YOUBISHENG GREEN PAPER

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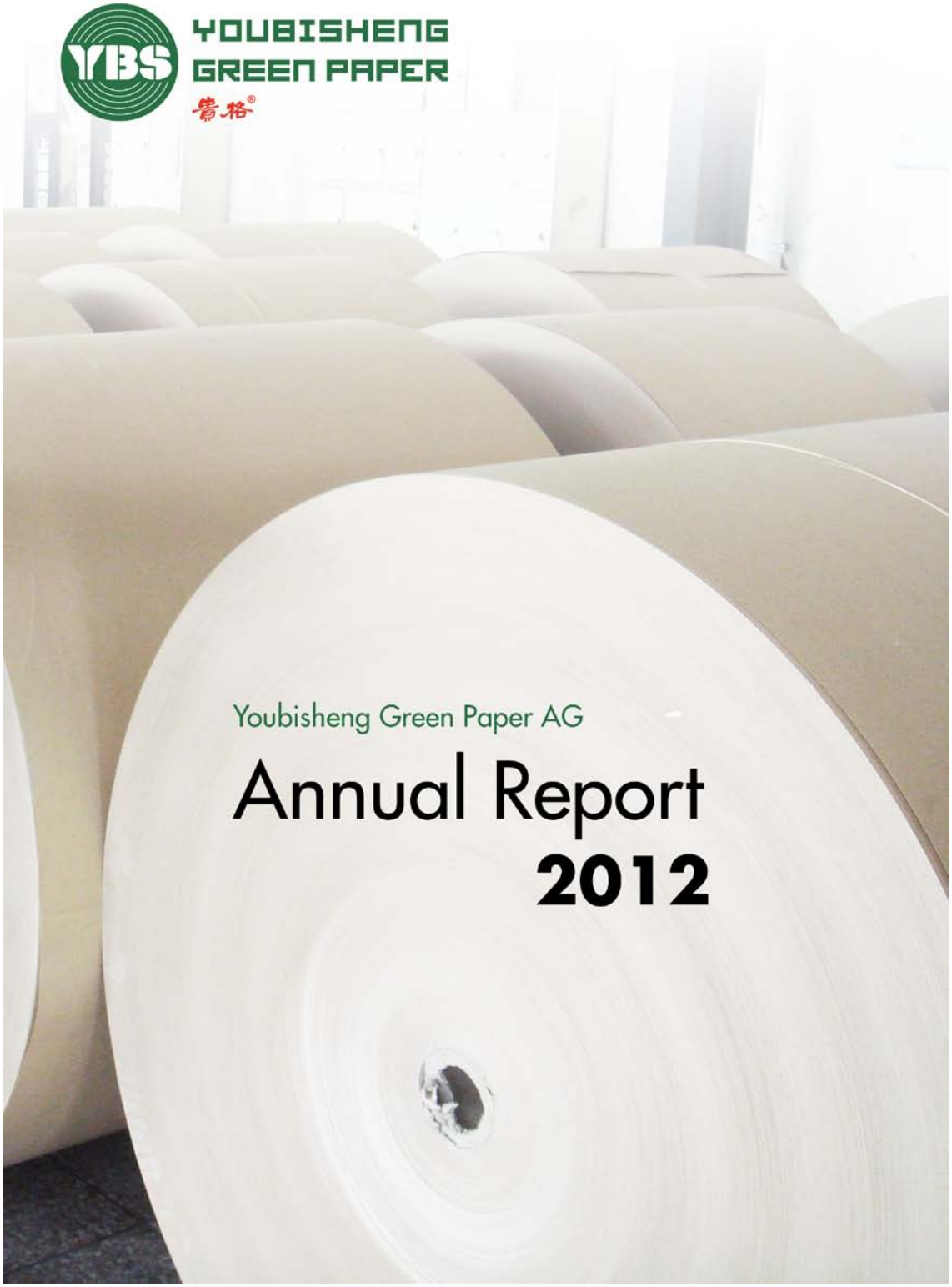

Youbisheng Green Paper AG

Annual Report 2012

Youbisheng Green Paper AG

KEY FINANCIALS

		2012	2011	+/–%
Revenues	million €	**98.6**	92.2	+6.9
Gross profit	million €	**26.7**	23.1	+15.6
Gross profit margin	%	**27.1**	25.0	+2.1 PP
EBIT	million €	**23.7**	20.8	+14.9
EBIT margin	%	**24.1**	22.5	+1.6 PP
Net profit	million €	**17.7**	15.3	+17.6
Net profit margin	%	**17.9**	16.6	+1.3 PP
Net cash flow from operating activities	million €	**20.4**	17.3	+17.9

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 would like to take this opportunity to thank all the shareholders for their support and trust in Youbisheng Green Paper AG after being listed on the Frankfurt Stock Exchange in July 2011. Since then, YBS has grown and developed steadily and achieved revenues of EUR 98 million and a net profit of EUR 18 million in 2012. Our premium graded linerboard for the packaging industry is experiencing ongoing strong demand.

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In 2012, the management further developed the linerboard business, especially in regards to production costs and product innovations. We are focusing on producing high quality linerboard, opening up new markets and increasing the existing share in the market.

During the year, Youbisheng managed to produce and market anti-counterfeit linerboard which protects branded consumer goods from being counterfeited. The unique colour inside the linerboard enables the consumer to identify the originality of the consumer good. On the other hand, Youbisheng management improved its own production line by replacing an old steam boiler by a new effective energy saving boiler. The new boiler is able to save about 8,000 tons of coal every year.

Furthermore, Youbisheng managed to acquire 13 new customers and continued to provide high product and service quality to all existing customers. This is what enables the company to maintain long-term relationships with its clients. Currently, most of our customers are located at Fujian and Guangdong provinces but we are also promoting our products in other provinces such as Hube, Hunan, Jiangxi, Zhejiang and others.

In 2012 Youbisheng China was granted with renowned awards from Quanzhou government and other institutions like the Fujian Top Twelve Environmental Friendly Paper Producer. Additionally, Youbisheng PRC was appointed a committee member of the Quanzhou Property Environment Protection Association which is primarily the result of our long-term investments and environmental commitments.

Our development and the future success of Youbisheng depends on the commitment of the company's Management Board and the understanding of the shareholder interests. We do our best that Youbisheng will continue to grow and that we will meet the interests of the shareholders. For full year 2013, we aim to reach revenues of over EUR 110 million and maintain the strong EBIT margin of least 24.0%.

Dear shareholders, let us work together to fulfil our goal to make Youbisheng the most successful linerboard producer in the People's Republic of China.

Yours sincerely,

Haiming Huang
CEO Youbisheng Green Paper AG

REPORT OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2012

Dear Shareholders,

The financial year 2012 was the first complete financial year since Youbisheng Green Paper AG was founded. The reporting period was marked by positive performance in the operating units. The Group's dynamic growth has continued with an increase in sales revenue of about 6.9% (based on the figures for the operating units).

Positioning the company as a supplier of packaging and paper products to the high-growth Chinese domestic market has proved to be the right strategy in this reporting year. Of particular importance is the market introduction of a new anti-counterfeit single-sided testliner, which has further contributed to the group's growth and to the establishment of the Youbisheng Green Paper brand.

Working with the Management Board

The Management Board has promptly and regularly provided comprehensive reports to the Supervisory Board both orally and in writing on the economic and financial situation and the development of the company. In this context, the Supervisory and Management Boards have entered into discussion on basic questions which are of particular significance to the company, such as business policy, corporate policy and strategy, financial development and the profit situation, as well as questions pertaining to transactions.
The Chairman of the Supervisory Board has also met regularly with the Management Board outside of formal meetings to discuss and agree on other significant issues and questions.

The 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 geographical separation, linguistic differences and different mentalities. Active, open communication between the Management Board and the Supervisory Board has contributed to mutual understanding and trust. The constant 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.

An important function of the Supervisory Board during the reporting period was to guide and advise the Management Board on financing another production line.

The Management Board provided the Supervisory Board with extensive and timely information on an ongoing basis, both orally and in writing. For all transactions and procedures which, in order to comply with law, Articles of Association or rules of procedure, require the agreement of the Supervisory Board, a detailed description and justification was submitted by the Management Board to the Supervisory Board and the necessary agreement obtained.

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 the financial year 2012 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 6 meetings during the 2012 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 all the meetings, with the exception of Mr Zhang Dao Pei who was absent for health reasons; resolutions were not made at this meeting.

As the Supervisory Board usually consists of three people, no committees were formed. The Supervisory Board deals with relevant issues in full session.

Supervisory Board meetings and the resolutions adopted

26 April 2012: The annual financial statements were discussed at the head office of the operating company in China.

30 April 2012: By way of a telephone resolution and with the participation of the members of the Management Board and of the auditor of the annual financial statements, Mr Binder, the 2011 annual financial statement was approved. The agenda included resolutions on the Supervisory Board Report and the Corporate Governance Report, as well as the examination of the Management Board's report on the relations between the company and affiliated companies and the audit report prepared by the auditor.

23 May 2012: Items for the agenda of the General Shareholders' Meeting were approved by telephone, the proposed resolutions were dealt with and an appropriate decision was taken.

23 August 2012: By way of a telephone conference, the Management Board presented a status report based on the semi-annual figures. Further financing requirements and the possible placing of a loan were explained. No resolutions were adopted.

10 October 2012: By way of a telephone conference, the possibilities of placing a loan were again explained in detail and possible key data discussed. No resolutions were adopted by the Supervisory Board.

23 November 2012: By way of a telephone conference, the Management Board explained the reasons for a probable postponement in placing a loan until at least the beginning of January 2013. The Supervisory Board also asked the Management Board to explain the company's financial situation. No resolutions were adopted.

Composition of the Supervisory Board

There were no changes to the composition of the Supervisory Board during the reporting period. By resolution of the General Shareholders' Meeting dated 2 August 2012, the Supervisory Board was convened with exactly the same composition until the conclusion of the shareholders' meeting, which will make a decision on its discharge for the financial year ending 31 December 2016.

