YOUBISHENG GREEN PAPER

Youbisheng Green Paper AG

Annual Report **2013**

Youbisheng Green Paper AG

KEY FINANCIALS

		2013	2012	+/–%
Revenues	million €	**96.0**	98.6	-2.6%
Gross profit	million €	**26.4**	26.7	-1.1%
Gross profit margin	%	**27.5**	27.1	+0.4PP
EBIT	million €	**23.8**	23.8	+0.2%
EBIT margin	%	**24.8**	24.1	+0.7PP
Net profit	million €	**17.2**	17.7	-2.8%
Net profit margin	%	**17.9**	17.9	+0.0PP
Net cash flow from operating activities	million €	**10.0**	19.0	-47.6%

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 fibers. 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 145 million inhabitants), especially for visually attractive sales packaging and carrier bags of high-quality consumer goods.

DEAR FELLOW SHAREHOLDERS,

It has been two and a half years since our company was listed on the Frankfurt Stock Exchange and I would like to take this opportunity to thank all the shareholders for their continued support of Youbisheng Green Paper AG. The intention of Youbisheng was and is to raise funds to establish the new facilities in Central China. We are planning to set up a new production line with a capacity of 300,000 tons per annum in Huanggang City in the Hubei Province. Due to the capital market environment, Youbisheng had not been able to raise sufficient funds in the market place so there has been a delay from the original plans. Nevertheless, despite the difficulty faced, the company has since invested funds of EUR 37.8m from its strong operations in the new production facility. These investments are reported in the balance sheet in the payments for land certificates (Hubei), payments for plant and equipment (Hubei) and prepayments (Hubei). YBS is committed and devoted to the new facility, since without the additional capacity; Youbisheng will not achieve any substantial growth on the future. We have been working on full capacity since several years now.

For this reason, in the year of 2013, Youbisheng produced about 220,000 tons – of which 150,000 tons was produced independently – and generated revenues of EUR 96 million and a net profit after tax of EUR 17 million, which is quite comparable to our 2012 results. This again illustrates the importance of the new facility for our growth prospects.

In 2013, despite the stagnant production capacities, the management further developed the linerboard business, especially in regards to optimized production costs and promoting products with higher profits margins in order to enhance the overall average gross margin of the Company.

During the year, Youbisheng continued to market the higher margin of anti-counterfeit linerboard which protects branded consumer goods from being counterfeited. The unique color inside the linerboard enables the consumer to identify the originality of the consumer good. Youbisheng management improved the costs base in achieving 0.4% gross margin percentage point improvement.

Youbisheng continues to offer its customers high product and service quality. The Company maintains solid, close and long-term relationships with its clients. While the Group is waiting for the new production facility to be in place, the management is working on the expansion of the sales network outside of the Fujian and Guangdong provinces. Currently, most of our customers are located at our local site, but we are also promoting our products in other provinces such as Hubei, Hunan, Jiangxi and Zhejiang. At the same time, we are focusing on research and development and constantly bringing new innovative products to the market.

At the release of these annual financial statements, we are in the process of issuing bonds in the context of a private placement for the purposes of speeding up the establishment of the new production facilities. We hope that the actual construction work will start 2014 and envisage that the plant will be completed and operational by January 2016. We expect the utilization rate of the new facilities will be at least 70% of 300,000 tons from the first year on which would translate into 210,000 tons additional capacity compared to the existing 150,000 tons plus our subcontractors.

The appointment of new CFO David Tsui who is a very professional and experienced Australian Chartered Accountant demonstrated the commitment of the group striving for a long-term growth.

With our existing production capacity we can achieve a stable and highly profitable revenue stream. For full year 2014, we expect revenues to be similar to 2013 in the range of EUR 95 million and we aim to maintain the strong EBIT margin of at least 22%.

Dear shareholders, I thank you for your trust and patience with our market performance so far. Youbisheng continues to aspire to become 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 FISCAL YEAR 2013

Dear Shareholders,

The 2013 fiscal year was characterized by continuing stability in the company.
The company again displayed a gratifying EBIT of €23.8 million, which corresponds to an increase of 0.2%.

The focus of the fiscal year was on the intensified efforts surrounding the financing of a new production site, which has already been decided upon, and in which a considerable part of the management's available cash assets and cash flow has been invested.

The strategic shift towards higher value products (double-sided and anti-counterfeit testliners) compensated for a large part of the price reduction in end products as a result of the fall in raw material prices, and allowed the EBIT to increase slightly.

Working with the Management Board

The Management Board has promptly and regularly provided comprehensive reports to the Supervisory Board both orally and in writing with regard to the economic and financial situation and the development of the company. In this context, the Supervisory and Management Boards have entered into discussions concerning 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 two subsidiaries in China presents particular challenges to the Management and the Supervisory Board due to the 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 emphasizes its desire to strengthen the confidence of shareholders in Youbisheng Green Paper AG by means of good corporate governance.

The most important function of the Supervisory Board during the reporting period was to guide and advise the company in the financing of the new production site.

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 the law, articles of incorporation 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.

Thus, in accordance with the advisory and monitoring functions imposed by law, the articles of incorporation and the rules of procedure, the Supervisory Board continuously monitored the activities of the Management Board during the fiscal year 2013 and advised the latter in the interest of the company and its shareholders. The standards utilized 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 12 meetings during the 2013 fiscal year. Of these, ten meetings took place via telephone conference, with an additional two meetings with physical attendance. In addition, the Supervisory Board has made resolutions by means of written procedure where necessary. The members of the Supervisory Board participated in the aforementioned meetings by appearing in person or participating via telephone conference. Mr. ZHANG was not present at five meetings, with Ms. Dylla missing two.

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

22 January 2013: Resolution adopted via telephone conference regarding the issue of a new bond between RMB 300,000,000.00 and a maximum of RMB 500,000,000.00 with a maximum interest rate of 9–13%.

28 January 2013: Resolution adopted via telephone conference regarding the issue of a new bond between RMB 100,000,000.00 and a maximum of RMB 500,000,000.00 with a maximum interest rate of 9–13%.

30 April 2013: 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, from the Warth + Klein Grant Thornton AG auditing company, Frankfurt am Main, the 2012 annual financial statement was approved. The agenda included resolutions on proposed resolutions for the Annual General Meeting, 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.

28 May 2013: Through a telephone conference, a Management Board status report was obtained that discussed the potential issue of a bond and the potential addition to the agenda for the Annual General Meeting of a resolution to issue a convertible bond. No resolutions were adopted by the Supervisory Board.

4 June 2013: Through a telephone conference, the Management Board's report on the various financing opportunities through the issue of a bond was discussed in Mr. ZHANG´s absence. No resolutions were adopted by the Supervisory Board.

20 June 2013: Through a telephone conference, the potential issue of a bond was discussed in Mr. ZHANG´s absence. No resolutions were adopted by the Supervisory Board.

1 August 2013: The departure of Clement HOO from the Management Board was dealt with and his resignation was accepted during a meeting with physical attendance. In addition, the status of implementation of a risk management system in the Youbisheng Group was dealt with. No resolutions were adopted by the Supervisory Board.

26 August 2013: By way of a telephone conference, the Management Board presented a status report based on the semi-annual figures. In addition, potential successors to Mr. HOO as CFO were discussed. No resolutions were adopted by the Supervisory Board.

2 September 2013: Potential successors to Mr. HOO as CFO were discussed as part of a telephone conference. No resolutions were adopted by the Supervisory Board.

19 September 2013: Potential successors to Mr. HOO as CFO were again discussed as part of a telephone conference. No resolutions were adopted by the Supervisory Board.

21 October 2013: Mr. David Tsui was introduced as successor to Mr. Hoo as part of a telephone conference. No resolutions were adopted by the Supervisory Board.

8 November 2013: Written resolution for the appointment of David Tsui to the company's Management Board for a three-year term.

11 November 2013: Meeting with physical attendance at the German Equity Forum in Frankfurt, at which David Tsui presented the third quarter's figures as the new CFO. In addition, advice was given regarding the possibilities for issuing a bond. No resolutions were adopted by the Supervisory Board.

13 December 2013: Resolution during a telephone conference regarding a change of auditor.

Composition of the Supervisory Board

There were no changes to the composition of the Supervisory Board during the reporting period. The current composition of the Supervisory Board has been appointed up until the end of the General Meeting that decides the ratification for the fiscal year ending 31 December 2016.

Annual financial statements and consolidated financial statements for 2013

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 fiscal year. By resolution of the extraordinary General Meeting of 20 February 2014, the appointment decision was revoked and Crowe Kleeberg GmbH, Wirtschaftsprüfungsgesellschaft, Munich, auditing company in Munich was appointed as independent auditor of the annual financial statements and the consolidated financial statements for the fiscal year 2013. The Supervisory Board has issued the respective audit assignment.

The present annual financial statements of Youbisheng Green Paper AG as of 31 December 2013 prepared in accordance with the HGB (Handelsgesetzbuch, German Commercial Code), the consolidated financial report as of 31 December 2013 prepared in accordance with the IFRS/IAS, and the annual report and Group management report were audited by the independent auditor, and an unqualified audit opinion has been issued with respect to them. The audit of the valuation, the figures and proof of investments in association with the establishment of the new production facilities as well as the auditing of existing liquid assets in the Group were agreed as key audit aspects in conjunction with the auditor.

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 of the Youbisheng Green Paper AG and the group and the audit reports of Crowe Kleeberg GmbH, Wirtschaftsprüfungsgesellschaft GmbH were made available to all members of the Supervisory Board and were thoroughly assessed at the accounts review meeting of the Supervisory Board on 25 April 2014 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 of the Youbisheng Group and Youbisheng Green Paper AG for the fiscal year 2013, which had been submitted by the Management Board, and determined that there were no objections to the final results of this audit. The audit reports of the independent auditor were noted with approval by the Supervisory Board. With the resolution of 25 April 2014, the annual financial report prepared by the Management Board was approved and therefore determined. The Supervisory Board also approved the consolidated financial statement. In addition, the Supervisory Board approved the combined management report for Youbisheng Green Paper AG and the Group, and in particular the assessment of the further development of 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 § 161 of the AktG. This declaration of compliance 2013 is available in the Corporate Governance Report and also on the company's website. The declaration of compliance 2014 is also available 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 § 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 § 312 Sec. 3 of the AktG, the Management Board declares, with respect to the transactions or measures 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 or measures were undertaken and thus that the measures were taken or omitted, and were not a disadvantage. There were no measures subject to reporting in fiscal year 2013. 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

- the actual statements of the report are true,
- the consideration provided by the company in respect of the legal transactions listed in the report was not unreasonably high
- there is no evidence to suggest a significantly different assessment for the measures listed in the report than those defined by the Management Board."

In accordance with § 314 of the AktG, the Supervisory Board has reviewed the report of the Management Board on relations with affiliated companies as well as the auditor's report prepared in this regard and declares, based on the final results of its review, that it does not have any objections to the declaration of the Management Board at the conclusion of its report on relations with affiliated companies and that the Supervisory Board is satisfied with the result of this audit supplied by the independent auditor.

Hamburg, 25 April 2014

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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 Kiet Chiik, CFO

- Responsible for Finance, Accounting and Investor Relations, and CFO from February 2011 to 1 September 2013

David Tsui, CFO

- Responsible for Finance, Accounting and Investor Relations and CFO since 8 November 2013

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.

