co., Ltd.	Investment Holdings	100% owned by the Company
Quanzhou Guige Paper Co., Ltd.	Selling and producing testliner	100% owned by the Company

b) Key management and close family of key management or of controlling shareholder

Related Party	Relationship with the Company
Liu Guoyi	Vice General manager and brother-in-law of Mr. Huang, Haiming

Transactions and amounts due to related parties

In addition to the balances disclosed elsewhere in the Financial Statements, such as dividends payable to related parties, the Group had the following transactions with related parties at agreed terms:

Youbisheng AG has provided kEUR 680 as a loan to Youbisheng HK with no fix repayment period for 5 years. The loan is interest bearing.

Youbisheng AG charged management fees of kEUR 9 to Youbisheng HK for the management services.

As at 31 December 2011, secured term loans of kEUR 6,914 were guaranteed by Mr. Huang Haiming.

As at 31 December 2011 the liabilities to related parties with an amount of kEUR 118 present non-trade loans by the Mr. Huang Haiming, which are interest-free, unsecured and repayable on demand in cash and cash equivalents.

25. PERSONAL UNTERTAKINGS

Mr. Huang Haiming (CEO) has given several personal undertakings pursuant to which he undertook to reimburse Youbisheng PRC for any payments requested by the competent authorities in connection with:

(i) water drawings by Youbisheng PRC from the nearby water stream in the past; and

(ii) any administrative sanction, labour dispute, civil or administrative liabilities resulting from any non-compliance concerning labour issues or resulting from a failure to pay social insurance and housing funds contributions.

26. DIRECTOR'S AND KEY MANAGEMENT PERSONNEL REMUNERATION

	as at 31 December
	2011
	kEUR
Director's remuneration	
– salaries and related cost	106
-– retirement scheme contribution	2
	108
Key management personnel (other than director)	
– salaries and related cost	68
– retirement scheme contribution	1
	69

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

All remunerations fall due within twelve months.

Remuneration of Executive and Supervisory Boards

Remuneration of Management Board

The remuneration of the members of the Executive Board of the Company is measured at and in accordance with the economic and financial situation of the Group. Currently, the remuneration of the members of the Executive consists of fixed salary and bonus.

Total remuneration of the Management Board for Activities in the Fiscal Year	
Huang Haiming	kEUR 44
Clement Hoo	kEUR 62

According to Section 20 of the Article of Association each member of the Supervisory Board receives the compensation, which is determined by the General Shareholders' Meeting. If a member of the Supervisory Board does not serve the entire year, compensation will be paid on a pro-rata basis. The ordinary annual general shareholders' meeting 2012, which ratifies the acts of the supervisory board, will determine the pro-rata compensation for the members of the first Supervisory Board in 2011 (German Stock Corporation Act.) The compensation is due and payable at the end of the year. The Supervisory Board members are reimbursed for the expenses incurred in performing the duties of its office.

Total remuneration of the Supervisory Board for the year was as follow:

Gernot Kugler	kEUR 17
Verena Dylla	kEUR 13
Zhang Daopei	kEUR 9

27. SEGMENT INFORMATION

No separate analysis of segment information by business or geographical segment is presented as the Group's major business comprises the manufacture of testliners. We refer to section note 3.

28. EMPLOYEES BENEFITS

The average number of employees was as follows:

	Average for the year
	2011
	kEUR
Executive Director	2
Management and administration	74
Sales	14
Quality control	15
Research & development	18
Maintenance	14
Production	165
General	5
Total	307

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December
	2011
	kEUR
Wages and salaries	837
Social security cost	21
	858

Retirement Benefit Plans

The eligible employees of the Group who are citizens of the PRC are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The cost of retirement benefit contributions charged to the profit or loss in the year 2011 amount to kEUR 77.

29. CONTINGENCIES

Social insurance back payments

According to PRC law, in particular, Chinese regulations for social insurance and housing funds, the Group is required to make contributions for the social insurance and for the housing funds to its employees. The Group has in the past not paid the full amount which should have been paid in respect of these contributions, but considers the risk for additional payments for prior periods to be not probable, as there have not been any known incidences of the relevant authorities demanding payments in respect of past years. The Group estimates that such a claim for additional payments would not exceed kEUR 245 undertaken an agreement with Mr. Huang Haiming according to which he would reimburse the Group for any losses incurred for such additional social insurance and housing funds payments.

30. AUDITOR'S FEE

Expenses for services provided by the auditor of the consolidated financial statements were recorded of kEUR 60 on audit services as well as kEUR 139 on other assurance services.

31. DECLARATION ON COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration on Compliance with the German Corporate Governance Code according to Sec. 161 of the German Stock Corporations Act is openly available for inspection on the Group's website at www.youbisheng-greenpaper.de.

32. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The following companies are included in the consolidated financial statements. All information presented on equity and net income refers to the annual financial statements as at 31 December 2011:

Name	Currency	Group equity share	Equity in kEUR	Net income kEUR
Youbisheng Green Paper AG (Cologne)	EUR		30,850	(625)
Gui Xiang Industry Co., Ltd. (Hong Kong)	HKD	100%	613	(857)
Quanzhao Guige Paper Co., Ltd. (PRC)	RMB	100%	63,321	16,530

33. SUBSEQUENT EVENTS

In February 2012, Youbisheng Group managed to launch its new anti-counterfeit testliner ("ACT"). The ACT is a product that will help branded consumer goods producers to prevent other producers from counterfeiting their products. With the launching of ACT, the management is anticipating a steady growth in 2012.

Other than that, no other item, transaction or event of material or unusual nature has arisen in the interval between 31 December 2011 and the date of the report from the independent auditor.

Cologne, 30 April 2012

Huang Haiming Hoo Clement

Responsibility Statement

Pursuant to section 37 y of the German Securities Trading Act (WpHG) in conjunction with section 37 w Para. 2 No. 3 WpHG.

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 30 April 2012

Management Board
Youbisheng Green Paper AG

Independent Auditor‘s Report

We have audited the consolidated financial statements prepared by Youbisheng Green Paper AG, Cologne, – comprising a consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements – and the group management report which is combined with the management report of Youbisheng Green Paper AG, Cologne, for the financial year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the combined group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German commercial law pursuant to section 315a paragraph 1 HGB are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Youbisheng Green Paper AG, Cologne, for the financial year from 1 January to 31 December 2011 comply with IFRSs as adopted by the EU, the additional requirements of the German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined group management report of Youbisheng Green Paper AG, Cologne, is consistent with the consolidated financial statements and as a whole provides a suitable view of the group’s position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 30 April 2012

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dirk Bauer
Wirtschaftsprüfer
[German certified auditor]

Robert Binder
Wirtschaftsprüfer
[German certified auditor]

Financial Calendar, Imprint and Contact

Financial Calendar

30 April 2012	Annual Report 2011
29 May 2012	Interim Report Q1 2012
02 August 2012	Annual General Meeting 2012
30 August 2012	Interim Report Q2 2012
29 November 2012	Interim Report Q3 2011

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