Annual financial statements and consolidated financial statements for 2012

The auditing company Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was elected by the General Shareholders' Meeting of 2 August 2012 as the independent auditor of the annual financial statements and the consolidated financial statements for the 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 2012 prepared in accordance with the HGB (Handelsgesetzbuch, German Commercial Code), the consolidated financial statements as of 31 December 2012 prepared in accordance with the IFRS/IAS, and the combined consolidated 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. In particular, the agreement with the independent auditor made auditing the internal control system a focal point 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 annual financial statements, the consolidated financial statements and the combined management report summary of the Youbisheng Green Paper AG and the group, and the audit reports of Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft were made available to all members of the Supervisory Board, and were thoroughly assessed at the accounts review meeting of the Supervisory Board on 30 April 2013 in the presence of the independent auditor. The independent auditor submitted a report on the main findings of his audit. In particular he gave details of the company's and the Group's assets, financial condition and results of operations and was prepared to provide any additional information on request.

The Supervisory Board itself also carefully reviewed the annual financial statements, the consolidated financial statements and the combined management report summary of the Youbisheng Group and Youbisheng Green Paper for the financial year 2012, which had been submitted to the Management Board, and determined that there were no objections to the final results of this audit. The audit reports submitted by the independent auditor were noted with approval by the Supervisory Board. With the resolution of 30 April 2013, the annual financial report submitted by the Management Board was approved. The Supervisory Board also approved the consolidated financial statement. In addition, the Supervisory Board approved the management report summary for Youbisheng Green Paper AG and the group, and in particular the decision to further develop the company. The Supervisory Board adopted the proposal made by the Management Board concerning the appropriation of net income.

Corporate Governance

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. This declaration of compliance is available for inspection in the Corporate Governance Report and also on the company's website. The recommendations set forth in the German Corporate Governance Code have been implemented with the exception of the points listed in the declaration of conformity. 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 the Supervisory Board's joint Corporate Governance Report

Relations with affiliated companies

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 compliance 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 of 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 2012. 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."

The Supervisory Board has, in accordance with Section 314 of the AktG, 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 and that the Supervisory Board is satisfied with the result of this audit supplied by the independent auditor.

Hamburg, April 30, 2013

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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 Kie Chii, 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

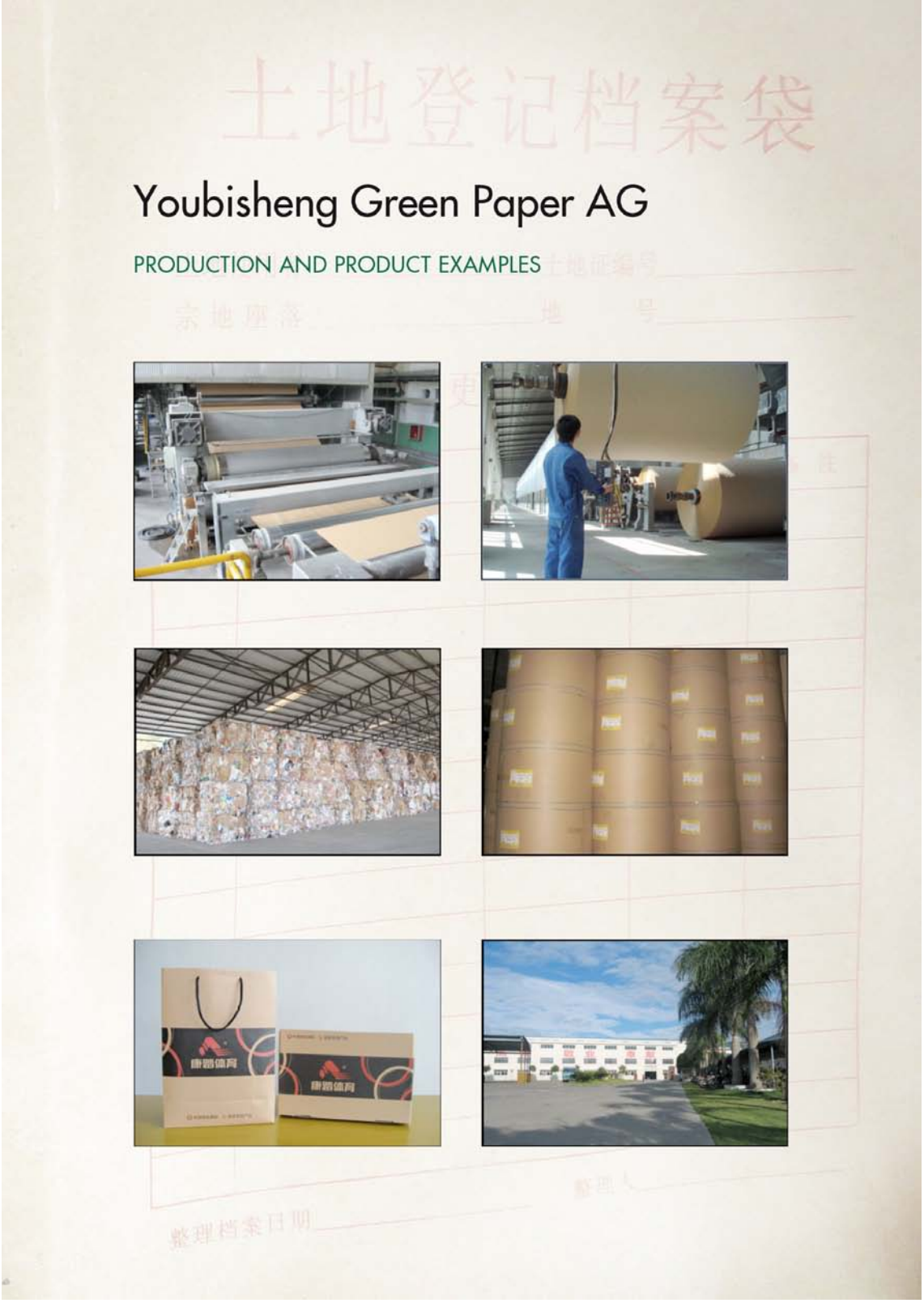
ZHANG Daopei

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

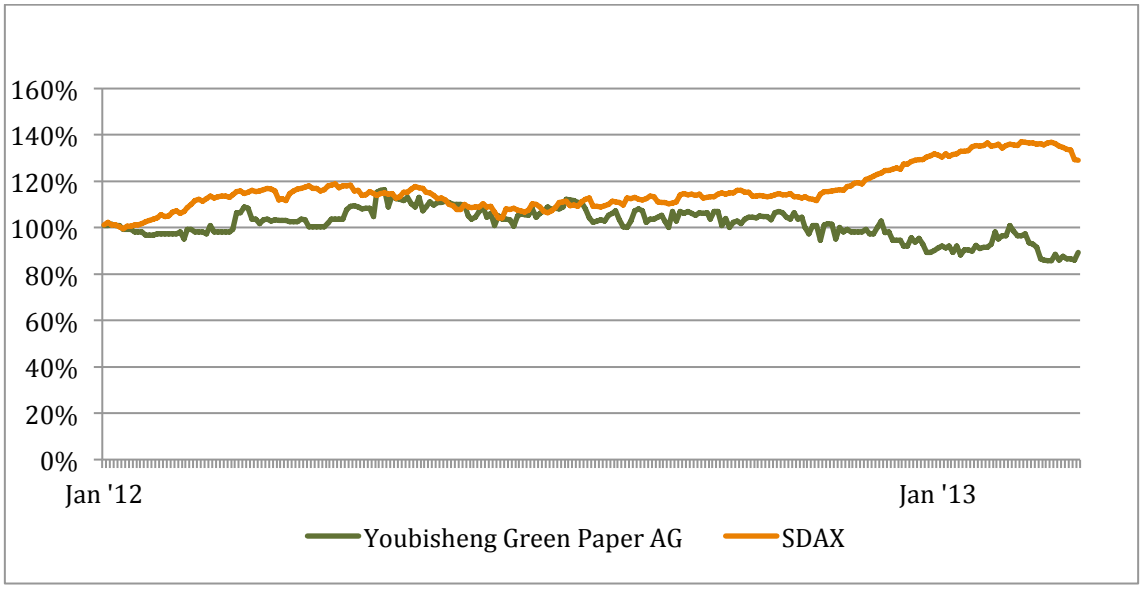


The Share

In 2012, the development on the equity markets continued to be overshadowed by the European government debt crisis. However, ultimately the hope for a positive development of global economic recovery prevailed, which resulted in strong price gains on the international stock exchanges. The German leading share index closed at year-end with positive 29% at 7,612 points. The MDAX reached a new all-time high in 2012 with 11,914 points and closed with an increase of 34%.

The benchmark SDAX also ended the 2012 trading year with an increase of 19%. Contrary to the generally strong volatility on the international stock markets during the course of the year and the high price gains at year-end, the stock price of Youbisheng Green Paper AG developed laterally and closed nearly unchanged with a price of Euro 5.50 at the end of 2012.

RELATIVE SHARE PRICE DEVELOPMENT IN %



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.

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

Declaration of Conformity

Information pursuant to sec. 289a para. 2 No. 1 HGB (Declaration of Conformity 2012)

According to section 161 AktG, the Management Board (Vorstand) and the Supervisory Board (Aufsichtsrat) of an exchange-listed company are obliged to declare annually to what extent the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being complied with or which of the Code's recommendations have not or are not being applied. The following Declaration of Conformity refers to the recommendations of the "Government Commission on the German Corporate Governance Code" in itsversion dated 26 May 2010 and published by the Federal Ministry of Justice on 2 July 2010. The Management Board (Vorstand) and the Supervisory Board (Aufsichtsrat) of Youbisheng Green Paper AG have for the first time declared on April, 30, 2012, that the recommendations with the deviations mentioned below have been complied with since the listing on the stock exchange and will be complied with in the future.

Deviations from the Code's recommendations are as follows:

- **Paragraph 2.3.3** of the Code deals 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 for 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 to be entitled to electronically grant proxies to proxy representatives nominated by the company.

- **Paragraph 3.8 Sec. 3** of the Code also recommends agreeing on 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 responsibly acting and complying with German law will not be improved 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 respects 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. For fiscal 2012, service agreements are to be installed that provide for variable monetary compensation for members of the Management Board. The variable monetary compensation is intended to depend on the company's performance and general market and economic conditions.