Production and product examples

The Share

The international stock market developed positively in 2013. Thanks to an optimistic economic outlook and a sustained high liquidity, the markets started out confidently in the new trading year. By the end of the year, optimistic expectations dominated the market dynamic, enabling the DAX to complete the turn of the year with a peak of 9,594 points and therefore an increase of 25.5% for 2013.

The SDAX outperformed the German index with a growth of 29.3% and concluded with year with 6,789 points. The Youbisheng Green Paper AG shares were unable to profit from the general upwards trend during the course of the year also on the international stock markets, and the high price gains at the end of the year. Its price took a rather negative turn and concluded 2013 at -20% and a price of EUR 4.28.

RELATIVE SHARE PRICE DEVELOPMENT IN %

Corporate Governance Report

To comply with Paragraph 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 § 289a of the German Commercial Code (HGB). The declaration on corporate management pursuant to § 289a of the German Commercial Code (HGB) comprises the declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG), relevant information regarding corporate management practices and descriptions of how the Management Board and Supervisory Board work.

The corporate governance report is also readily available on the Internet at http://www.youbisheng-greenpaper.de/investor-relations/publikationen.html.de in the Investor Relations/Corporate Governance section.

INFORMATION PURSUANT TO § 289A SEC. 2 NO. 1 HGB (DECLARATION OF CONFORMITY 2013)

According to § 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 recommendations deviate or have deviated therefrom.The Management Board and the Supervisory Board of Youbisheng Green Paper AG declared on 30 April 2013 that the recommendations "Government Commission on the German Corporate Governance Code" in its version dated 15 May 2012 with the deviations mentioned below have been complied with since the publication of the recommendations in the Federal Gazette and will be complied with in the future.

Deviations from the Code's recommendations are as follows:

- **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 a 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 respective 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 ensure that the variable compensation elements are generally 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 2012 and 2013, 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. For the 2013 fiscal year, Mr. Huang Haiming received merely a variable pay component. Apart from that, no other variable monetary compensation was paid.

- 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. The Supervisory Board does not see any reason for rigid age limits and will make its personnel decisions on a case-by-case basis in line with objective considerations.

- Because of the company's size, the Supervisory Board of Youbisheng Green Paper AG consists of just 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.

- In accordance with **Paragraph 5.4.1 Sec. 2** of the German Corporate Governance Code, the Supervisory Board must define concrete targets for its composition, which, in light of the company's specific situation, consider the company's international activity, potential conflicts of interest, the number of independent members of the Supervisory Board in terms of **Paragraph 5.4.2**, an age limit to be determined for members of the Supervisory Board as well as diversity. These concrete targets should allow for an appropriate participation of women in particular. In accordance with **Paragraph 5.4.1 Sec. 3** of the GCGC, suggestions of the Supervisory Board to the relevant election bodies should take these targets into consideration, and the objectives and their state of implementation should be published in the Corporate Governance report. In the interests of the company, the Supervisory Board will be guided solely by candidates' knowledge, abilities and professional experience, but not by gender or a rigid age limit, when proposing candidates to the Annual General Meeting. Fixed target numbers that much be reached by a certain point in time are not envisaged for this reason. This results in a deviation from **Paragraph 5.4.1 Sec. 2** and **Sec. 3** of the GCGC.

- In accordance with **Paragraph 5.4.5**, the members of the Supervisory Board shall independently 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 unclear, the company declares that it deviates from the recommendation as a cautionary measure.

- The consolidated financial statements will not be made available publicly within 90 days from the end of the fiscal 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. However, the consolidated financial statements will be available within four months from the end of the fiscal year, while interim reports will be published within the statutory deadlines.

The Management Board and Supervisory Board will likely publish the declaration in accordance with § 161 AktG for 2014 on 28 April 2014. The declarations of conformity of Youbisheng Green Paper AG are available on the company's website at http://www.youbisheng-greenpaper.de/investor-relations/publikationen.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 for the Management Board and the many recommendations set out in the German Corporate Governance Code.

The Supervisory Board appoints the members of the Management Board in conformance with the German Stock Corporation Act. The Supervisory Board advises and oversees the Management Board in the management of the company and decides, pursuant to § 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. § 4 and 5 of the articles of incorporation govern the level and allocation of the capital stock, and the authorization to undertake certain capital transactions and how they may be undertaken, which is subject to 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 § 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 solely and can waive the constraints imposed by § 181 of the German Civil Code (BGB). Mr. HUANG Haiming has been authorized to represent the company solely and has also been exempted from the restrictions set out in § 181 Clause 1, 2nd alt. of the German Civil Code (BGB), whereby § 112 AktG remains unaffected.

According to § 11 Sec. 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 § 8 of the articles of incorporation, the Supervisory Board has provided rules of procedure for the Management Board. 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 other 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 reciprocal 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, managing business matters, planning the budget 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 the timely identification, analysis and evaluation of risks and optimization 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 a regular exchange of information and ideas. 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 resolution papers and answers questions asked by members of the Supervisory Board.

The Supervisory Board discusses and agrees the strategy with the Management Board.

The status of the implementation of strategic planning and possible deviations from the plans are reported to the Supervisory Board. Major decisions by the Management Board must 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 involved in 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 the 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 applies for 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. Having 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 to provide 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 optimize communication to ensure a sustained and appropriate valuation of the company's stock.

The company's website at http://www.youbisheng-greenpaper.de/investor-relations/publikationen.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 Green Paper AG is continuing to develop its risk management system. The Management Board regularly notifies the Supervisory Board of the existing risks, their development and existing preventive action.

Further details of risk management can be found in the opportunity and risk report in the combined management report for 2013 for Youbisheng Green Paper AG. This 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 Group. That is to include providing continuous information for employees on 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 also entered in a register of insiders and informed of their obligations under insider law.

REMUNERATION

In the 2013 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 for members of the Management Board is paid via connected companies as part of their activities there. Contrary to the recommendations in the German Corporate Governance Code, to simplify matters, no variable remuneration was paid at the level of the Youbisheng Green Paper AG. As of 31 December 2013, there were no warrants and no valid warrants program, therefore 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 page 36 of the Combined Management Report.

The Supervisory Board of Youbisheng Green Paper AG receives fixed remuneration that will be voted on by the Ordinary General Meeting that decides the ratification of the actions of the Management Board and Supervisory Board for the 2013 fiscal year.

The company's articles of incorporation state that the Annual General Meeting may decide on the level of such remuneration. 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 equally 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 around 88.56% of the company's shares (9,049,000 shares).

The only member of the Supervisory Board to hold shares is Ms. Dylla, who holds 0.01% (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 § 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 2013 fiscal year, no transactions in shares in Youbisheng Green Paper AG subject to § 15a of WpHG were undertaken by members of the Management Board and Supervisory Board of Youbisheng Green Paper AG subject to these disclosure requirements.

All transactions are disclosed on the company's website at http://www.youbisheng-greenpaper.de/investor-relations/publikationen.html in the Investor Relations/Corporate Governance/directors' dealings section as soon as they are undertaken. As of 31 December 2013, the ownership of shares of directors and officers was as follows:

HUANG Haiming: 88.56%,(9,049,000 shares)
Verena Dylla: 0.01% (1,000 shares)

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

Cologne, 17 April 2014

The Supervisory Board

The Management Board


YBS
YOUBISHENG
GREEN PAPER
Combined Management Report
1 Jan 2013 – 31 Dec 2013

Combined Management Report

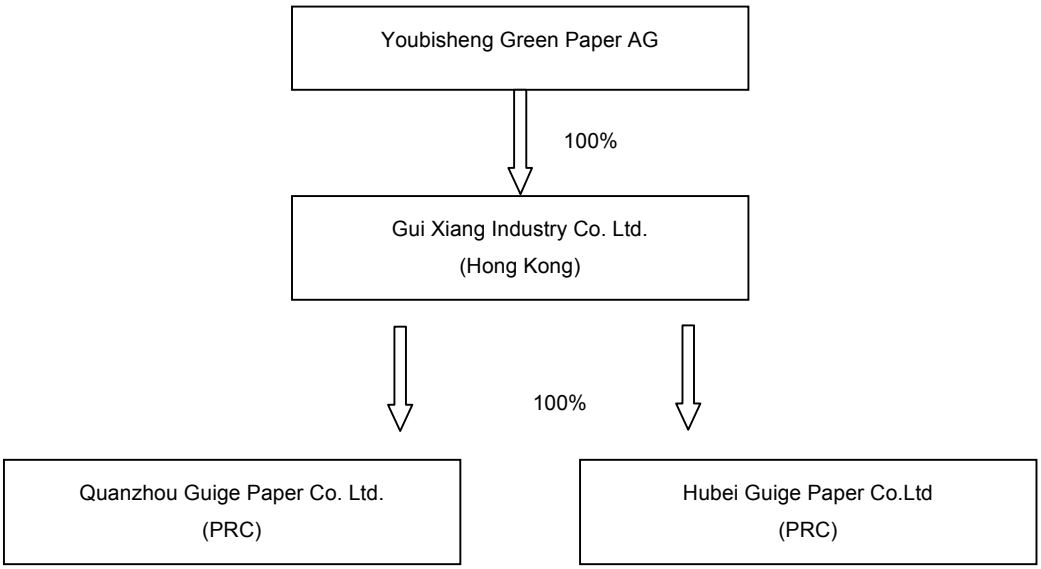
Group Profile

Youbisheng Green Paper AG ("Youbisheng", "YBS", "the Company" or "the Group") is the German holding company of a Chinese clean-tech leader of environmentally friendly produced linerboard, which uses up to 100% recovered fibers. 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 145 million inhabitants.

Youbisheng has been focusing on its strategy to develop innovative products. Youbisheng was the first producer using 100% recycled paper to produce linerboard. This environmentally friendly product was introduced in 2008. The ability to make high quality linerboard from entirely 100% recycled paper is a unique feature of the Company. 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 a 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 first launched for branded consumer goods packaging to avoid counterfeiting. In 2013, Youbisheng developed a new super-thin linerboard that can be used in electronic circuits as an insulator. This new product has successfully passed various tests and was launched in the market.

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. Youbisheng 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 in 2013 was and is currently being carried out by Youbisheng PRC.



In July 2013, Hubei Guige Paper Ltd was founded as a subsidiary of Youbisheng HK in the city of Huanggang. This company was formed to operate the new production facility planned in Huanggang (Hubei Province) which will have a production capacity of 300,000 tons per year.

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.

ECONOMIC REPORT

Performance Management system

The company business activity is in the traditional field of manufacturing. The output is measured with growth in tons of linerboard produced per year with higher margins and capacity utilization. The output and the average sales price are important indicators of financial results.

As the industry is relying on the investments to increase its production capacities, the equity ratio is also an indicator to measure whether the group has the financial capacity to invest in future growth.

The financial performance is measured by the development of the operating result before interest and taxes (EBIT) and the EBIT margin.

These indicators of the company's performance are monitored and reviewed by the management.