- 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 qualifications 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 qualifications 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 that it deviates 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.

On April, 30, 2013 the Management Board and the Supervisory Board have issued a declaration for 2013 according to section 161 of the German Stock Corporation Act. The declarations of conformity of Youbisheng Green Paper AG are available on the company's website, http://www.youbisheng-greenpaper.de/en/investor-relations/corporate-governance/declaration-of-conformity.html.

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.

According to sec. 11 para. 1 of the articles of incorporation, the Supervisory Board consists of three members. All members of the Supervisory Board will be elected by the Annual General Meeting. 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 http://www.youbisheng-greenpaper.de/en.html 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 PRC has meanwhile started a project which is also to be developed into Youbisheng Green Paper AG's risk early detection system. The Management Board regularly notifies 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 2012 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 the 2012 fiscal year, 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.

As of 31 December 2012 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" on pages 31/32 of the Combined Management Report (Remuneration systems).

The Supervisory Board of Youbisheng Green Paper AG 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 the 2012 fiscal year. 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

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 indirectly around 90.49% of the company's shares (9,246,000 shares). Ms Verena holds 0.0097% of the shares (1,000 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 2012 fiscal year, the following transactions in shares in Youbisheng Green Paper AG subject to sec. 15a of WpHG were undertaken by members of the Management Board and Supervisory Board of Youbisheng Green Paper AG subject to these disclosure requirements:

- On 16 May 2012, Ms Verena Dylla purchased 1,000 shares in Youbisheng Green Paper AG

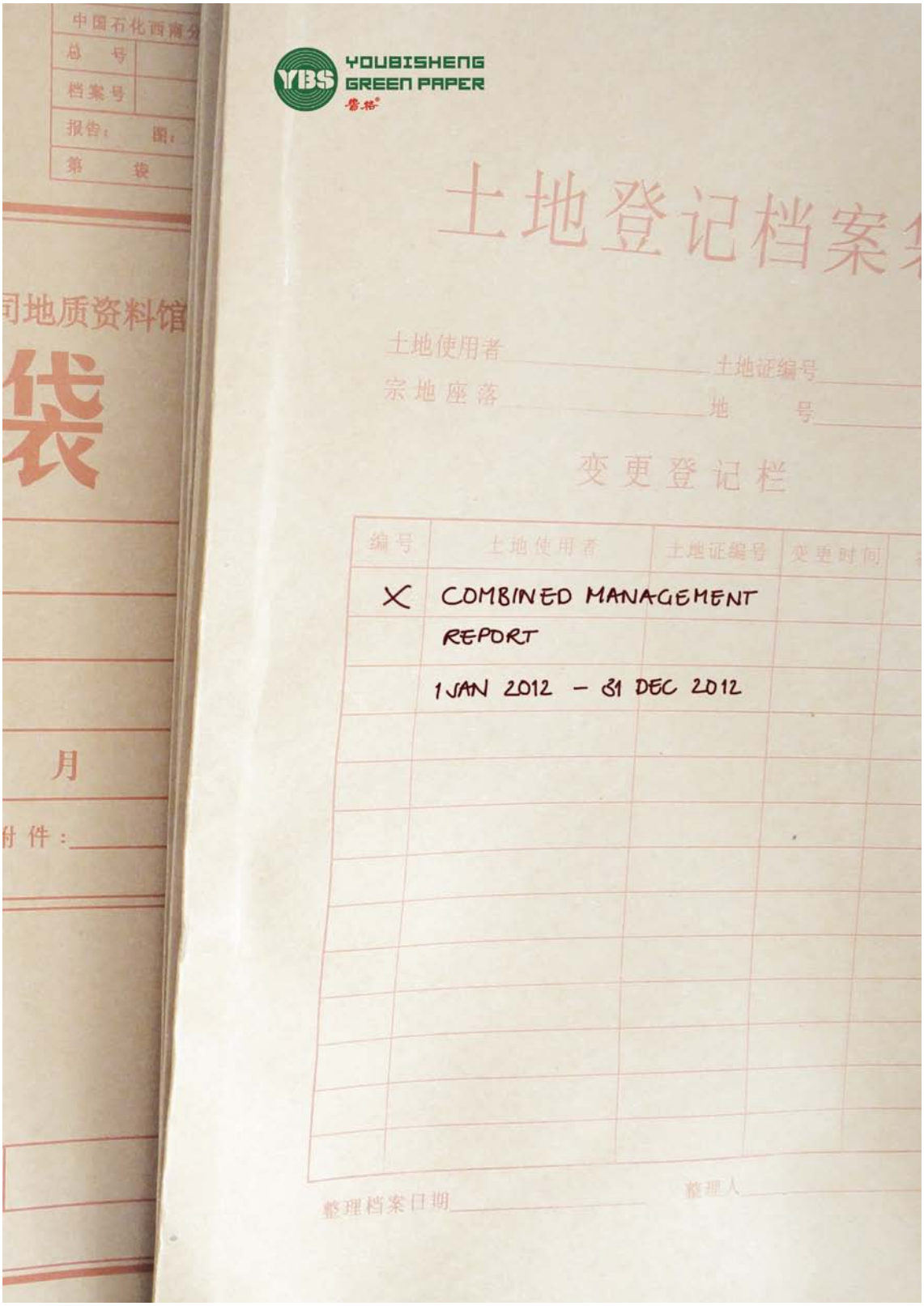
All transactions are disclosed on the company's website at http://www.youbisheng-greenpaper.de/en/investor-relations/publications.html as soon as they are undertaken.

No member of the Supervisory Board or Management Board currently holds options or conversion rights for shares of Youbisheng Green Paper AG.

April, 30, 2013

The Supervisory Board

The Management Board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REPORT
1 JAN 2012 – 31 DEC 2012
整理档案日期
整理人

Combined Management Report

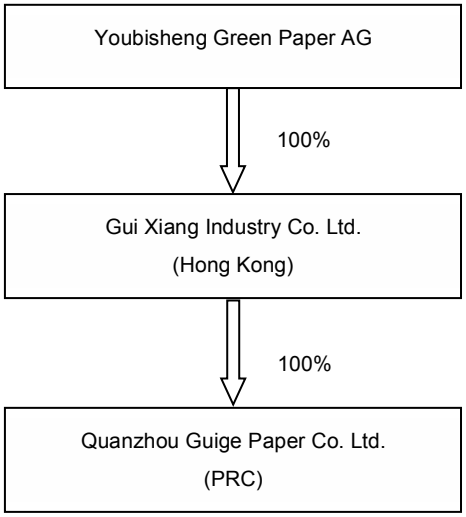
Group Profile

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, electronic products and 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 been focusing on its strategy to develop 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. Currently Youbisheng develops a new super thin linerboard which can be used in electronic circuits as an insulator. This product is undergoing various tests at this stage and the management has approached potential customers to test on the product. The new product's market launch is expected to be in the course of 2013.

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

The global economy has been unstable throughout 2012 with the European debt crisis and a rather fragile U.S. economy. China as the world's second largest economy plays a very important role in stabilising the world's economy. Although Chinese exports have declined due to weak demand from America, the government did not devalue the Renminbi. In fact, China has increased the overseas investment to shore up the economy of various countries. Chinese consumers also increased their spending in Europe and America.

However, the annual GDP growth rate decreased to 7.8% due to the weak demand from overseas. It was a difficult year for China but the government had aggressively implemented various economic policies to turn around the situation. The government lowered the interest rate twice in 2012. Inflation rate is under control while the income for the population has increased steadily. Job opportunities are also available for the population. In the meantime, the government continues to provide incentive to foreign and local investments to generate domestic growth, especially investments in the provinces which are located in the centre of China. The government also encourages domestic consumption to generate growth. One of the ways is to encourage consumers to replace their old household electric appliances by energy saving appliances.

At the beginning of 2012, we saw a decline in China's export and import which led to lower GDP growth for the first to third quarter. In the fourth quarter, the import for machineries started to pick up which signalled a recovery. At the same time, the companies in China experienced an increasing demand from overseas for their products. Eventually, the GDP will grow by 8.1% in the fourth quarter. What is encouraging for China's economy is the fact that the disposable income is still rising especially in the urban areas. The growth of the income in urban areas is about 12.6%. With the growing income, the retail market in China managed to sustain growth. The growth of retail consumer goods is about 14.3%. The domestic demand helped China to maintain the growth although the growth of GDP in the whole year is expected to be lower.

Most industries in China are growing healthy thanks to the policy implemented by the government. With the move to encourage development in the centre of China, various industries invested more in central provinces Hube, Henan, Sichuan. The policy has helped the people in these provinces to increase their income and consequently boost the demand on the domestic market.

With the smooth change of top leaders, China is expected to continue to outpace Europe and the United States in terms of economic growth. The new president Xi Jinpin has clearly stated that he will continue to pursue the policy that was set by Teng Xiaoping which is to promote and reform economic development. In 2013 China will continue to help to stabilise and contribute to the growth of the world economy.

SECTOR DEVELOPMENT

The paper industry in China experienced a tough year due to the export decline. Traditionally, paper is used in printing media industry. Nevertheless, with the growing economy more and more paper is used in the packaging industry. Linerboard products are closely related to the consumer goods industries as linerboards are widely used for the packaging of consumer goods. As the second largest economy after United States, China's consumption of paper is of hundred million tons every year, with high retail volumes in the packing industry especially for consumer goods. The production of linerboard is still growing in line with the growth of consumer goods.

There is a shift of production from the coastal area to the central provinces of China. The government has provided various incentives to enterprises that invest in the central provinces. Thus, the Chinese government tries to narrow down the gap between economic development of the coastal area and the central provinces.

As the linerboard industry still relies on wood pulp and recycled paper for the production, the fluctuation of the price of wood pulp and recycled paper will effect the profitability of the industry. In 2012, the price of wood pulp and recycled paper has declined and has opened up opportunities for the companies which use less wood pulp for their production. If a company is using less wood pulp it reduces their production costs as the wood pulp is more expensive than recycled paper.

China continues to import a significant amount of wood pulp from overseas. However, the government has started to plant trees on hundred million hectares of land that will produce wood pulp for the industry. Once the harvest was started, the linerboard industry will rely less on overseas wood pulp and will have cost advantages to source the wood pulp locally.

The environmental issue remained top priority for linerboard industry. The government continues to close down Tier 2 manufacturers which do not comply with environmental standard. The ongoing restructuring process among the industry will see Tier 1 manufacturers to expand due to the vacuum created will be filled up by Tier 1 manufacturers. In the meantime, for any new approved plant, the plant has to fulfil the environmental standard.

Besides, the government continues to encourage the use of recycled paper bags as an alternative to plastic bags which are not environmentally friendly. The government continues to educate and provide awareness among the people so that people will use more paper bags instead of plastic bags. The measure is more successful in big cities such as Guangzhou, Shanghai and Beijing as the people in the big cities are more educated. However, the government continues to promote the use of paper bags in all provinces and thereby reduces the damage to the environment. Accordingly, it is expected that the linerboard industry will continue to benefit from the policy implemented by the government.

Development of Youbisheng Group

Youbisheng Group developed successfully in financial year 2012 and realized revenues of kEUR 98,563. The company achieved to enhance the value added and increase the gross profit by 16% to kEUR 26,745 despite a decrease in sales volume of 0.6%. The decrease of the price of recycled paper by about 8.8% in 2012 helped to reduce costs and the company managed to only partly pass this reduction on to the customers.

During the year, the management ensured that YBS fulfils the high quality of products and services requested by our customers. In addition, YBS managed to reduce operational costs as well as production costs. As such, YBS continued to grow and improve profitability. Our next new product will be super thin linerboard which will be used in electrical circuits as an insulator. YBS is planning to launch this new product in 2013.

Youbisheng is working at full production capacity since 2008 and the management contracted a part of the products to subcontractors. In 2012, the management appointed a new contractor that produces single sided linerboard. The management is seeking to expand production and plans to build a new production line in Huanggang City in Hubei with the capacity of 300,000 tons per annum.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of Operations

The following analysis of revenues includes the comprehensive income of Youbisheng Group:

	2012 kEUR	2011 kEUR
Revenue	98,563	92,213
Cost of sales	(71,818)	(69,163)
Gross profit	26,745	23,050
Other operating income	77	874
Selling and distribution expenses	(754)	(220)
Administrative expenses	(2,247)	(2,929)
Other operating expenses	(48)	(8)
Finance income	178	99
Finance cost	(22)	(28)
Profit before taxation	23,929	20,838
Tax expenses	(6,236)	(5,528)
Net profit and profit attributable to equity holders of the Company	17,693	15,310
Other comprehensive income		
Movement in foreign currency transaction reserve	(1,021)	4,530
Total comprehensive income	16,672	19,840
Selected Financial data		
Gross profit margin	27.1%	25.0%
EBIT	23,773	20,767
EBIT margin	24.1%	22.5%
Net profit margin	17.9%	16.6%

Group revenue and income

The Group's revenue is derived from manufacturing and selling single-sided testliner ("SST"), double-sided testliner ("DST") as wel as anti counterfeit testliner ("ACT"). 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 2012:**

		Sales volume **tons**	Sales **kEUR**	Gross profit **kEUR**
Youbisheng	Single-sided Testliner	103,226	45,131	12,789
Youbisheng	Double-sided Testliner	42,734	20,685	6,756
Youbisheng	Anti-counterfeit Testliner	4,518	2,179	777
Sub-Contractor	Single-sided Testliner	69,860	30,568	6,423
Total		**220,338**	**98,563**	**26,745**

The following shows the breakdown of revenue in **FY 2011** on consolidated Youbisheng HK-level, which is comparable to the figures of Youbisheng Group presented above:

		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 comparable revenue has increased by 6.9% from kEUR 92,213 to kEUR 98,563. Despite the limited capacity, the management achieved increased sales revenues in the reporting currency through an optimized product mix and improved selling prices. The demand for testliner of Youbisheng PRC is growing rapidly due to the high quality and innovative characteristics of our products. During the year, sales volume slightly decreased from 221,741 tons to 220,338 tons. This is due to the change of the subcontractor where the allocation of production took sometime to adjust. The average selling price increased by 7.5% from EUR 416 per ton to EUR 447 per ton. The average selling price in term of RMB has decreased 2.7% from RMB 3,753 to RMB 3,648.65.

The Group has about 90 customers. The top 10 customers contributed 50.0% to our total revenue in 2012. Most of the customers are located in Guangdong and Fujian provinces, a region with a population of about 141 million.

Single sided testliner is mainly sold to customers in the Guangdong and Fujian provinces whereas double sided testliner and anti-counterfeit testliner are also sold to customers outside this region. In the reporting currency sales of SST increased from kEUR 74,483 to kEUR 75,699, an increase of 1.6%. The increase was due to exchange rate differences while the actual revenue in RMB declined from RMB 672 million to RMB 617 million, a decrease of 8.2%. Sales volume for SST decreased by 9,351 tons to 173,086 tons. Sales of double sided testliner increased from kEUR 17,729 to kEUR 20,685, an increase of 16.7%. This is because the management has focused on products which generate higher profit

margins. Sales volumes for double sided testliner increased by 3,429 tons to 42,734 tons. During the year, the management launched anti-counterfeit testliner. Sales for anti-counterfeit testliner amounted to kEUR 2,179. The gross profit margin for anti counterfeit testliner is about 35,66%.

Cost of Sales

The total cost of sales for the year 2012 amounted to kEUR 71,818. The main component of the cost of sales is recycled paper which is about 60% of the cost of goods sold, followed by electricity and coal which is about 15% of the cost of goods sold. The average cost of sales increased slightly from EUR 312 per ton to EUR 326 per ton. In RMB terms, average cost of sales decreased from RMB 2,815 to RMB 2,659 per ton.

Gross profit margin analysis

The average gross profit margin increased from 25.0% to 27.1%. However, due to Youbisheng innovative products from YBS, the management has achieved its goal to increase the gap between the selling price of testliner and the cost of production leading to a higher gross profit margin.

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Other income

Other income is mainly related to sell of wood pulp and 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 754 which increased significantly from previous year which was kEUR 220. This strong increase is due to the change of subcontractors as the location of the new contractor is more distant to the production site than the previous contractors, which led to increasing transportation costs.

Administrative expenses

Administrative expenses mainly comprise payroll related expenses, traveling, entertainment, vehicles, depreciation, research and development expenses and other administration expenses. Administrative expenses amounted to kEUR 2,247 which is much lower as compared with previous year due to more expenses incurred during listing process in 2011.

Other expenses

Other expenses mainly cost incurred from the sale of wood pulp.

EBIT

Youbisheng's EBIT amounted to kEUR 23,773 in financial year 2012 compared to year 2011 which is kEUR 20,767. The increase of the EBIT is mainly due to the higher gross profit margin of the goods sold during the year.

Finance income

Finance income is the interest received from deposit with the local bank and amounted to kEUR 178 in financial year 2012 (compared to kEUR 99 in the 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.

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 tax expenses increased to kEUR 6,236 with the increase in taxable profit as compared to year 2011 where the tax expenses is kEUR 5,528. The current year corporate tax rate of the operating entity 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 timing differences in the consideration of expenses on land use rights.

Profit for the period

Net profit for the year 2012 amounted to kEUR 17,693 as compared to kEUR 15,310 in the year 2011. The profit for the period increased due to increase in profit margin..

Financial Position

Consolidated cash flow statement

	2012 kEUR	2011 kEUR
Cash flows from operating activities		
Profit before taxation	23,929	20,838
Interest income	(178)	(99)
Interest expenses	22	29
Depreciation of property, plant and equipment	1,853	1,762
Amortisation of land use right	17	16
Operating cash flow before working capital changes	25,644	22,547
(Increase)/decrease in inventories	1,455	(819)
(Increase)/decrease in trade and other receivables	(679)	(4,538)
Increase/(decrease) of provisions	956	
Increase/(decrease) in trade and other payables	(2,118)	4,713
Income tax paid	(6,228)	(4,578)
Net cash provided by operating activities	(19,030)	17,324
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,257)	(106)
Net cash used in investing activities	(1,257)	(106)
Cash flows from financing activities		
Finance income received	178	99
Finance costs	(23)	(29)
Increase in share capital and capital reserves from IPO	0	1,475
Bank and other borrowings increase/decrease	(858)	(554)
Net cash (used in)/generated from financing activities	(703)	991
Net increase in cash and bank balances	17,070	18,209
Effect of currency translation on cash and cash equivalents	(805)	3,619
Cash and bank balance at the beginning of the year	30,889	9,060
Cash and bank balance at the end of financial year	47,154	30,889

The net cash generated from operating activities amounted to kEUR 19,030 as compared to kEUR 17,324 in the previous year.

The investments comprise mainly a new steam generator system that replaces the old machinery. The total amount used for the installation was kEUR 1,222 where as year 2011 the group only incurred kEUR 106 for the upgrading of waste water treatment system.

The net cash flow used in the repayment and issuance of loan was kEUR 858. As for year 2011, the net cash flow used in the repayment and issuance of loan was kEUR 554. Net cash flows used in financing activities amounted to kEUR 703 as compared to kEUR 991 in the year 2011.

The net increase in cash and cash equivalents for the year was kEUR 17,070 where as it was an net increase of kEUR18,209 in year 2011. Cash and bank balance at the end of the financial year amounts to kEUR 47,154 as compared to kEUR 30,889 in the year 2011.

Net assets and capital structure

The asset and capital structure developed as follows: the balance sheet total increased from kEUR 73,385 by kEUR 14,446 to kEUR 87,831. This rise is principally attributable to an increase in other receivables and cash and bank balances.