Macroeconomic situation

In 2013, the Chinese economy grew at a rate of 7.7%. It was the slowest pace of economic growth in the past 23 years but was in line with the forecast. The growth in export and import had declined in the first half year of 2013 but was compensated by an upturn in the second half of the year. Currently, the retail sector continues to support the growth of the Chinese economy. Urban workers and rural workers income continue to rise. The rise in the workers income will further help increase the domestic demand for consumer goods. Another factor that contributes to the growth of the retail sector is the online retail sales. The online sales channel has been well received by the domestic consumers. The retail sector showed a growth of 15% in 2013.

According to the IWF global economic growth outlook, GDP growth in China is expected to moderate to 7.5% in 2014 from 7.7% of 2013 mainly due to macro policy and structural slowdown. Tighter credit conditions, higher cost of capital, land and resources, local government funding constraints, stricter environmental standards as well as government efforts to reduce excess capacity should cap investment growth of traditional industry sectors. Consumption growth will likely maintain a stable momentum due to the recovery of the Western economy. There are reforms to boost consumption but they will take time to gain traction. Improving external demand would support China's growth, but the recovery in developed market economies has been less import intensive following the crisis and is unlikely to provide as much boost to China's exports as prior to the crisis. There is speculation that the local currency RMB will depreciate against the previous trend of appreciation but the impact should not be significant.

Sector development

Linerboard products are closely related to 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 producing

over hundred million tons every year, with high retail volumes in the packing industry, especially for consumer goods. In 2013, the paper industry in China experienced a tough year due to the decline of exports. As a result, export demand reduction has also led to the decline in the overall demand of packaging materials.

Though with the strong local demand which has mitigated the decline in exports, the production and demand of linerboard is still growing in line with the growth of consumer goods. In terms of competition, YBS group is using 100% recycled papers for the production of its linerboard. This represents a very distinctive competitive advantage as there is no similar linerboard made from 100% recycled paper with the same quality in the market.

Geographically, there is a shift of production processing from the coastal areas 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 areas 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 has affected the profitability of the industry. In 2013, the prices of wood pulp and recycled paper have declined. There are opportunities for the companies which use less wood pulp for their production since the environment issue is becoming more important and the government encourages more environment friendly materials.

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 is started, the linerboard industry will rely less on overseas wood pulp and will have cost advantages through sourcing the wood pulp locally.

The environmental issue remains a top priority for the linerboard industry and for the whole country. The government continues to close down manufacturers that do not comply with environmental standards. The ongoing restructuring process among the industry will see Tier 1 manufacturers to expand due to the vacuum created by smaller companies going out of business. In the meantime, for any new production plant, the plant has to fulfil the environmental standards.

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 they will use more paper bags instead of plastic bags. These measures are most 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

Since 2008, Youbisheng is already working at full production capacity (150,000 tons per year) and the management needs to subcontract a part of the production to a subcontractor. Therefore, the growth will not be significant until the new production facilities are built. The growth of YBS is now dependent on the planned new production facilities in Huanggang City (Hubei Province, Central China).

YBS has only achieved a sales increase of 0.5% from 220,338 tons in 2012 to 221,468 tons in 2013. Therefore, the Company's sustainable and significant growth is largely dependent on the realization of the new production facilities. Without the additional capacity in place, Youbisheng Group will not be able to grow substantially.

In financial year 2013, the Company realized revenues of kEUR 96,025 compared to kEUR 98,563 in 2012. However, this decline was distorted by the overall price reduction in the industry due to lower costs of raw material. On the other

hand, Youbisheng's operating result before interest and taxes (EBIT) increased slightly to kEUR 23,813 in financial year 2013 (2012: kEUR 23,773) as a result of lower cost of sales and a reduction of administrative expenses. On the PRC operating company level in Quanzhou, administrative expenses were 16.9% kEUR 265 lower than 2012 in local currency term as a one-off social insurance expense was included in 2012 for the amount of kEUR 267.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of Operations

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

	2013	2012
	kEUR	kEUR
Revenue	96,025	98,563
Cost of sales	(69,621)	(71,818)
Gross profit	26,404	26,745
Other operating income	58	77
Selling and distribution expenses	(770)	(754)
Administrative expenses	(1,878)	(2,247)
Other operating expenses	-	(48)
Finance income	134	178
Finance cost	(639)	(22)
Profit before taxation	23,309	23,929
Tax expenses	(6,118)	(6,236)
Net profit and profit attributable to equity holders of the Company	17,191	17,693
Other comprehensive income		
Movement in foreign currency transaction reserve	860	(1,021)
Total comprehensive income	18,051	16,672
Selected Financial data		
Gross profit margin	27.5%	27.1%
EBIT	23.813	23,773
EBIT margin	24.8%	24.1%
Net profit margin	17.9%	17.9%

Group revenue and income

The Group's revenue is derived from manufacturing and selling single-sided testliner ("SST"), double-sided testliner ("DST") as well as anti-counterfeit testliner ("ACT") and the new testliner used as insulator for electric circuits. 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 2013:**

		Sales volume **tons**	Sales **kEUR**	Gross profit **kEUR**	Gross Profits **Margin %**
Youbisheng	Single-sided Testliner	96,355	40,633	11,583	28.5%
Youbisheng	Double-sided Testliner	48,369	22,696	7,408	32.7%
Youbisheng	Anti-counterfeit Testliner	6,415	3,006	1,058	35.2%
Sub-Contractor	Single-sided Testliner	70,329	29,690,	6,355	21.4%
Total		**221,468**	**96,025**	**26,404**	**27.5%**

The following shows the breakdown of revenue in **FY 2012** on consolidated Youbisheng HK-level, which is comparable to the figures of Youbisheng Group presented above:

		Sales volume **tons**	Sales **kEUR**	Gross profit **kEUR**	Gross profit **Margin**
Youbisheng	Single-sided Testliner	103,226	45,131	12,789	28.3%
Youbisheng	Double-sided Testliner	42,734	20,685	6,756	32.7%
Youbisheng	Anti-counterfeit Testliner	4,518	2,179	777	35.6%
Sub-Contractor	Single-sided Testliner	69,860	30,568	6,423	21.0%
Total		**220,338**	**98,563**	**26,745**	**27.1%**

With the limited production capacity, the sales volume only showed a slight increase of 1,130 tons from 220,338 tons in 2012 to 221,468 tons in 2013.

The comparable revenue has decreased by 2.6% from kEUR 98,563 to kEUR 96,025. The decrease in revenue was due by the overall decrease in retail prices as there was an overall decrease in the market price due to lower prices for the raw material recycled paper. The average selling price decreased by 3.1% from EUR 447 per ton to EUR 433 per ton. The average selling price in terms of RMB (without the exchange effect) has decreased by 2.4% from RMB 3,648 to RMB 3,559 in 2013.

With slightly lower revenues, the gross profit of the Company decreased by kEUR 341 to kEUR 26,404 due to the lower revenue but the gross profit margin achieved 27.5% comparing to 27.1% in 2012. This was due to the lower average cost of sales which decreased slightly from EUR 326 per ton to EUR 314 per ton, a decrease of 3.7%.

The Group has about 90 customers, comparable to 2012. The top 10 customers contributed 51% to the total revenue in 2013. Most of the customers are located in Guangdong and Fujian provinces, a region with a population of about 145 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 decreased from kEUR 45,131 to kEUR 40,633, a decrease of 9.97%. However, this decrease in SST was compensated by a sales volume increase in DST of 5,635 tons as since 2012 the management has focused on these particular DST products, which generate higher gross profits margins. The shift to DST resulted in an increase in revenues for this product segment by 9.72% in 2013. In the year 2012, the management launched anti-counterfeit testliner. Sales for anti-counterfeit testliner have increased to 6,415 tons in 2013 compared to 4,518 tons in 2012. The gross profit margin for anti-counterfeit testliner is above 35% and therefore in line with 2012.

Cost of Sales

The total cost of sales/production costs for the year 2013 amounted to kEUR 69,621 (2012: kEUR 71,818). The main component of the cost of sales is recycled paper, which constituted about 55% of the cost of goods sold comparing to 54.5% last year, followed by electricity and coal which is about 15% of the cost of goods sold. Due to lower purchase prices for recycled paper the average cost of sales decreased slightly from EUR 326 per ton to EUR 314 per ton, a decrease of 3.7% which had helped to support the gross profit margin. This development brought about a slight increase in the gross profit margin. In RMB terms, average cost of sales decreased from RMB 2,659 to RMB 2,580 per ton, a decrease of 2.97%

Gross profit margin analysis

The average gross profit margin increased from 27.1% to 27.5% despite the lower overall selling price. This was mainly due to the lower prices of the main raw material recycled paper and by selling more higher-value products with a greater margin. This was additionally achieved by controlling of general production costs.

Other income

Income was realized from government incentives granted by the Chinese local government in 2012, but there was no income from such incentives in 2013. The amount of kEUR 58 represents the exchange gain on translating intercompany balances.

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 were quite stable at kEUR 770, an increase of kEUR 16.

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 1,878 which is much lower as compared with previous year as listing expenses were included for 2011 and 2012 accounts and also the one-off social insurance expenses of kEUR 268 charged in 2012 but not in 2013.

Within the administrative expenses, an amount of kEUR 331 was spent for research and development in comparison to kEUR 354 in 2012. It is the commitment of the Company to continue to invest in research and development.

EBIT

Youbisheng's EBIT amounted to kEUR 23,813 in financial year 2013 compared to kEUR 23,773 in 2012. The slight increase of the EBIT is mainly due to the reduction of administrative expenses.

Finance income

Finance income is the interest received from the deposit with the local bank and amounted to kEUR 134 in financial year 2013 compared to kEUR 178 in the year 2012.

Finance costs

The finance costs of kEUR 639 shown in the income statement refer primarily to interest costs on the short-term borrowings.

Interest costs in the amount of kEUR 24 (2012: kEUR 22) charged under finance costs are the remaining portion of interest for borrowing not included in cost of sales nor administration expense.

kEUR 420 finance costs from short-term loans are included under production costs as these concern loans for the purchase of raw materials. Two short-term loans existed at the date of the balance sheet. One with China Construction Bank amounting to kEUR 3,622 (RMB 30 million) with an interest rate of 6%, the other is from the Agricultural Bank of China amounting to kEUR 1,303 (RMB 10.8 million) with an interest rate of 6%.

Tax expenses

Youbisheng Green Paper AG did not have assessable profit during financial year 2013. The operating PRC subsidiaries are subject to PRC income tax. The tax expenses were kEUR 6,118 compared to 2012 where the tax expenses were kEUR 6,236.

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.
Due to the changes in the valuation method of prepayments on land use rights as operating lease in fiscal year 2013, the deferred tax liability was resolved.

Profit for the period

Net profit for the year 2013 amounted to kEUR 17,191 as compared to kEUR 17,693 in the year 2012. The profit had mainly been adversely affected by the exchange losses of kEUR 615 but was compensated by the reduction in administration expenses of kEUR 369.