Consolidated balance sheet

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
Assets		
Non-current		
Land use rights and buildings	5,073	5,515
Plant and equipment	8,346	8,677
Other assets	36	38
Deferred tax assets	43	79
	13,498	14,309
Current assets		
Inventories	2,342	3,811
Trade and other receivables	24,838	24,376
Cash and bank balances	47,154	30,889
	74,334	59,076
Total assets	87,832	73,385
Equity and liabilities		
Equity		
Share capital	10,218	10,218
Capital reserve	(5,685)	(5,685)
Statutory reserve	9,081	9,081
Foreign currency translation reserve	8,304	9,325
Retained earnings	42,127	24,434
	64,045	47,373
Liabilities		
Non-current liabilities		
Trade and other payables	251	923
Deferred tax liabilities	85	50
	336	973
Current liabilities		
Trade and other payables	14,465	16,543

Borrowings	5,990	6,914
Short term provision	936	0
Liabilities to related parties	613	118
Liabilities for current tax	1,447	1,464
	23,451	25,038
Total equity and liabilities	87,832	73,385

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 14,309 to kEUR 13,498. This decrease was due to amortisation and depreciation exceeding investments despite deferred tax assets for the land use rights decreased by kEUR 79 to kEUR 43.

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Current assets

Current assets comprise inventories, trade and other receivables as well as cash and cash at bank. Current assets increased from kEUR 59,076 to kEUR 74,334 as at year end. Inventories comprise raw material and finished goods. Inventories decreased to kEUR 2,342 from kEUR 3,811. This is because the price of recycled paper declined and less recycled paper was held. Trade receivables decreased from kEUR 23,500 to kEUR 22,251. Other receivables increased from kEUR 876 to kEUR 2,587 due to refundable German VAT and deposit on subcontractor production in YBS PRC. The deposit amounted to kEUR 2,396 is requested by subcontractor for the engagement in production of linerboard. Cash and cash at bank increased significantly from kEUR 30,889 to kEUR 47,154. The increase is mainly due to operational cash flows.

Equity

Share capital amounted to kEUR 10,218 as at the end of the financial year. There has been no issue of share during the year. 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 2012.

Statutory reserves amounted to kEUR 9,081 remained unchanged and are related solely to Youbisheng PRC. The PRC law requires Youbisheng PRC to contribute 15% from its profit after tax into the statutory reserve. Once the amount reaches half of the paid up share capital, the company can stop the contribution. YBS PRC had stopped contribution for the statutory reserve during the year.

The foreign currency reserve decreased from kEUR 9,325 to kEUR 8,304 due to currency conversion differences and transfer of foreign currency reserve to retained earnings.

Retained earnings increased from kEUR 24,434 to kEUR 42,127.

Non-current liabilities

Non-current liabilities comprise the net value of the due instalments for land use rights.

Current liabilities

Current liabilities comprise trade and other payables, short-term loans, short term provisions, tax liabilities and related party liabilities. Trade payables decreased from kEUR 16,543 to kEUR 14,465. Short term provision reflects the Group's liability to make contributions to a housing fund and social security for the employees. As the Group has not yet made

any payments in this respect a provision in an amount of kEUR 936 was considered as at year end. Liabilities to related parties are amounts incurred for administrative expenses paid on behalf by related parties. Liabilities for tax decreased from kEUR 1,464 to kEUR 1,447.

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

The following information refers to the separate financial statements of Youbisheng Green Paper AG prepared on the basis of German GAAP (HGB). Since Youbisheng Green Paper was established on 12 April 2011, the comparative figures for 2011 refer to the period from 12 April 2011 to 31 December 2011.

Results of Operations

Youbisheng Green Paper AG is a investment holding company and provides administrative support for the Youbisheng Group. The revenue from Youbisheng Green Paper AG generated from management fee received from Youbisheng HK. Finance revenue was kEUR 34 which was received for the loan provided for Youbisheng HK. After adding other income of kEUR 9 and less the administrative expenses of kEUR 596, Youbisheng AG has a net loss of kEUR 535.

	2012 kEUR	2011 kEUR
Revenues	18	9
Other operating income	9	0
Other operating expenses	(596)	(637)
Income from other securities and loans of financial assets	34	3
Net loss	(535)	(625)

Financial Position and Net Assets

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
ASSETS		
Shares in affiliated companies	30,000	30,000
Loans to affiliated companies	680	680
Receivables from affiliated companies	292	240
Other assets	160	87
Cash in hand, cash deposited with the Bundesbank, bank balances and checks	4	138
Prepaid expenses and accrued income	30	34
	1,072	1,145
Total assets	31,166	31,179
LIABILITIES		
Share capital	10,218	10,218
Capital reserve	21,257	21,257
Net loss	(1,160)	(625)
Other provisions	221	111
Trade accounts payable	117	217
Accounts payable to shareholders	513	0
Total liabilities	31,166	31.179

In accordance with German commercial law, the equity reported on the balance sheet of Youbisheng Green Paper AG is kEUR 30,315. In financial year 2012, Youbisheng AG incurred a loss in the amount of kEUR 535, which was mainly due to administrative expenses, in particular legal and consulting fees.

Shares in affiliated companies relate to shares in Youbisheng HK. From the proceeds of the IPO, kEUR 680 was provided to Youbisheng HK as a loan.

Receivables from affiliated companies are related to Youbisheng PRC. Prepaid expenses and accrued income are related to D&O Versicherung as well as fees for the designated sponsor. Accruals are related to outstanding invoices and other risk positions.

Trade and other payables of kEUR 117 are costs relating basically to consulting services not yet paid by the end of the period.

Income received from subsidiary amounted to kEUR 18 is for the management services provided to subsidiary. YBS AG charged kEUR 34 as interest for the loan provided to Youbisheng HK. Other operating expenses of kEUR 596 relate to current business expenses, mainly for the preparation and audit of the consolidated annual financial statements, fees for lawyers and other advisors. Due to the loss realized in 2012 no income tax arises on the result.

Receivables due from affiliated companies of kEUR 972 which include an intercompany loan of kEUR 680. Other receivables amount to kEUR 160 and mainly relate to VAT claims and other short-term receivables. Cash and cash equivalents of kEUR 4 relate to liquid funds on current bank accounts.

General Statement on Business Development

In the financial year 2012, Youbisheng achieved financial results mainly in line with expectations. The revenue target of 105 million Euros was slightly missed, but the targeted EBIT margin of 20% was outperformed significantly.

Youbisheng AG remained an investment holding company. The Company provided management services and loans to Youbisheng HK. Due to limited income from management fee and interest received the Company has realized a loss of kEUR 535.

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. YBS PRC is planning to launch a new product in 2013. This new product is used by the electronic industry where it acts as insulator for electric circuits. The customers will be completely different from current customers where most of them are packaging and printing companies. The customers for the new product will be electronic companies. 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. Thus, research and development expenses are expensed in the year they occur.

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 2012 the Group had an average number of 303 employees.

The breakdown of the average number of employees of the Group is as follows:

	2012	2011
Executive director	2	2
Management and administrative	71	74
Sales	12	14
Quality control	16	15
Research and development	16	18
Maintenance	17	14
Production	166	165
General	3	5
Total	303	307

For the year ended 31 December 2012, total costs of payroll for the Group amounted to kEUR 1,071 as compared to year 2011 which amounted to kEUR 858. The increase is due to the salary increment for the employees mainly resulting from currency effects. 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:

	2012	2011
	kEUR	kEUR
Mr. Huang Hai Ming	**54**	45
Mr. Hoo Kiet Chii	**90**	63

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 2013 will determine the pro-rata compensation for the members of the Supervisory Board in 2012 The compensation is due and payable at the end of the year. The Supervisory Board members are reimbursed for their expenses incurred in performing the duties of its office.

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

	2012	2011
	kEUR	kEUR
Mr. Gernot Kugler	**20**	17
Ms. Verena Dylla	**15**	13
Mr. Zhang Dao Pei	**12**	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 2012, 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 2012, 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. In the context of the IPO 217,705 shares of the authorized capital was subscribed so that authorized capital amounted to EUR 4,782,295.00 divided into 4,782,295 shares as of 31 December 2012.

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 that is fully compliant with sec. 315 para 2 HGB. 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 realize the construction plans. 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 commence once project realization has started. 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 higher 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 received for all legal transactions disclosed in the dependence report in the period from 1 January 2012 to 31 December 2012, according to the circumstances that have been known to the members of the management board, at the point of time these legal transactions have been concluded upon, an adequate consideration and was not disadvantaged by those legal transactions. No measures within the meaning of the Sec. 312 Para. 1 of the German Stock Corporation Act. have been taken or omitted."

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

Youbisheng Group is in the process of issuing corporate bonds since October 2012. The purpose of the funds raised from the bonds was to finance the expansion of the production capacity. However, the issue of bonds did not materialise due to the capital market environment. Youbisheng Group may seek for other alternatives of fund raising in order to finance the new production line.

Other than that, no other item, transaction or event of material or unusual nature has arisen in the interval between 31 December 2012 and the date of the report from the independent auditor.

OUTLOOK

Future industry environment and opportunities

According to the 12th Five-Year-Plan, China is expected to have at least a 7% growth in GDP annually. The market for packaging material is set grow at 12% to 14% annually. With the government measures to reduce the usage of plastic in packaging, demand for linerboard will continue to grow. Moving forward, the Tier 1 linerboard producers will continue to dominate the market as more and more Tier 2 linerboard producers go out of business due to environment issues.

The provinces in the centre of China such as Hubei, Sichuan, Henan will continue to develop with more and more investment moving to these provinces. Once the new production line located in Hubei province will be installed, YBS is able to cover the demand in various provinces around Hubei area. There will be plenty of opportunities available for packaging products with the growing investment in the centre of China and it will stimulate the demand for linerboard. YBS management expects to develop super thin linerboard for the use of electronic circuit board. The linerboard will act as an insulator. The new product will help the Group to divert to difference customers and boost the sale.

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. The Group is planning to set up a new production line with a capacity of 300,000 tons per annum in Huanggang city, Hubei province. 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.

Currently, Youbisheng Group is developing super thin testliner for the electronic industry. The testliner will be used as an insulator for electronic circuits. It is expected that the new product will be launched in 2013. This is in line with YBS strategy to focus on new products and produce product mix to maximise the profit margin while production capacity is limited. With the new product in pipeline, YBS is expected to improve profit margin and have a steady growth in 2013 and thereafter.