Financial Position

Consolidated cash flow statement

For the year ended 31 December 2013

	2013	2012
	kEUR	kEUR
Cash flows from operating activities		
Profit before taxation	23,308	23,929
Interest income	(134)	(178)
Interest expenses	24	22
Depreciation of property, plant and equipment	1,853	1,853
Rental charges on land use rights	29	17
Losses on foreign exchange	615	-
Operating profit before working capital changes	25,695	25,643
Increase/(decrease) in inventories	451	1,455
Increase/(decrease) in trade and other receivables	2,002	(679)
Increase in other Prepayments / short term loan (Hubei)	(14,484)	-
Increase/(decrease) in provisions	(691)	956
Increase/(decrease) in trade and other payables	2,515	(2,118)
Income tax paid	(5,513)	(6,228)
Net cash provided by operating activities	9,975	19,029
Cash flows from investing activities		
Purchase of property, plant and equipment	(124)	(1,257)
Prepayments on land certificate (Hubei)	(12,203)	-
Prepayments on production machinery (Hubei)	(11,225)	-
Net cash used in investing activities	(23,552)	(1,257)
Cash flows from financing activities		
Finance income received	134	178
Finance costs and exchange losses	(639)	(22)
Increase in related party borrowings	550	-
Decrease in deferred tax liabilities	(35)	-
Increase/(reduction) in in Bank borrowings	(1,065)	(858)
Net cash (used in)/ generated from financing activities	(1,055)	(702)
Net increase in cash and bank balances	(14,632)	17,070
Effect of currency translation on cash and cash equivalents	871	(805)
Prior year adjustments	43	-
Cash and bank balance at the beginning of the year	47.154	30,889
Cash and bank balance at the end of fiscal year	**33,436**	**47,154**

The net cash generated from operating activities amounted to kEUR 9,975, as compared to surplus of kEUR 19,029 in the previous year. Furthermore, the cash flow from investing activities increases from kEUR 1.257 to kEUR 23.552 in 2013.

This was mainly due to the prepayments as well as expenditure totaling kEUR 14,484 in conjunction with the new production facilities in Hubei for safeguarding the certificate for the land use and an associated loan to the Hubei district, advance payments for the production machines and other costs linked with the founding of the Hubei Guige Paper Co. Ltd. and the assignment of an expertise. A detailed analysis is outlined in the section on long-term and short-term assets. Expenditures related to the new production plant in Hubei were made both from operations and the financial resources.

Except the increase in land use rights amounting to kEUR 124, there had been no other investment increase for the existing operative business in Quanzhou for 2013.

2013 saw a decrease in bank borrowings of kEUR 1,065 compared to the increase of kEUR 858 in 2012.

The net decrease in cash and cash equivalents for the year was kEUR 14,632 compared to a net increase of kEUR 17,070 in 2012. This was mainly due to the large amount of advance payments for investments in association with setting up the new production facilities in Hubei. The cash and cash equivalents at the end of the fiscal year amounted to kEUR 33,436 as compared to kEUR 47,154 in the year 2012.

Net assets and capital structure

The asset and capital structure developed as follows: the balance sheet total increased from kEUR 87,832 by kEUR 19,742 to kEUR 107,574. This increase in essentially due to the investments in the new production facilities in Hubei for which advance payments were made in 2013.

Consolidated balance sheet

as at 31 December 2013

	Note	**Dec 31, 2013**	Dec 31, 2012
		kEUR	kEUR
Assets			
Non-current			
Buildings	4	4,088	4,413
Prepayments on land use rights	5	350	660
Prepayments on land certificate (Hubei)	5	12,203	-
Plant and equipment	4	6,944	8,345
Prepayments on production machinery (Hubei)	5	11,225	-
Other fixed assets	4	38	36
Deferred tax assets	15	79	43
		34,928	13,498
Current assets			
Inventories	6	1,891	2,342
Trade and other receivables	7	22,836	24,838
Advanced payments (Hubei)	8	14,484	-
Cash and bank balances	9	33,436	47,154
		72,646	74,334
Total assets		**107,574**	**87,832**
Equity and liabilities			
Equity			
Share capital	10	10,218	10,218
Capital reserve		(5,685)	(5,685)
Chinese Statutory reserve	10	9,081	9,081
Foreign currency translation reserve	10	9,164	8,304
Retained earnings	10	59,390	42,127
		82,169	64,045
Liabilities			
Non-current liabilities			
Trade and other payables	11	-	251
Deferred tax liabilities	15	-	85
Total non-current liabilities		**-**	**336**
Current liabilities			
Trade and other payables	11	16,980	14,465
Borrowings	13	4,925	5,990
Short term provision	12	245	936
Liabilities to related parties	28	1,163	613
Liabilities for current tax	14	2,093	1,447
		25,406	23,451
Total equity and liabilities		**107,574**	**87,832**

Non-current assets

Non-current assets comprise mainly prepayments on buildings, land use rights, payments for issuing a certificate for land use rights in Hubei, machineries, payments for production equipment in Hubei equipment, motor vehicles and other fixed assets amounting to kEUR 34,928 as there was an addition of prepayment on land certificate of kEUR 12,203 and prepayment for plants and machinery amounting to kEUR 11,225. The amount increased from kEUR 13,498 to kEUR 34,928. The increasing in long-term assets is essentially due to the advance payments to the amount of kEUR 12,203 for the certificate for the land use rights in Hubei as well as advance payments for the production machine for Hubei at the amount of kEUR 11,225.

Current assets

Current assets comprise inventories, trade receivables, advance payments and other receivables as well as cash and cash equivalents. Current assets reduced from kEUR 74,334 to kEUR 72,646 as at end of the fiscal year. Inventories comprise raw materials and finished goods. Inventories decreased to kEUR 1,891 from kEUR 2,342. This is because the price of recycled paper declined and less recycled paper was held. Trade receivables reduced from kEUR 24,838 to kEUR 22,836. The total prepayments of kEUR 14,484 were deposits made for the granting of certificates for land use rights for the new facilities in Hubei, of which kEUR 12,070 will be reimbursed to the company as soon as the new facilities are 30% complete. A further kEUR 2,414 refers to the loans with machine suppliers.

Cash and cash equivalents decreased significantly from kEUR 47,154 to kEUR 33,436. The decrease is mainly due to the prepayments for investment in the new production facilities in Hubei and land use rights.

Equity

Share capital remained unchanged at 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 amounted to kEUR 21,257 but due to the application of the reverse acquisition model the combined capital reserve remained unchanged at kEUR 5,685 as at 31 December 2013.

Statutory reserves according to Chinese law amounted to kEUR 9,081. They remained unchanged and are related solely to Youbisheng PRC. The PRC law requires Youbisheng PRC to contribute 10% 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 stopped contribution for the statutory reserve during 2012 as half of the share capital had been paid up.

The foreign currency reserve increased from kEUR 8,304 to kEUR 9,164 due to currency conversion differences and transfer of foreign currency reserve to retained earnings.

There was a prior year adjustment for amount of kEUR 72 as a result of classifying land use rights as operating lease from finance lease. Please refer to note 10 in the accounts.

On account of the ongoing net profit, the profit balance increased from kEUR 42,127 to kEUR 59,390. A profit balance of kEUR 72 was released due to the change in the accounting methods for the advance payments on land use rights from finance lease to operating lease principles in the fiscal year 2013.

Non-current liabilities

Due to the treatment of land use rights and operating lease from finance lease, non-current liabilities on other payables and deferred tax would no longer be required and had been adjusted against as prior years adjustments.
Due to the change in the accounting methods for the advance payments on land use rights under the provisions of the operating lease the associated liabilities from future payments as well as the associated deferred taxes were liquidated against the profit on the current account carried forward.

Current liabilities

Current liabilities comprise trade and other payables, short-term loans, short term provisions, tax liabilities and related party liabilities. Trade payables and other liabilities increased from kEUR 14,465 to kEUR 16,980. Current liabilities for tax increased from kEUR 1,447 to kEUR 2,093. Due to the loses in fiscal 2012 and 2013, no corporate taxes are considered.

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

Results of Operations

Youbisheng Green Paper AG is an investment holding company and provides administrative support for the Youbisheng Group. The revenue from Youbisheng Green Paper AG, to the amount of kEUR 18 is generated from management fees received from Youbisheng HK. Finance revenue was kEUR 34 which was received for the loan provided to Youbisheng HK. After administrative expenses of kEUR 445, Youbisheng AG had a net loss of kEUR 393 (2012: kEUR 535). The loss was mainly due to administrative expenses, in particular legal and consulting fees.

	2013	2012
	kEUR	kEUR
Revenues	18	18
Other operating income	–	9
Other operating expenses	(445)	(596)
Income from other securities and loans of financial assets	34	34
Net loss	(393)	(535)

Financial Position and Net Assets

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
ASSETS		
Shares in affiliated companies	30,000	30,000
Loans to affiliated companies	680	680
Receivables from affiliated companies	344	292
Other assets	227	160
Cash in hand, cash deposited with the Bundesbank, bank balances and checks	3	4
Prepaid expenses and accrued income	6	30
Total assets	**31,260**	**31,166**
LIABILITIES		
Share capital	10,218	10,218
Capital reserve	21,257	21,257
Net loss	(1,553)	(1,160)
Other provisions	245	221
Trade accounts payable	92	117
Accounts payable to shareholders	1,000	513
Total liabilities	**31,260**	**31,166**

In accordance with German commercial law, the equity reported on the balance sheet of Youbisheng Green Paper AG is kEUR 29,922.

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 with an interest rate of 5%.

Receivables from affiliated companies are related to Youbisheng PRC. The other intangible assets essentially referred to sales tax receivable for the previous years. Cash and cash equivalents at the amount of kEUR 3 refer to liquid assets on current accounts.

Trade and other payables of kEUR 92 are costs relating basically to consulting services not yet paid by the end of the period. The other provisions refer to outstanding invoices and other risk items.

Accounts payable to shareholder in the amount of kEUR 1,000 relate to the current financing of the Company since foundation / establishment in 2011. Liabilities in view of partners amounting to kEUR 1,000 are short-term and include the liabilities of the company from the ongoing financing of its costs since the founding by the majority partners.

General Statement on Business Development

In the financial year 2013, Youbisheng achieved financial results in line with the revised forecast stated in the Q3 2013 report. The revenue target of 96 million Euro and the targeted EBIT margin of around 25% were met. In the annual report 2012 Youbisheng had expected revenues to reach over EUR 110 million and EBIT margin to be at least 24.0% in full year 2013. Due to the decrease in paper prices the original revenue target was not achieved but the EBIT target was achieved. At year-end 2012 a growth of 11.6% in tonnage was planned for financial year 2013 while the actual growth was only about 5% increase of 1,130 tons from 220,338 tons in 2012 to 221,468 tons in 2013. The revenue target was not achieved because of the capacity limitation.

Youbisheng AG remained an investment holding company. The Company provided management services and loans to Youbisheng HK. Due to limited income from management fees and interest received the holding company has realized a loss of kEUR 393 according to German commercial law (HGB) as expected.

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, to stay competitive and to be innovative when reacting to the market needs. The department has staff of 16. 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.

In 2013, YBS PRC has successfully launched a new product which is used by the electronic industry where it acts as insulator for electric circuits. The customers will be completely different from current customers as most of them are packaging and printing companies. The customers for the new product will be companies in the electronic industry.

During the year, the Company has spent kEUR 331 for research and development in comparison to kEUR 354 in 2012.

The Group will continue to invest in research and development in order to meet the customer's demand and convince with new innovative and high quality products. The Group does not consider that it meets the criteria to capitalize research and development costs as an intangible asset. 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 source of the recycled paper is imported from North America, Europe and Japan. Youbisheng PRC purchases the recycled paper through local traders who are more efficient in sourcing the recycled paper 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 only 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 150,000 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 and the production machineries have only a minimum down-time risk.

Employees

Employee motivation is one of the success factors for Youbisheng Group. To ensure this, the company does not simply pay above-average rates. It also pays special attention to pleasant, healthy, safe and appropriate working and living conditions at its sites.

On-site housing quarters are provided to staff from outside provinces. The quarters are kept clean at all times and include a staff canteen and accommodation areas. In addition, there are staff recreational activities being conducted frequently to build up team spirit. There are facilities such as table tennis and a basketball court.

The group's management is constantly monitoring the staff morale and all staff issues are managed personally by the manager in charge. As a result, the staff turnover rate is low according to industry standard.

Staff is employed and rewarded on the basis of equal opportunities as well as prohibition on discrimination (gender, ethnic origin, religion).

In the fiscal year ended 31 December 2013 the Group had an average number of 302 employees, which corresponds to the number in 2012.

The average number of employees of the Group is classified according to groups as follows:

	2013	2012
Executive director	2	2
Management and administrative	71	71
Sales	12	12
Quality control	16	16
Research and development	16	16
Maintenance	17	17
Production	165	166
General	3	3
Total	**302**	**303**

For the year ended 31 December 2013, total costs of payroll for the Group amounted to kEUR 1,116 comparing to 1,071 in year 2012. This represents an increase of 4.2%.The Group has an performance assessment 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 follows:

	2013	2012
	kEUR	kEUR
Mr. Huang Hai Ming	**53**	54
Mr. Tsui David	**9**	-
Mr. Hoo Kiet Chiik	**64**	90

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 2014 will determine the pro-rata compensation for the members of the Supervisory Board in 2014. 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 remunerations of the Supervisory Board for the fiscal year was as follows:

	2013	2012
	kEUR	kEUR
Mr. Gernot Kugler	**20**	20
Ms. Verena Dylla	**15**	15
Mr. Zhang Dao Pei	**12**	12

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

Composition of subscribed capital

There were no changes on Share Capital from the last year ended. As of 31 December 2013, the share capital of Youbisheng Green Paper AG was unchanged at 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 authorized 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 authorized to amend Section 5 of the Articles of Association in accordance with the respective utilization of 2011 Authorized Capital and after the end of the respective term of authorization.

Authority of the Management Board to issue or repurchase shares

As of 31 December 2012, the Management Board was authorized 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 since 31 December 2012.

There are no resolutions of the General Shareholders' Meeting that authorize 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.

REPORT ON OPPORTUNITIES AND RISKS

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 the management team was aiming to improve the risk management system in fiscal year 2013 but the progress has been slower than expected. Therefore, the management team is committed to focus more on the risk management system in 2014, with the objective to be fully compliant with sec. 315 para 2 HGB. There is a 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 immediately. A external consultant has been proposing to review and implement risk management system but due to the time been employed to execute the EGM, the tight timing of audit process and the new appointment of CFO, the external consultant proposal will be formally recommended to the board and for approval.

At present, 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 that data such as quantity and value are recorded correctly. The accounting accounts and processes are constantly monitored and randomly checked by the accounting department to ensure the completeness and correctness. All business transactions are recorded, posted, processed and documented accordingly. The data is cross-checked and reconciled so as to detect any discrepancy. All the financial data is processed by electronic 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. Furthermore, the 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

The Youbisheng Group faces a range of opportunities and risks similar to all other industries operating in China. We aim to capture the best possible use of opportunities in the future. In the coming years, there will be consolidation in respect to smaller testliner manufacturers. Those not able to meet the stringent government environment controls will fail and will leave vacuum in the market. In addition, the Chinese government wants to develop the inner China market so there will be focus to develop the business in mid West. Chinese consumption will continue to grow which will translate into more demand for packaging by the manufacturers. YBS is in a very good position to capture the opportunities because the founder and staff of Youbisheng are well acquainted to the market and products are being produced in a very high quality from recycled paper.

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 analyze 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 into 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 has started to implement a risk management system. This is to ensure that risks are alerted and the board members informed, In 2012, the group had planned to set up an internal audit department and to implement corresponding improvements but it was not established as others priorities were made. However, going forward, the finance department will set up the department. 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 in 2014 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. In March 2014, an announcement has been made that the supervisory and Management Board of the Company have approved the possibility of issuing bonds plus warrants for up to 25 million Euros to finance the establishment of the plant.

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 cannot 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 proper in 2013. With the slowing down of real estate market, other sectors were affected and the economic growth is slowing down. For 2014, the government has lowered the targeted growth in China to 7.5%. 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 Zhejiang. 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 Youbisheng 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 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 2013 to 31 December 2013, 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 for 2013 and 2014 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 a bond with detachable warrants as announced on 10th March 2014. The purpose of the funds raised from the bonds is to finance the expansion of the production capacity. As of the date of this report the bond issue has not been finalized but it is expected that there would be successful bond issue after the publication of this annual report.

Apart from that, no other item, transaction or event of material or unusual nature has arisen in the interval between 31 December 2013 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 to grow at 12% to 14% annually. With the government measures to reduce the usage of plastic in packaging, demand for linerboard is expected to continue to grow. Moving forward, the Tier 1 linerboard producers will continue to dominate the market as more and more Tier 2 linerboard producers will go out of business due to environmental issues, i.e. by not being in compliance with the environment rules.

The provinces in the center 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 center of China and it will stimulate the demand for linerboard. YBS management expects to develop super-thin linerboard for the use of electronic circuit boards. This 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

The demand for testliner of Youbisheng PRC is growing despite a slight slowdown in the Chinese economy forecasted for 2014. As consumer goods are still growing at a very healthy pace using more environmentally-friendly packaging products of a high quality and with innovative properties will be required. This is where YBS products are positioned. The demand for testliners from Youbisheng PRC is increasing but with limited capacity, YBS is not able to support the demand. We estimate that growth will be in the range of 10% (only an estimate) because we are not actively promoting our products in the market since we don't have the capacity to produce.

The 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 new production facilities 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 continue on research and development and to bring new innovative products to the market.

Youbisheng Group has developed super-thin testliner for the electronic industry. The testliner will be used as an insulator for electronic circuits. The launch of this product was well received in 2013. This is in line with YBS strategy to focus on new value-added products and produce product mix to maximize the profit margin while production capacity is limited. With the new product in the pipeline, YBS is expected to maintain its profit margin and have a stable performance similar to 2013 in the 2014 financial year and thereafter until the establishment of the new production facilities at Hubei.

Outlook on financial development

The accumulated cash as at 31 December 2013 amounted to kEUR 33,436 and Youbisheng will continue to utilize some of the cash for establishing new production facilities with twice the capacity of the existing plant. But the company will balance the use the funds and the needs for working capital. The new production facilities require an investment of RMB 732 million which is about EUR 89 million as at end year conversion rate (0.1218). The management is looking for additional alternative financing together with internal generated cash to invest in the new production facilities. Subject to successful funding through equity or debt financing, the construction of the new facility will commence in the second half of 2014 and will be completed by the end of 2015. The new facility will allow Youbisheng to double revenues in the mid-term at comparable or even higher profit margins compared to current operations.

For full year 2014, management expects revenues to reach around EUR 95 million and the EBIT margin to be at least 22.0%. 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 an investment holding company with major its business in the PRC. YBS AG mainly relies 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 requires capital for the expansion, it is likely that cash generated from YBS PRC will be used for this expansion. Once the new production line starts operating, the management plans to declare dividend for the operational subsidiary in PRC and YBS AG will accordingly be able to increase its revenue. Before the new production line starts operating, Youbisheng Green Paper AG, the Group holding company level expects to continue to incur losses according to German commercial law (HGB).

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, 25 April 2014

The Management Board
Youbisheng Green Paper AG


YOUBISHENG
GREEN PAPER
Consolidated Financial Statements
of Youbisheng Green Paper AG
to the financial year ended 31 December 2013
in accordance with IFRS

Financial Statements Youbisheng Green Paper AG

Consolidated balance sheet

as at 31 December 2013

	Note	Dec 31, 2013	Dec 31, 2012
		kEUR	kEUR
Assets			
Non-current			
Buildings	**4**	4,088	4,413
Prepayments on land use rights	5	350	660
Prepayments on land certificate (Hubei)	5	12,203	-
Plant and equipment	4	6,944	8,345
Prepayments on plants and equipment (Hubei)	5	11,225	-
Other fixed assets	4	38	36
Deferred tax assets	15	79	43
		34,927	13,498
Current assets			
Inventories	6	1,891	2,342
Trade and other receivables	7	22,836	24,838
Advanced payments (Hubei)	8	14,484	
Cash and bank balances	9	33,436	47,154
		72,647	74,334
Total assets		**107,574**	**87,832**
Equity and liabilities			
Equity			
Share capital	10	10,218	10,218
Capital reserve		(5,685)	(5,685)
Chinese Statutory reserve	10	9,081	9,081
Foreign currency translation reserve	10	9,164	8,304
Retained earnings	10	59,390	42,127
		82,168	64,045
Liabilities			
Non-current liabilities			
Trade and other payables	11	-	251
Deferred tax liabilities	15	-	85
Total non-current liabilities		**-**	**336**
Current liabilities			
Trade and other payables	11	16,980	14,465
Borrowings	13	4,925	5,990
Short term provision	12	245	936
Liabilities to related parties	28	1,163	613
Liabilities for current tax	14	2,093	1,447
		25,406	23,451
Total equity and liabilities		**107,574**	**87,832**

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 2013

	Note	**2013**	2012
		kEUR	kEUR
Revenue	16	96,025	**98,563**
Cost of sales	17	(69,621)	(71,818)
Gross profit	17	**26,404**	**26,745**
Other income	18	58	77
Selling and distribution expenses	19	(770)	(754)
Administrative expenses	20	(1,878)	(2,247)
Other expenses	-	-	(48)
Finance income	22	134	178
Finance cost	22	(639)	(22)
Profit before taxation		23,309	**23,929**
Tax expenses	23	(6,118)	(6,236)
Net profit after taxation		17,191	**17,693**
Other Comprehensive income:			
Movement in foreign currency translation reserve		860	(1,021)
Total Comprehensive income		18,051	**16,672**
Profit for the year attributable to owner of the parent		17,191	17,693
Total comprehensive income attributable to owner of the parent		18,051	16,672
Weighted average number of shares		10,217,705	10,217,705
Earnings per share (undiluted and diluted)		1.68	1.74

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 2013

	Equity attributable to Shareholders					
	Share capital kEUR	Capital reserves kEUR	Statutory reserves kEUR	Translation reserve (OCI) kEUR	Retained earnings/profit carried forward kEUR	Total equity kEUR
As at Jan 1, 2012	**10,218**	**(5,685)**	**9,081**	**9,325**	**24,434**	**47,373**
Total Comprehensive Income	-	-	-	(1,021)	17,693	16,672
As at Jan 1, 2013	**10,218**	**(5,685)**	**9,081**	**8,304**	**42,127**	**64,045**
Share capital issued						
Transfer to statutory reserve	-	-	-	-	-	-
Prior Year Adjustment due to change in accounting					72	72
Total comprehensive income	-	-	-	860	17,191	18,051
As at Dec 31, 2013	**10,218**	**(5,685)**	**9,081**	**9,164**	**59,390**	**82,168**