Outlook on financial development

Youbisheng managed to generate a cash flow of kEUR 19,030 for the year. The operation of YBS PRC continue provide cash for the Group. The accumulated cash as at 31 December 2012 amounted to kEUR 47,154 and it will be used for the expansion of a new production line which has double capacity of the existing plant. The new production line require RMB 732 million which is about kEUR 88 million as at end year conversion rate. The management is looking for

alternative financing together with internal generated cash to invest in the new production line. The new production line is expected to start operating in two years time. Once the operation has started, the new production line is expected to generate more cash for the Group.

For full year 2013, management expects revenues to reach over EUR 110 million and EBIT margin to be at least 24.0%. Also 2014 the company expects comparable results. The further development depends highly on the realization of the planned new production facility.

Outlook of Youbisheng Green Paper AG

Youbisheng Green Paper AG is a investment holding company with major business in the PRC. YBS AG mainly rely on its operational subsidiary in PRC to generate income and remit to YBS AG as dividend. As YBS PRC is embarking on an expansion plan which require capital for the expansion, it is likely that cash generated from YBS PRC will be used for the expansion. It is expected that the new production line will start operating in year 2015. Once the new production line started operating, the management will declare dividend and YBS AG will increase revenue by the time. Before the new production line starts operating, Youbisheng Green Paper AG expects to continue to incur losses.

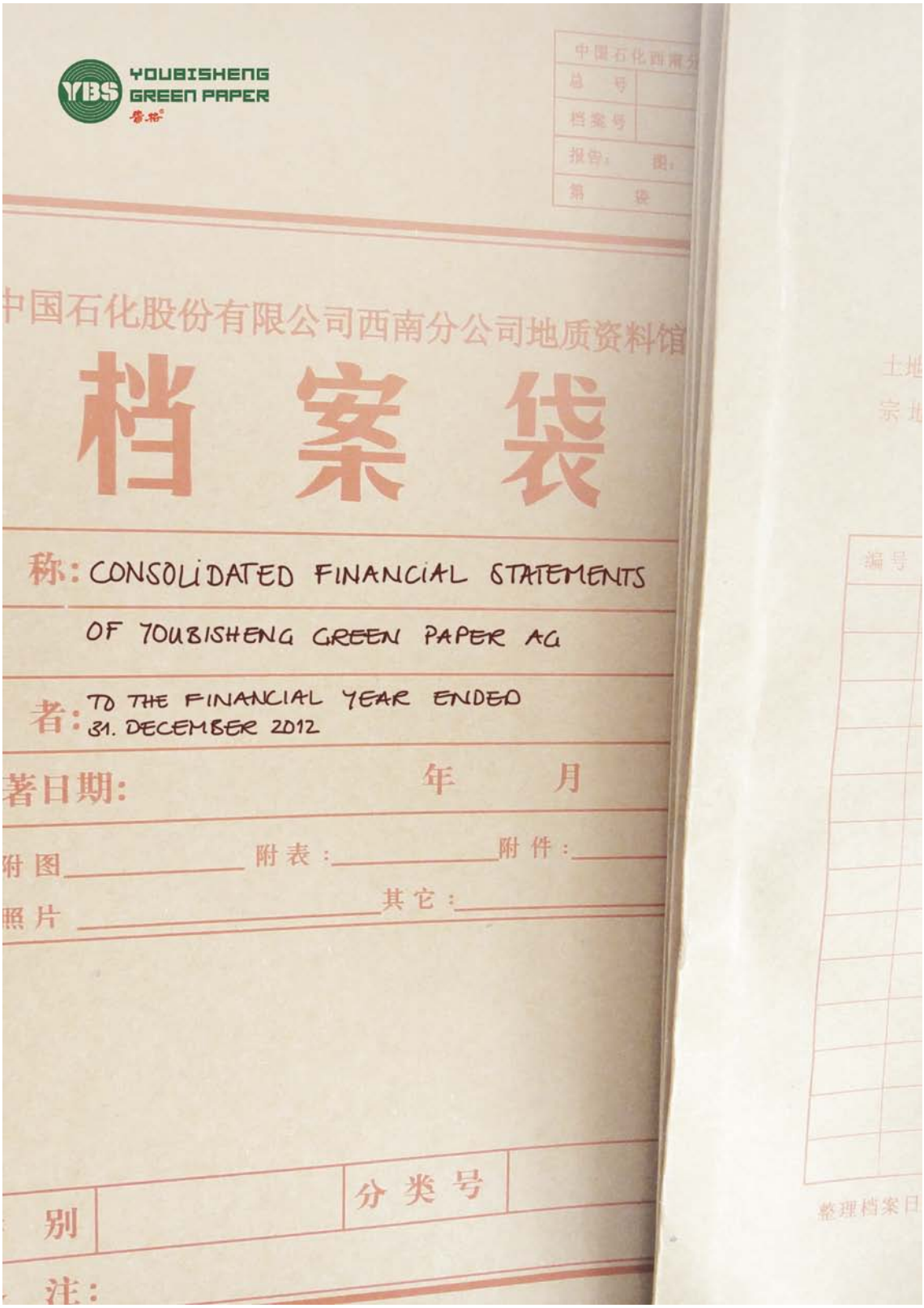
General Statement of the Future Business Development

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.

Cologne, April, 30, 2013

The Management Board
Youbisheng Green Paper AG


YOUBISHENG
GREEN PAPER
中国石化股份有限公司西南分公司地质资料馆
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称: CONSOLIDATED FINANCIAL STATEMENTS
OF YOUBISHENG GREEN PAPER AG
者: TO THE FINANCIAL YEAR ENDED
31. DECEMBER 2012
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Consolidated Balance Sheet

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Dec 31, 2012	Dec 31, 2011
		kEUR	kEUR
Assets			
Non-current			
Land and buildings	4	5,073	5,515
Plant and equipment	4	8,345	8,677
Other assets	4	36	38
Deferred tax assets	13	43	79
		13,498	14,309
Current assets			
Inventories	5	2,342	3,811
Trade and other receivables	6	24,838	24,376
Cash and bank balances	7	47,154	30,889
		74,334	59,076
Total assets		87,832	73,385
Equity and liabilities			
Equity			
Share capital	8	10,218	10,218
Capital reserve		(5,685)	(5,685)
Statutory reserve	8	9,081	9,081
Foreign currency translation reserve	8	8,304	9,325
Retained earnings	8	42,127	24,434
		64,045	47,373
Liabilities			
Non-current liabilites			
Trade and other payables	9	251	923
Deferred tax liabilities	13	85	50
Total non-current liabilities		336	973
Current liabilities			
Trade and other payables	9	14,465	16,543
Borrowings	11	5,990	6,914
Short term provision	10	936	0
Liabilities to related parties	23	613	118
Liabilities for current tax	12	1,447	1,464
		23,451	25,039
Total equity and liabilities		87,832	73,385

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 2012

	Note	2012 kEUR	2011 kEUR
Revenue	**14**	**98,563**	**92,213**
Cost of sales	15	(71,818)	(69,163)
Gross profit	**15**	**26,745**	**23,050**
Other income	16	77	874
Selling and distribution expenses	17	(754)	(220)
Administrative expenses	18	(2,247)	(2,929)
Other expenses	18	(48)	(8)
Finance income	19	178	99
Finance cost	19	(22)	(28)
Profit before taxation		**23,929**	**20,838**
Tax expenses	20	(6,236)	(5,528)
Net profit after taxation		**17,693**	**15,310**
Other Comprehensive income:			
Movement in foreign currency translation reserve		(1,021)	4,530
Total Comprehensive income		**16,672**	**19,840**
Profit for the year attributable to owner of the parent		17,693	15,310
Total comprehensive income attributable to owner of the parent		16,672	19,840
Weighted average number of shares		10,217,705	6,354,964
Earnings per share (undiluted and diluted)		1.74	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 Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Equity attributable to Shareholders					
	Share capital kEUR	Capital reserves kEUR	Statutory reserves kEUR	Translation reserve (OCI) kEUR	Retained earnings kEUR	Total equity kEUR
As at Jan 1, 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 Dec 31, 2011	**10,218**	**(5,685)**	**9,081**	**9,325**	**24,434**	**47,373**
Total comprehensive income	0	0	0	(1,021)	17,693	16,672
As at Dec 31, 2012	**10,218**	**(5,685)**	**9,081**	**8,304**	**42,127**	**64,045**

The accompanying notes form an integral part of the consolidated financial statements and should be read in conjunction therewith. The details of change of equity is at note 8.

Consolidated statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 kEUR	2011 kEUR
Cash flows from operating activities		
Profit before taxation	23,929	20,838
Interest income	(178)	(99)
Interest expenses	22	29
Depreciation of property, plant and equipment	1,853	1,762
Amortisation of land use right	17	16
Operating profit before working capital changes	25,643	22,547
Increase/(decrease) in inventories	1,455	(819)
Increase/(decrease) in trade and other receivables	(679)	(4,538)
Increase/(decrease) in provisions	956	0
Increase/(decrease) in trade and other payables	(2,118)	4,713
Income tax paid	(6,228)	(4,578)
Net cash provided by operating activities	19,029	17,324
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,257)	(106)
Net cash used in investing activities	(1,257)	(106)
Cash flows from financing activities		
Finance income received	178	99
Finance costs	(22)	(29)
Increase in share capital	0	1,475
Bank and other borrowings increase/decrease	(858)	(554)
Net cash (used in)/ generated from financing activities	(702)	991
Net increase in cash and bank balances	17,070	18,209
Effect of currency translation on cash and cash equivalents	(805)	3,619
Cash and bank balance at the beginning of the year	30,889	9,060
Cash and bank balance at the end of financial year	47,154	30,889

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

Notes to the Consolidated Financial Statements

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

1. THE COMPANY

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and the associated interpretation by the International Accounting Standards Board ("IASB") as adopted for use in the European Union (EU). This is the first set of first annual financial statements prepared by the Group in accordance with the IFRS as adopted by the EU.

The consolidated financial statements are prepared in thousands of euros ("kEUR") unless otherwise noted. The Group's functional currency is the Chinese Renminbi ("RMB").

Management has provided an unofficial translation of the Chinese company names of certain companies/parties set forth in these consolidated financial statements. These English names are not legally valid these companies/parties.

The Management Board of Youbisheng Green Paper AG approved the consolidated financial statements for financial ended on 31 December 2012 on 30 April 2013 and released them for publication. They were approved by the Supervisory Board of \Youbisheng Green Paper AG in the meeting of 30 April 2013.

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.

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. The purpose of the transaction was to enable the operating group of Gui Xiang, 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, 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 Time Application of IFRS 7 (Amendment)-Transfers of Financial Assets: Disclosure

This amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. This amendment further clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The regulation became effective in 2012 and has been applied to all periods presented. The adoption of the above IFRS did not result in substantial changes to the Group's accounting policies or any significant impact on the financial statements.. The adoption of the above IFRS did not result in substantial changes to the Group's accounting policies or any significant impact on the financial statements.

Published, new and revised standards and interpretations that have not yet been adopted

The following new / revised IFRSs, potentially relevant to the Group's financial statements, have been promulgated by the EU, but are not yet effective and have not been early adopted by the Group:

- IFRS 11 – Joint Arrangements(3)
- IAS 27 – Separate Financial Statements(3)
- IAS 28 – Investments in Associates and Joint Ventures(2)
- IAS 12 (Amendments) – Deferred Tax: Recovery of Underlying Assets(2)
- IFRS 1 (Amendments) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters(2)
- IAS 1 (Amendments) – Presentation of Items of Other Comprehensive Income(1)
- IAS 19 (Amendments) – Employee benefits(2)
- IFRS 12 – Disclosure of Interests in Other Entities(2)
- IFRS 13 – Fair Value Measurement(2)
- IAS 32 (Amendments) Presentation – Offsetting Financial Assets and Liabilities(3)
- IFRS 1 (Amendments) - Government Loans(2)
- IFRS 10 – Consolidated Financial Statements(3)
- IFRS 7 (Amendments) Disclosures – Offsetting Financial Assets and Financial Liabilities(2)
- IFRIC – Interpretation 20 – Stripping Costs of the Production Phase of a Surface Mine(2)
- Annual Improvement Project (Cycle 2009 to 2011) (2)

- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”: Transitional Regulations[3]

(1) Effective for annual periods beginning on or after 1 July 2012
(2) Effective for annual periods beginning on or after 1 January 2013
(3) Effective for annual periods beginning on or after 1 January 2014

The following standards and Interpretations are not yet promulgated by the EU and therefore are not adopted by the Group.

- IFRS 9 “Financial Instruments” and Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments – Disclosures”: Initial Application and Transitional Regulations.
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”: Investment Companies.

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.

The Management Board of Youbisheng AG is currently assessed 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.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on 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 2012 were kEUR 12,795 (31 December 2011: 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 liabilities in the period in which such determination is made. The carrying amount of the Company's income tax payables as at 31 December 2012 amounted to kEUR 1,447 (31 December 2011: 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 2012 is kEUR 2,342 (31 December 2011: kEUR 3,811).

Provisions

The provisions relate to social security liabilities where the amount is not determined and other undetermined payment obligations. 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**
Buildings	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 5.

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. The statutory reserves relate solely to Youbisheng PRC.

Retained earnings include all current and prior period results as determined in the statements of comprehensive income as far as they are not attributed to the statutory reserves.

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 testliner, using 100% of recovered fibres. The group offers testliner 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 testliner 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.

The remuneration of directors and key management personnel are as follow:

	2012 kEUR	2011 kEUR
Director's remuneration		
– salaries and related cost	142	106
– retirement scheme contribution	2	2
Total	**144**	108
Key management personnel (other than director)		
– salaries and related cost	81	68
– retirement scheme contribution	1	1
Total	**82**	69

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 (Dec 31, 2012)	**Average rates (2012)**
EUR 1.00 = RMB 8.3472	EUR 1.00 = RMB 8.1600
EUR 1.00 = HKD 10.2684	EUR 1.00 = HKD 10.0394
HKD 1.00 = RMB 0.8129	HKD 1.00 = RMB 0.8128
Period end rates (Dec 31, 2011)	**Average rates (2011)**
EUR 1.00 = RMB 8.2420	EUR 1.00 = RMB 9.0424
EUR 1.00 = HKD 10.0579	EUR 1.00 = HKD 10.9067
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 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 testliner 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 testliner 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.

Since the entity has only one reportable segment there is no segment disclosed in the notes. This complies with IFRS 8.31. Analysis of breakdown on revenue are made in note 14.

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
As at Jan 1, 2012	857	8,023	20,329	594	78	29,881
Additions	0	0	1,257	0	0	1,257
Translation adjustment	(9)	(99)	(278)	(7)	(1)	(394)
As at Dec 31, 2012	848	7,924	21,308	587	77	30,744

Accumulated Depreciation	Land use rights	Buildings	Plant and machinery	Motor vehicle	Furniture, fixtures and office equipment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
As at Jan 1, 2012	173	3,193	11,652	563	70	15,651
Depreciation charge	17	365	1,488	0	0	1,870
Translation adjustment	(2)	(47)	(178)	(5)	0	(232)
As at Dec 31, 2012	188	3,511	12,962	558	70	17,289
Net Book Value						
As at Dec 31, 2011	685	4,830	8,677	29	8	14,230
As at Dec 31, 2012	660	4,413	8,346	29	7	13,455

(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 testliner 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 2012, the land use rights, buildings and machinery with carrying amount of kEUR 1,308 (31 December 2011: kEUR 2.621) have been pledged to bank as securities for short term borrowings granted to the Group. The pledge is determined by the maturity of the respective loan and is limited to the amount of the loan.

5. INVENTORIES

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
Raw materials	1,326	3,009
Finished goods	1,016	802
Total	**2,342**	3,811

(i) The amount of inventories recognized as an expense during the financial year 2012 are included in cost of sales and amounted to kEUR 71,818 for the financial year 2012.

(ii) At the balance sheet dates 31 December 2012 and 2011 Youbisheng PRC had closed down the production facilities for maintenance purposes. As the production of the testliner 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 20121 is expected to be recovered within twelve months. There were no write-downs and reversal of inventories during the year.

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
Trade receivables	22,251	23,500
Other receivables	2,587	876
Total	**24,838**	24,376

(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:

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
Within 30 days	9,702	10,308
31 to 60 days	8,772	9,397
More than 60 days	3,777	3,795
Total	**22,251**	23,500

(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 2012.

(vi) The other receivables mainly bear advance payments to sub-contractors for future supplies of raw materials as at 31 December 2012. The advance payments are unsecured and interest free.

7. CASH AND BANK BALANCES

	Dec 31, 2012	Dec 31, 2011
	kEUR	kEUR
Cash at banks	46,559	30,096
Fixed deposits	590	789
Cash on hand	5	4
Total	**47,154**	30,889

(i) The cash at banks bear effective interest rates of 0.500% per annum as at years ended 31 December 2012 and 2011 respectively. Finance income of kEUR 178 and kEUR 99 was earned on cash and cash equivalents in 2012 and 2011 respectively. Apart from this no net gains or losses on loans and receivables occurred in 2012 or 2011. The maximum credit risk is assessed by management to be the amounts shown in the above table as at the respective reporting dates.

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

	Dec 31, 2012	Dec 31, 2011
	kEUR	kEUR
Cash in RMB	47,123	30,713
Cash in Euro	4	137
Cash in HKD	14	37
Cash in USD	13	2
Total	**47,154**	30,889

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. Youbisheng PRC may buy, sell and/or remit foreign currencies at those authorized banks to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from State Administration of Foreign Exchange (SAFE) or its local counterparts.

8. 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.

There has been no issue of share during the year under review. The total number of shares remained at 10,217,705.

As of 31 December 2012, 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. In the context of the IPO 217,705 shares of the authorized capital was subscribed so that authorized capital amounted to EUR 4,782,295.00 divided into 4,782,295 shares as of 31 December 2012.

Capital reserve

Capital reserves include any premiums received on the issue of share capital. The amounts in the capital reserve as well as the development is shown in the statement of changes in equity.

Statutory reserve

The statutory reserves relate solely to Youbisheng PRC. 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.

There has been no transfer of profit to statutory reserve during the year as the amount of statutory reserve has reached 50% of the Youbisheng PRC share capital. The share capital of Youbisheng PRC is RMB 168,284,313 as at 31 December 2012. (2011: RMB 168,284,313) and the statutory reserve is RMB 84,142,528. (2011: RMB 84,142,528)

The statutory reserve of the company amounts to kEUR 9,081 at 31 December 2012 (2011: kEUR 9,081).

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.

No profits were added to the statutory reserve during the financial year as they amounted to 50% of the share capital of Youbisheng PRC. Up to 31 December 2012 the share capital of Youbisheng PRC amounted to RMB 168,284,313 (2011: RMB 168,284,313) and the statutory reserve amounted to RMB 84,142,528. (2011: RMB 84,142,528).

Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognized in the Group's statement of comprehensive income, as far as they are not attributed to statutory reserves.

The retained earnings of the Group amount to kEUR 42,127 at 31 December 2012 (2011: kEUR 24,434).

9. SHORT TERM AND LONG TERM PAYABLES

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
Long-term	251	923
Short-term		
Trade payables	11,892	15,198
Other payables and accruals	2,573	1,345
	14,465	16,543
Total	**14,716**	17,466

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

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
RMB	11,639	14,935
USD	253	263
Total	**11,892**	15,198

(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 788 at the end of the financial years 2011 and 2012 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 2011 and 2012 respectively. The other payables are unsecured and interest free.

10. PROVISION

Short term provision had been provided for the social security insurance and housing funds amounted to kEUR 266.
The Group has not paid full amount in respect of these contributions. The provision is made to reflect the risk for payment in the futures. Apart from this provisions were made for payment risks that have a high probability.