The accompanying notes form an integral part of the consolidated financial statements and should be read in conjunction therewith. The prior year adjustment results from the change in valuation of advance payments on land use rights, which are handled according to the operating lease policies in the annual financial statements 2013. Please also refer to the explanation under Note 5

Consolidated statement of Cash Flows

For the year ended 31 December 2013

	2013	2012
	kEUR	kEUR
Cash flows from operating activities		
Profit before taxation	23,308	23,929
Interest income	(134)	(178)
Interest expenses	24	22
Depreciation of property, plant and equipment	1,853	1,853
Rental charges on land use rights	29	17
Losses on foreign exchange - unreleased	615	-
Operating profit before working capital changes	25,695	25,643
Increase/(decrease) in inventories	451	1,455
Increase/(decrease) in trade and other receivables	2,002	(679)
Increase in other prepayments / short-term loans (Hubei)	(14,484)	-
Increase/(decrease) in provisions	(691)	956
Increase/(decrease) in trade and other payables	2,515	(2,118)
Income tax paid	(5,513)	(6,228)
Net cash provided by operating activities	9,975	19,029
Cash flows from investing activities		
Purchase of property, plant and equipment	(124)	(1,257)
Prepayments for Land Use right (Hubei)	(12,203)	-
Prepayments on plant and equipment (Hubei)	(11,225)	-
Net cash used in investing activities	(23,552)	(1,257)
Cash flows from financing activities		
Finance income received	134	178
Finance costs and exchange losses	(639)	(22)
Increase in related party borrowings	550	-
Decrease in Bank borrowings	(1,065)	(858)
Increase in deferred assets	(35)	-
Net cash (used in)/ generated from financing activities	(1,055)	(702)
Net increase in cash and bank balances	(14,632)	17,070
Prior Year adjustments due to change in accounting for land use rights under operating lease	43	-
Effect of currency translation on cash and cash equivalents	871	(805)
Cash and bank balance at the beginning of the year	**47.154**	**30,889**
Cash and bank balance at the end of financial year	**33,436**	**47,154**

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 2013

1. THE COMPANY

Youbisheng Group is a Chinese clean-tech leader of environmentally friendly linerboard producer, which uses up to 100% recovered fibers. 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 145 million inhabitants.

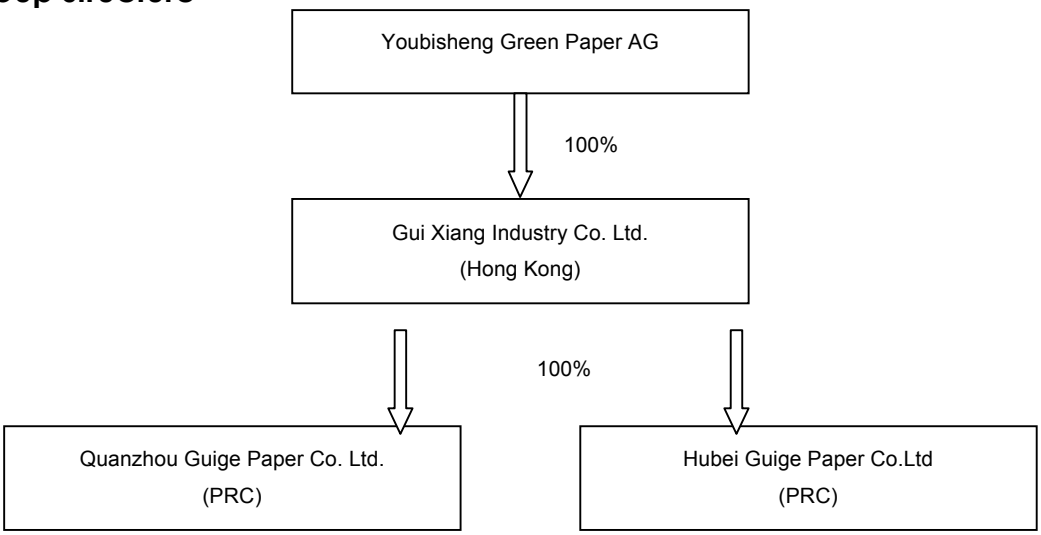
Youbisheng Green Paper AG ("Youbisheng AG" or "Company") is the Group's legal parent company (the "Company") The Company is a German limited liability stock corporation which is domiciled in Germany. The Company's registration number is HRB 72130 in Cologne, Germany. The Company's financial year is the calendar year (i.e. 1 January to 31 December).

The shares of the Company have been admitted to trading on the regulated market (Prime Standard) of the Frankfurt stock exchange. On 13 July 2011, the Company issued 10,217,705 shares with a value of EUR 1.00 per share for an initial price of EUR 6.50 per share.

The consolidated financial statements are presented in Euros. Amounts are stated in thousands of Euros (kEUR) except where otherwise indicated. The currency of the primary economic environment in which the company and its subsidiaries operate is Renminbi ("RMB") (the functional currency of the company and its subsidiaries). The figures mentioned in the consolidated financial statements were subject to rounding adjustments that were carried out according to established commercial standards. As a result, the figures stated in a table may not exactly add up to the total values that may also be stated in the table.

Dividends to be paid by the operating PRC subsidiaries generally have to be approved by Chinese government bodies. In addition, dividends are only payable if Chinese statutory reserves satisfy the related local legal requirements. For details regarding the legal requirements refer to Note 17. Cash transfers from China to countries outside of China require formal approval from the State Administration of Foreign Exchange ("SAFE")."

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.

In July 2013, a new subsidiary company was formed in China in the city of Huanggang of Hubei Province for the purpose as an operating company for the planned new facility. The planned facility is planned to be built at the end of this year, subject to funding allocation. It is 100% owned by the Youbisheng Green Paper AG subsidiary company Gui Xiang Company in Hong Kong. It was incorporated with USD$ 256,000 as registered capital.

2. BASIS OF PREPARATION

The consolidated financial statements of Youbisheng have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU), as well as with the regulations under the commercial law as set forth in section 315a (I) of the German Commercial Code (Handelsgesetzbuch – HGB). The Group has adopted all EU IFRS that were effective on or before 1 January 2013. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.1 First time adoption of new and revised IFRSs

The following regulations which became effective in 2013 have been applied to all periods presented:

Amendments to IFRS 1	First Time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 January 2013)
Amendments to IFRS 1	First Time Adoption of International Financial Reporting Standards – Government Loans (applicable for annual periods beginning on or after 1 January 2013)
Amendments to IFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
Amendments to IAS 1	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)

Amendments to IAS 12	Income Taxes - Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
IAS 19 (revised 2011)	Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)
Improvements to IFRS (2009-2011)	Normally applicable for annual periods beginning on or after 1 January 2013

The adoption of the above IFRS did not result in substantial changes to the Group's accounting policies or any significant impact on the consolidated financial statements.

2.2 New and revised IFRSs in issue but not yet effective

The following new or 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 10	Consolidated Financial Statements(1)
IFRS 11	Joint Arrangements(1)
IFRS 12	Disclosures of Interests in Other Entities(1)
IAS 27	Separate Financial Statements(1)
IAS 28	Investments in Associates and Joint Ventures(1)

(1) Effective for annual periods beginning on or after 1 January 2014

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has assessed IFRS 12's full impact which does not expect any material impact on the consolidated financial statements arising from the adoption of this standard but considers that the new standard might affect the extent of future disclosure in the notes to the consolidated financial statements. The Group intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations promulgated by the EU, but not yet effective that would be expected to have a material impact on the Group.

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

IFRS 9	Financial Instruments and subsequent amendments
Improvements to IFRS (2010-2012)	Normally applicable for annual periods beginning on or after 1 July 2014
Improvements to IFRS (2011-2013)	Applicable for annual periods beginning on or after 1 July 2014
Amendments to IAS 19	Employee Benefits - Employee Contributions (applicable for annual periods beginning on or after 1 July 2014)
Amendments to IFRS 9 and IFRS 7	"Financial Instruments" and "Financial Instruments - Disclosures": Initial Application and Transitional Regulations
IFRIC 21	Levies (applicable for annual periods beginning on or after 1 January 2014)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The potential impact on Youbisheng Group is currently being analyzed.

Except for IFRS 9 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 significant accounting policies that have been used in the preparation of these financial statements are summarized below. The financial statements have been prepared using the measurement bases and accounting policies specified by IFRS as adopted by the EU for each type of asset, liability, income and expense. These are more fully described below.

Presentation of Financial Statements

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The statement of comprehensive income has been prepared using the function of expense method.

The Group has the choice of presenting the statement of comprehensive income using a one statement approach. This presentation has been shown in the consolidated statements of profit or loss and other comprehensive income.

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.

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 buildings, plant, machines & other Tangible Assets

Buildings, plant, machines and other tangible assets 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 20 years. The carrying amounts of the Group's buildings, plant, machines and other tangible assets as 31 December 2013 were kEUR 11,070 (31 December 2012: kEUR 12,794). 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. It is the opinion of the management board that the net carrying values of fixed assets are reflecting the correct economic useful lives and residual values.

Income tax

The Group has exposure to income taxes primarily in the PRC. Significant judgment 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 recognized, 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 2013 amounted to kEUR 2,093 (31 December 2012: kEUR 1,447).,The carrying values was higher as there was outstanding tax due but unpaid at 31 December 2013.

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 behavior which may cause selling prices to change rapidly. The carrying value of inventories as at 31 December 2013 was kEUR 1,891 (31 December 2012: kEUR 2,342).

Critical judgment made in applying accounting policies

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise judgment 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 recognized 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

Buildings, plant, machines and other tangible assets

Buildings, plant, machines and other tangible assets 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.

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 capitalized as an additional cost of that asset.

Advance payments for plant and equipment acquired are recognized 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 buildings, 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:

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.

Prepayments on Land Use Rights

Land use rights are treated as operating lease according to IFRS 17. Upfront prepayments made for land use rights are initially recognized on the consolidated statement of financial position as prepayments and are charged to the profit or loss as expenses over the periods of the respective lease term – usually 50 years.

For those lands, where the certificate is not yet granted, no expenses have been considered.

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 recognized 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.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years. For the time being the Group is not applying the revaluation method.

Financial assets

The financial assets of the Group are categorized 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 amortized cost using the effective interest method. Allowances for impairment are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized 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 labor and other overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The carrying values of inventories are disclosed under note 6.

Equity and dividend payments

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

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

In accordance with the relevant laws and regulations of PRC, companies established in PRC are required to transfer 10% 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 recognized 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 amortized cost using the effective interest method, except for derivatives, which are measured at fair value. All interest related charges are recognized 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 up to the end of fiscal year 2012 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 fibers. 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 recognized 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.

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.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not re- verse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the peri- od in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Quanzhou Guige Paper Co. Ltd (PRC) and the Hubei Guige Paper Co. Ltd. (PRC) 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, 2013)	**Average rates (2013)**
EUR 1.00 = RMB 8.2850	EUR 1.00 = RMB 8.2106
EUR 1.00 = HKD 10.5421	EUR 1.00 = HKD 10.3077
RMB 1.00 = EUR 0.1207	RMB 1.00 = EUR 0.1218
HKD 1.00 = RMB 0.7859	HKD 1.00 = RMB 0.7966
USD 1.00 = RMB 6.0924	USD 1.00 = RMB 6.1410
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

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 recognized 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 recognized 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);

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 16.

Research and 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.

Immaterial Restatement / Changes in the Accounting Methods

The company changed the accounting procedure in respect of prepayments on land use rights and the according long term liabilities. Whereas in previous years, the future prepayments were discounted to the initial purchase date, the management decided that as land use rights are accounted as of IFRS 17 (operating lease accounting) these future prepayments are not to be discounted.

Furthermore the corresponding long-term liability in respect of these future prepayments was eliminated in the balance sheet. These future payments are shown as lease commitments in the notes. The total effect of this change in accounting policies on the profit of the current year is kEUR 20. The effect on retained earnings amounts to kEUR 72. As this effect is not material, a retrospective adjustment is not applicable (IAS 8.42).The company changed the accounting procedure.

4. BUILDINGS, PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings	Plant and machinery	Motor vehicle	Furniture, fixtures and office equipment	Prepayments on Plant and Equipment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
As at Jan 1, 2013	7,924	21,308	587	77	-	30,744
Additions	-	-	-	-	11,225	11,225
Translation adjustment	64	171	1	1		237
As at Dec 31, 2013	7,988	21,479	588	78	11,225	42,206

Accumulated Depreciation	Buildings	Plant and machinery	Motor vehicle	Furniture, fixtures and office equipment	Prepayments on Plant and Equipment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
As at Jan 1, 2013	3,511	12,962	558	70	-	17,289
Depreciation charge	362	1,477	-	-	-	1,853
Translation adjustment	27	96	-	-	-	97
As at Dec 31, 2013	3,900	14,535	558	70	-	19,239
Net Book Value					-	
As at Dec 31, 2012	4,413	8,346	29	7	-	13,455
As at Dec 31, 2013	**4,088**	**6,944**	**30**	**8**	**11,225**	**22,967**

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

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

(iii) 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.

(iv) The motor vehicles are recorded at historical costs less accumulated depreciation considering a useful life of 5 years. The residual values of the fully depreciated motor vehicles is kEUR 30 as at 31 December 2013.

(v) The furniture, fixtures and office equipment are recorded at historical costs less accumulated depreciation considering a useful life of 5 years. The residual values of the fully depreciated furniture, fixtures and office equipment is kEUR 8 as at 31 December 2013.

(vi) Prepayments on plant and equipment are in respect of the new Hubei production facilities, the according costs are for advance design, planning and procument of parts for the production lines. For this reason, an amount of kEUR 12,203 was paid to the production line manufacturers whom is to start planning the making of the production lines. We expect the beginning of the construction of the plant at the third quarter of 2014.

(vii) As at 31 December 2013, the land use rights, buildings and machinery with carrying amount of kEUR 1,209 (31 December 2012: kEUR 1,308) 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. PREPAYMENTS ON LAND USE RIGHTS AND LAND CERTIFICATES

Prepayment	Prepayment on Land use rights kEUR	Prepayments on Land use certificates kEUR
As at Jan 1, 2013	848	-
Additions	124	12,203
Translation adjustment	(146)	-
As at Dec 31, 2013	826	12,203

Accumulated rental charges	Prepayment on Land use rights kEUR	Prepayments on Land use certificates kEUR
As at Jan 1, 2013	188	-
Restatement	285	
Rental charge	29	-
Translation adjustment	(26)	-
As at Dec 31, 2013	476	-
Net Book Value		
As at Dec 31, 2012	660	-
As at Dec 31, 2013	**350**	**12,203**

Land use rights

Prepayments on land use rights (Quanzhou)

The land use rights have been acquired between Year 1998 and Year 2003. The land use rights are recorded at cost less rental charges under operating lease concept. The land use rights have a term of 50 years and will expire between 2048 and 2053. The rental charges for the profit and loss account are due between 2013 and 2044. Restatement of kEUR 285 was to account for the difference between the previous accounting method of finance lease comparing to the operating lease method.

An amount of kEUR 124 was a payment made for 2013 year.

Prepayments on land use certificates (Hubei)

In July 2013, the company entered into a contract to acquire the land use right for the amount of kEUR 12,203. This land use prepayment relates to the new production facilities in the City of Huanggang in the Hubei Province. The land use right is for the area of 333,330 square meters of land. Rental charges will be charged over the period of land use rights certificate once the certificate has been granted. The company expects the certificate to be issued by the end of 2014. The company is currently working on fulfilling all requirements which are necessary to receive the certificate.

6. INVENTORIES

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Raw materials	956	1,326
Finished goods	935	1,016
Total	**1,891**	**2,342**

(i) The amount of inventories recognized as an expense during the financial year 2013 are included in cost of sales and amounted to kEUR 38,046 for the financial year 2013 and kEUR 39,184 for 2012 year.

(ii) At the balance sheet dates 31 December 2013 and 2012 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 2013 is expected to be recovered within twelve months. There were no write-downs and reversal of inventories during the year.

7. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Trade receivables	22,603	22,251
Other receivables	233	2,587
Total	**22,836**	**24,838**

(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 as the management is of the opinion that most of the debtors pay in time and therefore all receivables are recoverable. There are no trade receivables older than 90 days, and accordingly no impairment was necessary.

The aging of trade receivables is as follows:

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Within 30 days	9,764	9,702
31 to 60 days	9,137	8,772
More than 60 days	3,701	3,777
	22,603	22,251

(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. The single largest customer is representing 6% of the total balance of trade receivables.

(vi) Other receivables of kEUR 233 incurred at Youbisheng AG level, referring mainly to claims for reimbursement from VAT tax.

8. SHORT-TERM PREPAYMENTS

For the new production facilities, an amount of kEUR 14,484 was paid as advanced payments to secure a certificate for the land and is not interest bearing. The advanced payment is refundable to the company once the construction stages on the new plant facilities is 30% completed.

But overall, we expect that the plant should be started to build by the latest of 2014 year ended and will achieve about 30% completion in 6 months time once started, meaning by June 2015.

9. CASH AND BANK BALANCES

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Cash at banks	32,100	46,559
Fixed deposits	1,331	590
Cash on hand	5	5
	33,436	47,154

(i) The cash at banks bear effective interest rates of 0.500% per annum as at years ended 31 December 2013 and 2012 respectively. Finance income of kEUR 134 and kEUR 178 was earned on cash and cash equivalents in 2013 and 2012 respectively. Apart from this no net gains or losses on loans and receivables occurred in 2013 or 2012. 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, 2013	Dec 31, 2012
	kEUR	kEUR
Cash in RMB	33,423	47,123
Cash in Euro	3	4
Cash in HKD	8	14
Cash in USD	2	13
	33,436	47,154

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 authorized 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.

10. 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.

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.

Chinese 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 10% 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 2013. (2012: RMB 168,284,313) and the statutory reserve is RMB 84,142,528. (2012: RMB 84,142,528)

There were no changes in statutory reserve of the Company amounts to kEUR 9,081 at 31 December 2013 (2012: 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.

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 59,390 at 31 December 2013 (2012: kEUR 42,127). An amount of kEUR 72 was a prior year adjustment since the land use rights are treated in 2013 as an operation lease contract and not as a finance lease contract.

11. SHORT TERM AND LONG TERM PAYABLES

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Long-term	0	251
Short-term		
Trade payables	14,645	11,892
Other payables and accruals	2,335	2,573
	16,980	14,465
Total	**16,980**	**14,716**

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

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
RMB	14,645	11,639
USD	-	253
Total	**14,645**	**11,892**

(ii) Other long-term payables comprise the net present value of the outstanding instalment payments for land use rights to the respective authorities in 2012. Due to the changes in accounting treatment of land use rights, to operating lease, the liabilities on retained earnings are no longer required in 2013.

(iii) 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.

(iv) 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.

(v) The other payables mainly bear outstanding payment for account balances (i.e. electricity, interest expenses), payables related to employees, and VAT payables at the years ended 31 December 2013 and 2012 respectively. The other payables are unsecured and interest free.

12. SHORT TERM PROVISIONS

There was no increase in Short term provision comparing to 2012 year.

Short term provisions of kEUR 245 were provided to cover the risk for the VAT tax refund at the Youbisheng AG level. The previous year 2012 saw a provision of kEUR 936 made for housing, social security provisions and other risks of liabilities.

13. INTEREST-BEARING BANK BORROWINGS

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Short-term bank loans	4,925	5,990

The Group's interest-bearing bank loans are secured by pledged assets and guarantees from related parties and bear effective interest rates of 6% and 6% per annum as at years ended 2013 and 2012. Finance costs related to these loans amounted to kEUR 420 and kEUR 408 in the years 2013 and 2012 respectively and had been absorbed into the costs of goods sold because these costs incurred directly related to the financing of the row material sourcing. Therefore, they had not been reflected in the profits and loss account as interest expenses.

All short-term bank borrowings become due within twelve (12) months.
Details of the securities of the secured short-term bank loans are as follows:

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Secured by:		
- Land use rights	228	234
- Buildings	981	1,074
Total	**1,209**	**1,308**

As at 31 December 2013, secured short-term loans of kEUR 4,925 (2012: kEUR 5,990) 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.

14. CURRENT TAX LIABILITIES

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Current tax liabilities	2,093	1,447

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.

15. DEFERRED TAX ASSETS AND LIABILITIES

	Dec 31, 2013	Dec 31, 2012
	kEUR	kEUR
Deferred tax assets	79	43
Deferred tax liabilities	0	85

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 deferred taxes liability was resolved in 2013 due to the change in accounting method for prepayments on land use rights.

16. REVENUE

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

	2013	2012
Sales of goods	**kEUR**	kEUR
Single sided testliner	40,633	45,131
Double sided testliner	22,696	20,685
Anti-counterfeit testliner	3,006	2,179
Subcontractor testliner	29,690	30,568
Total	**96,025**	**98,563**

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 around 6% of total revenues in the financial year 2013 while for 2012 this was around 7.5%

The largest ten customers accounted for around 51.0% of the total revenues in the financial years 2013.

17. COST OF SALES

Cost of sales comprise purchasing materials, labor 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:

	2013	2012
	kEUR	kEUR
Materials	38,046	39,184
Labor	457	417
Production overheads	7,504	7,552
Total self-production cost	**46,007**	**47,153**
Subcontracted products cost	23,100	24,145
Total self-production and subcontracted cost	**69,108**	**71,298**
Other taxes	514	520
Cost of goods sold	**69,621**	**71,818**

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 2013:

	2013	2012
	kEUR	kEUR
Revenue	96,025	98,563
Cost of goods sold	(69,621)	(71,818)
Gross profit	**26,404**	**26,745**
Gross profit margin	27.49%	27.13%

The development of the Gross Margin of the products which have been self-produced and sold in the financial year 2013 is displayed in the schedule below:

	2013	**2012**
	kEUR	**kEUR**
Revenue self-production	66,335	67,995
Cost of goods sold self-production	46,521	47,673
Gross profit self-production	**19,814**	**20,322**
Gross profit margin self-production	29.87%	29.89%

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 2013 are displayed in the schedule below:

	2013	2012
	kEUR	kEUR
Revenue sub-contracted	29,690	30,568
Cost of goods sold sub-contracted	23,100	24,145
Gross profit sub-contracted	**6,590**	**6,423**
Gross profit margin sub-contracted	22.19%	21.01%

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 27.49% for the fiscal year 2013, last year was 27.13%.