11. INTEREST-BEARING BANK BORROWINGS

	Dec 31, 2012 kEUR	Dec 31, 2011 kEUR
Short-term bank loans	5,990	6,914

The Group's interest-bearing bank loans are secured by pledged assets and guarantees from related parties and bear effective interest rates of 6.50% and 6.56% per annum as at years ended 2012 and 2011. Finance costs related to these loans amounted to kEUR 449 and kEUR 408 in the years 2012 and 2011 respectively. Financing costs directly related to the financing of the row material sourcing were attributed to costs of goods sold. 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:

	Dec 31, 2012	Dec 31, 2011
	kEUR	kEUR
Secured by:		
- Land use rights	234	1,432
- Buildings	1,074	1,189
Total	**1,308**	2,621

As at 31 December 2012, secured short-term loans of kEUR 5,990 (2011: kEUR 6,914) are guaranteed by Mr. Huang Haiming, the Chairman of Youbisheng AG's Management Board and indirect mayor shareholder.

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

12. CURRENT TAX LIABILITIES

	Dec 31, 2012	Dec 31, 2011
	kEUR	kEUR
Current tax liabilities	1,447	1,464

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

	Dec 31, 2012	Dec 31, 2011
	kEUR	kEUR
Deferred tax assets	43	79
Deferred tax liabilities	85	50

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.

The following table displays the deferred tax assets and liabilities:

	Dec 31, 2012
	kEUR
Inventory	11
Land use right-asset	32
Land use right-liability	85

14. REVENUE

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

Sales of goods	2012 kEUR	2011 kEUR
Single sided testliner	45,131	45,765
Double sided testliner	20,685	17,729
Anti counterfeit testliner	2,179	0
Subcontractor testliner	30,568	28,719
Total	**98,563**	92,213

Revenue is generated from sales of testliner 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 2012.

The largest ten customers accounted for 50.0%of the total revenues in the financial years 2012.

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:

	2012 kEUR	2011 kEUR
Materials	39,184	39,202
Labour	417	374
Production overheads	7,552	6,694
Total self-production cost	47,153	46,270
Subcontracted products cost	24,145	22,489
Total self-production and subcontracted cost	71,298	68,759
Other taxes	520	403
Cost of goods sold	**71,818**	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 2012:

	2012 kEUR	2011 kEUR
Revenue	98,563	92,213
Cost of goods sold	(71,818)	(69,163)
Gross profit	26,745	23,050
Gross profit margin	27.13%	25.00%

The development of the Gross Margin of the products which have been self-produced and sold in the financial year 2012 is displayed in the schedule below:

	2012 kEUR	2011 kEUR
Revenue self-production	67,995	63,494
Cost of goods sold self-production	47,673	46,394
Gross profit self-production	20,322	17,100
Gross profit margin self-production	29.89%	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 2012 are displayed in the schedule below:

	2012 kEUR	2011 kEUR
Revenue sub-contracted	30,568	28,719
Cost of goods sold sub-contracted	24,145	22,768
Gross profit sub-contracted	6,423	5,951
Gross profit margin sub-contracted	21.01%	20.72%

The Gross Profit Margin for self-produced products is 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 27.13% for the fiscal year 2012.

16. OTHER INCOME

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

	2012 kEUR	2011 kEUR
Government rewards and incentives	10	338
Other	67	536
Total	**77**	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.

	2012 kEUR	2011 kEUR
Labour cost	124	100
Freight costs	613	105
Other	17	15
Total	**754**	**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

	2012	2011
	kEUR	kEUR
Finance income	**178**	99

Finance costs

	2012	2011
	kEUR	kEUR
Finance costs	**22**	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

	2012	2011
	kEUR	kEUR
Profit before Taxation	23,929	20,838
Current year tax expenses (25% thereon)	5,982	5,210
Effect of non tax deductible expenses	77	11
Other	7	3
Effect from tax losses not capitalized	169	304
Income tax	**6,236**	**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. The tax rate for the financial year 2012 amounts to 25% in accordance with the relevant PRC income tax rules and regulations.

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 2012.

The distribution of dividends from Youbisheng PRC are governed by Wholly Foreign-Owned Enterprise Law (1986), as amended in 2000 and the Wholly Foreign Owned Enterprise Law Implementation Rules (1990) as amended in 2001. According to these rules, Youbisheng PRC must withhold 10% withholding tax for the dividend declared to Youbisheng HK. Subsequently, the dividend distributed to Youbisheng AG will subject to Germany Law.

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 2012, 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 50% of the trade receivables balances as at 31 December 2012.

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 2012 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):

					Undiscounted
Land use	Square		Purchase		Amount
Right No:	meters	Installment	date	Maturity	EUR
1	45190	2nd Payment	24.12.1998	2015-12-24	54,137.62
		3rd Payment	24.12.1998	2025-12-24	54,137.62
		4th Payment	24.12.1998	2035-12-24	54,137.62
		5th Payment	24.12.1998	2045-12-24	21,655.05
2	39773	2nd Payment	14.10.2003	2013	47,887.65
		3rd Payment	14.10.2003	2023	47,887.65
		4th Payment	14.10.2003	2033	47,887.65
		5th Payment	14.10.2003	2043	47,887.65
3	39913	2nd Payment	14.10.2003	2013	47,815.77
		3rd Payment	14.10.2003	2023	47,815.77
		4th Payment	14.10.2003	2033	47,815.77
		5th Payment	14.10.2003	2043	47,815.77
4	39525	2nd Payment	14.10.2003	30.3.2014	47,350.95
		3rd Payment	14.10.2003	30.3.2024	47,350.95
		4th Payment	14.10.2003	30.3.2034	47,350.95
		5th Payment	14.10.2003	30.3.2044	47,350.95
5	6600	2nd Payment	14.10.2003	30.3.2014	7,906.80
		3rd Payment	14.10.2003	30.3.2024	7,906.80
		4th Payment	14.10.2003	30.3.2034	7,906.80
		5th Payment	14.10.2003	30.3.2044	7,906.80
			Total undiscounted amount		**787,912.59**

(amounts are converted by using the period end change rate as of 31 December 2012)

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.

(iii)a 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.

(iii)b 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.

At the following financial position dates, if interest rates had changed by 100 basis points ("bp", with all other variables held constant, the profit or loss before tax would have been increased/(decrease) by the amount shown below:

	Increase or (decrease) in profit or loss	
	100bp increase kEUR	100bp decrease kEUR
Year ended 31 December 2012		
Interest on interest-bearing bank loan	(60)	60
Year ended 31 December 2011		
Interest on interest-bearing bank loan	(69)	69

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 7) and equity of the Group (comprising share capital, statutory reserve, currency translation reserve, and retained earnings as detailed in note 8).

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. However, once the statutory reserve achieved half of the paid up share capital, the transfer can stop and Youbisheng PRC has stopped transfer in 2012. 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:

	Dec 31, 2012 **kEUR**	**Dec 31, 2011** **kEUR**
Total borrowings	5,990	6,914
Less: Cash and bank balances	47,154	30,889
Net debt / (cash)	(41,164)	(23,975)
Total equity	64,045	47,373
Net debt to equity ratio	**(0.633)**	(0.506)

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.

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
Hoo Kiet Chii		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 Gui Xiang Industry Co., Ltd.

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

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 with 5% p.a.

Youbisheng AG charged management fees of kEUR 18 to Youbisheng HK for the management services.

As at 31 December 2012, secured term loans of kEUR 5,990 were guaranteed by Mr. Huang Haiming.

As at 31 December 2012 the liabilities to related parties with an amount of kEUR 613 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 UNDERTAKINGS

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

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.

	2012	**2011**
	kEUR	**kEUR**
Director's remuneration		
– salaries and related cost	142	106
– retirement scheme contribution	2	2
Total	**144**	108
Key management personnel (other than director)		
– salaries and related cost	81	68
– retirement scheme contribution	1	1
Total	**82**	69

The remuneration of directors and other 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.

	2012	2011
	kEUR	kEUR
Total remuneration of the Management Board for Activities in the Fiscal Year		
Huang Haiming	54	45
Hoo Kiet Chiik	90	63

In the financial year, Mr. Huang Haiming received a bonus in the amount of EUR 34, which is reflected in the above-mentioned total remuneration.

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 2013, which ratifies the acts of the supervisory board, will determine the pro-rata compensation for the members of the first Supervisory Board in 2012 (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:

	2012	2011
	kEUR	kEUR
Gernot Kugler	20	17
Verena Dylla	15	13
Zhang Daopei	12	9

27. EMPLOYEES BENEFITS

The average number of employees was as follows:

	Average for the year 2012	Average for the year 2011
Executive Director	2	2
Management and administration	71	74
Sales	12	14
Quality control	16	15
Research & development	16	18
Maintenance	17	14
Production	166	165
General	3	5
Total	**303**	307

The aggregate payroll costs of these employees were as follows:

	2012 kEUR	2011 kEUR
Wages and salaries	935	837
Social security cost	23	21
Total	**958**	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 2012 amount to kEUR 73.

28. 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.

29. AUDITOR'S FEE

The total compensation for financial year 2012 for the auditor of the consolidated financial statements, Warth & Klein Grant Thornton AG, Frankfurt am Main, was kEUR 75 (2011: kEUR 60) for auditing services and kEUR (2011: kEUR 139) for other certification services.

30. 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.

31. 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 2012:

Name	Currency	Group equity share	Equity in kEUR	Net income kEUR
Youbisheng Green Paper AG (Cologne)	EUR		30,315	-535
Gui Xiang Industry Co., Ltd. (Hong Kong)	HKD	100%	731	-143
Quanzhou Guige Paper Co., Ltd. (PRC)	RMB	100%	80,260	18,371

32. SUBSEQUENT EVENTS

The process of bonds issue has been terminated with the expiration of the contract with the advising financial institution at the end of March 2013, without a realization of the issue. Youbisheng Group is continuing its efforts to raise funds for the investment in a new production line.

Other than that, no other item, transaction or event of material or unusual nature has arisen in the interval between 31 December 2012 and the date of the report from the independent auditor.

Cologne, 30 April 2013

Huang Haiming Hoo Kiet Chii

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 2013

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 2012. 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 2012 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 2013

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

28 May 2013	Interim Report Q1 2013
02 August 2013	Annual General Meeting 2013
28 August 2013	Interim Report Q2 2013
28 November 2013	Interim Report Q3 2013

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