18. OTHER INCOME

Other income comprises of government rewards and incentives and currency exchange gains and others. No government rewards or incentives were granted in 2013.

	2013	**2012**
	kEUR	**kEUR**
Government rewards and incentives	-	10
Foreign exchange gain	58	67
Total	58	77

19. 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.

	2013	2012
	kEUR	kEUR
Labor cost	125	124
Freight costs	633	613
Other	12	17
Total	770	**754**

20. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses of kEUR 1,878 include wages and salaries (kEUR 406), research and development costs (kEUR 331), consulting services (kEUR 294), other taxes not levied on income (kEUR 160), accounting and audit fees (kEUR 99), executives salaries (kEUR 54), depreciation of property, plant and equipment (kEUR 51) and other adminstrative costs and expenses (kEUR 483)

21. FINANCIAL COMMITMENTS FOR LAND USE RIGHTS

The lease 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	24.12.2015	54,544.33
		3rd Payment	24.12.1998	24.12.2025	54,544.33
		4th Payment	24.12.1998	24.12.2035	54,544.33
		5th Payment	24.12.1998	24.12.2045	21,817.73
2	39773	2nd Payment	14.10.2003	2013	48,241.41
		3rd Payment	14.10.2003	2023	48,241.41
		4th Payment	14.10.2003	2033	48,241.41
		5th Payment	14.10.2003	2043	48,241.41
3	39913	2nd Payment	14.10.2003	2013	48,241.41
		3rd Payment	14.10.2003	2023	48,241.41
		4th Payment	14.10.2003	2033	48,241.41
		5th Payment	14.10.2003	2043	48,241.41
4	39525	2nd Payment	14.10.2003	30.3.2014	47,706.68
		3rd Payment	14.10.2003	30.3.2024	47,706.68
		4th Payment	14.10.2003	30.3.2034	47,706.68
		5th Payment	14.10.2003	30.3.2044	47,706.68
5	6600	2nd Payment	14.10.2003	30.3.2014	7,966.20
		3rd Payment	14.10.2003	30.3.2024	7,966.20
		4th Payment	14.10.2003	30.3.2034	7,966.20
		5th Payment	14.10.2003	30.3.2044	7,966.20
			Total undiscounted amount		**794,121.51**

22. FINANCE INCOME AND FINANCE COSTS

Finance income

	2013	2012
	kEUR	kEUR
Finance income	134	178

Finance costs

	2013	2012
	kEUR	kEUR
Interests costs	24	22
Exchanged losses	615	-
Finance costs	**639**	22

(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. Therefore only the remaining amounts are shown here for the finance expenses.

23. TAX EXPENSE

	2013	2012
	kEUR	kEUR
Profit before Taxation	23,309	23.929
Current year tax expenses (25% thereon)	5,827	5.982
Effect of non-tax deductible expenses	-	77
Other	-	7
Effect from tax losses not capitalized	291	169
Income tax	**6,118**	**6.236**

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 2013 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 15). In the past, these differences have mainly been due to differences in the accounting for land use rights and the valuation of the inventories.

24. DIVIDENDS

Dividends were not paid in 2013.

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.

25. FINANCIAL INSTRUMENTS

The following table shows the carrying amount of financial instruments as of December 31, 2013.

Cost		31 December 2013			31 December 2012	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Other financial assets						
Inventories	1,891		1,891	2,342		2,342
Trade receivables	22,836		22,836	24,838		24,838
Advance payments (Hubei)	14,484		14,484	-		-
Cash and bank balances	33,436	-	33,436	47,154		47,154
As at Dec 31, 2013	**72,647**		**72,647**	**74,334**		**74,334**

Liabilities	Carrying Amount	At Amortized values	Fair Values	Carrying Amount	At Amortized values	Fair Values
Trade payables	14,645	-	14,645	11,892	-	11,892
Other financial liabilities	2,335		2,335	2,573		2,573
Other liabilities	1,408	-	1,408	1,549	-	1,549
Borrowings	4,925	-	4,925	5,990	-	5,990
As at Dec 31, 2013	**23,313**		**23,313**	**22,004**		**22,004**

Classification according to IAS 39 31 December 2013

26. 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 2013, 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 51% of the trade receivables balances as at 31 December 2013.

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 2013 have maturity period of less than 1 year from the statement of financial position date.

(iii) Market risk

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

(iv) Currency risk

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

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

(v) Interest rate risk

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

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 2013		
Interest on interest-bearing bank loan	(49)	49
Year ended 31 December 2012		
Interest on interest-bearing bank loan	(60)	60

27. 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 9) and equity of the Group (comprising share capital, the Chinese statutory reserve, currency translation reserve, and retained earnings as detailed in note 10).

In accordance with the relevant laws and regulations of PRC, Youbisheng PRC is required to transfer 10% 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 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, 2013	Dec 31, 2012
	kEUR	kEUR
Total borrowings	4,925	5,990
Less: Cash and bank balances	33,436	47,154
Net debt / (cash)	(28,511)	(41,164)
Total equity	82,168	64,045
Net debt to equity ratio	34.70%	64.27%

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.

28. 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 Chiik		CFO resigned on 1 September 2013
Tsui, David		CFO, appointed on 8 November 2013
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.
Hubei Guige Paper Co Ltd	Manufacturing plant for production and selling of testliner at Huanggang, Hubei	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
Lin Bingyan	Sales department manager
Lin Xianqing	General Manager

Huang Shuyong	Production department manager

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 an unchanged kEUR 18 to Youbisheng HK for the management services.

As at 31 December 2013, short term loans (interest bearings)of kEUR 4,925 were guaranteed by Mr. Huang Haiming. 2012 was kEUR 5,990. As at 31 December 2013 the liabilities to related parties with an amount of kEUR 1,063 present as non-trade loans by the Mr. Huang Haiming, which are interest-free, unsecured and repayable on demand in cash and cash equivalents.

29. 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, labor dispute, civil or administrative liabilities resulting from any non-compliance concerning labor issues or resulting from a failure to pay social insurance and housing funds contributions.

30. DIRECTOR'S AND KEY MANAGEMENT PERSONNEL REMUNERATION

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 mainly of fixed salary. CEO Haiming Huang received an additional bonus payment.

Management Board		Fixed Salary	Non-Monetary Compensation and other additional Compensation	Variable Bonus	Total
		kEUR	kEUR	kEUR	kEUR
CEO Haiming Huang	2013	18	1	34	53
	2012	18	1	35	54
CFO David Tsui (as of 8 November 2013)	2013	9	0	0	9
	2012	0	0	0	0
Former CFO Hoo Kiet Chiik (up to 1 September 2013)	2013	64	1	0	65

Hoo Kiet Chiik	2012	89	1	0	90
Total Remuneration	2013	91	2	34	127
Total Remuneration	2012	107	2	35	144

Non-monetary compensation and other additional compensation reflect retirement scheme contribution.

Remuneration of Supervisory Board

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 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.

		Fixed Salary	Non-Monetary Compensation and other additional Compensation	Variable Bonus	Total
Supervisory Board					
		kEUR	kEUR	kEUR	kEUR
Chairman Gernot Kugler	2013	20	0	0	20
	2012	20	0	0	20
Vice Chairman Verena Dylla	2013	15	0	0	15
	2012	15	0	0	15
Zhang Daopei	2013	12	0	0	12
	2012	12	0	0	12
Total remuneration	2013	47	0	0	47
Total remuneration	2012	47	0	0	47

As of 31 December 2013, 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 AG.

Remuneration of Key Management (other than Management board members and Supervisory board members)

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.

Key Management		Fixed Salary	Non-Monetary Compensation and other additional Compensation	Variable Bonus	Total
		kEUR	kEUR	kEUR	kEUR
Key Management Staff	2013	134	1	0	135
	2012	81	1	0	82

Key management (others than management board members and members of supervisory board members) consists of 4 employees. Non-monetary compensation and other additional compensation reflect retirement scheme contribution.

31. EMPLOYEES BENEFITS

The average number of employees was as follows:

	Average for the year 2013	Average for the year 2012
Executive Director	2	2
Management and administration	71	71
Sales	12	12
Quality control	16	16
Research & development	16	16
Maintenance	17	17
Production	165	166
General	3	3
Total	**302**	**303**

The aggregate payroll costs of these employees were as follows:

	2013 kEUR	2012 kEUR
Wages and salaries	1,042	935
Social security cost	73	23
Total	**1,115**	**958**

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 2013 amount to kEUR 44 (2012: kEUR 73).

32. 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.

33. AUDITOR'S FEE

The total compensation for financial year 2013 for the auditor of the consolidated financial statements, Crowe Kleeberg Gmbh, Munich was kEUR 70 (2012: kEUR 0) for auditing services and kEUR 0 (2012: kEUR 0) for other certification services.

34. 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 was signed by the board of Directors and the supervisory board of the company on the 25th of April 2014 and is openly available for inspection on the Group's website at www.youbisheng-greenpaper.de.

35. 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 2013:

Name	Currency	Group equity share	Equity in kEUR	Net income kEUR
Youbisheng Green Paper AG (Cologne)	EUR		29,922	(393)
Hubei Guige Paper Co. Ltd. (PRC)	RMB	100%	135	(55)
Gui Xiang Industry Co. Ltd. (Hong Kong)	HKD	100%	3,612	(689)
Quanzhou Guige Paper Co. Ltd. (PRC)	RMB	100%	48,408	19,168

36. SUBSEQUENT EVENTS

On the 20 February, 2014, the board has resolved to issue a bond with detachable warrants (the "Bond") by way of a private placement with institutional investors. The subscription rights of the shareholders are excluded. This board resolution is based on an authorization passed in the extraordinary general meeting on 20 February 2014 and conditional to the registration of the contingent capital resolved in that general meeting in the commercial registry. The Bond placement shall take place at mid May 2015. The proceeds of the Bond are to be used to finance the new production facilities. The construction of the new facility is expected to start in October of 2014 and should be completed by the December of 2015.

Cologne, 25 April 2014

Huang Haiming Tsui David

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 principle opportunities and risks associated with the expected development of the Group.

Cologne, 25 April 2014

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 the 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 2013. 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 2013 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.

Munich 25 April 2014

Crowe Kleeberg GmbH
Wirtschaftsprüfungsgesellschaft

Karl Petersen
Wirtschaftsprüfer
[German certified auditor]

Stefan Prechtl
Wirtschaftsprüfer
[German certified auditor]

Financial Calendar, Imprint and Contact

Financial Calendar

20 February 2014	Extraordinary General Meeting
28 April 2014	Annual Report 2013
28 May 2014	Interim Report Q1 2014
August 2014	Annual General Meeting 2014
27 August 2014	Interim Report Q2 2014
24–26 November 2014	German Equity Forum 2014
26 November 2014	Interim Report Q3 2014

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