

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, in connection with its valuation on our property interests as at 30 June 2007.



利駿行測量師有限公司

LCH (Asia-Pacific) Surveyors Limited

CHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS") and entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they referred.

17th Floor
Champion Building
Nos. 287–291 Des Voeux Road
Central
Hong Kong

17 September 2007

The Directors
Qunxing Paper Holdings Company Limited
Unit 23, 7th Floor
Nan Fung Commercial Centre
No. 19 Lam Lok Street
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Qunxing Paper Holdings Company Limited (hereinafter referred to as the "Company") to us to value the properties in which the Company and its subsidiaries (hereinafter together with the Company referred to as the "Group") have interests in Hong Kong and in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 30 June 2007 (hereinafter referred to as the "Date of Valuation") for the purpose of incorporation in this prospectus and for the Company's shareholders' reference.

This summary report (including this letter, the attached summary of values and valuation certificate) forms part of our detailed valuation report of the properties as at today's date. We understand that the use of our work product (regardless of form of presentation) would form part of the Company's business due diligence to the properties and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the properties.

BASIS OF VALUATION AND ASSUMPTIONS

According to the International Valuation Standards (hereinafter referred to as the "IVS"), Seventh Edition, 2005 published by the International Valuation Standards Committee, which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation basis other than market value. In this engagement, we are instructed to have our opinion of values of the properties on the market value basis.

The term "Market Value" is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations have been made on the assumptions, that

1. the legally interested party in each of the properties of Group I sells the property in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property;
2. the legally interested party in each of the properties has free and uninterrupted rights to assign (for Group I properties) or to use (for Group II and Group III properties) the property interests for the whole of the unexpired terms as granted or rented and any premiums payable have already been fully paid; and
3. that each of the properties in Group I can be freely disposed and transferred free of all encumbrances at the Date of Valuation for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have an adverse impact to the values as reported.

Based on the purpose of this engagement and the market value basis of valuation, the management of the Group was requested to provide us the necessary documents to support that the Group is the legally interested party in the properties and has free and uninterrupted rights to assign, to mortgage or to let the property interests (in this instance, an absolute title) for the whole of the unexpired terms as granted and any premiums payable have already been paid in full. The copies of such documents were provided to us by the management of the Group.

There are three generally accepted asset appraisal approach to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach. Having considered the general and inherent characteristics of properties in Group I, we have adopted the depreciated replacement cost approach which is an application of the Cost Approach in valuing specialised properties like the properties. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of these properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties. The valuations of these properties are on the assumption that the properties are subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

In valuing the properties in Group II and Group III, no commercial values were assigned to the properties due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

We are unable to identify any adverse news against the properties which may affect the reported values in our work product as at the Latest Practicable Date of this prospectus. Thus, we are not in the position to report and comment on its impact (if any) to the properties. Should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the management of the Group was requested to provide us the necessary title documents to support that the legally interested party in the properties was the Group as at the Date of Valuation, and we have been provided with copies of the title documents regarding the properties. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. Due to inherent defects in the land registration system of China, we are unable to inspect the original documents from the relevant land registration departments to verify the existing titles of the properties or any material encumbrances that might be attached to the properties.

In the process of verifying the titles of properties in Group I and Group II, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinion as provided by the Group with regard to the Group's titles on the properties as disclosed in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by the Group's legal advisers as to PRC law, Jingtian & Gongcheng. No responsibility and liability is assumed in relation to the PRC legal opinion.

The current status of the properties in Group I regarding major approvals, consents or licences required in the PRC are set out as follows:

| Property No. | Enterprise Legal Person Business Licence | Document/Approval | |
|--------------|--|--|--|
| | | Contract for the Grant/Transfer of State-owned Land Use Rights or equivalent | State-owned Land Use Rights Certificate or equivalent |
| Property 1 | Yes | Yes | Yes |
| Property 2 | Yes | Yes | Yes |
| Property 3 | Yes | Yes | Yes |

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VS 4 OF THE HKIS STANDARDS

As part of the agreed-upon procedures, we have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this work product do not purport to be a building survey of the properties. If the management of the Group wants to satisfy them as to the condition of the properties, then the management of the Group should obtain a third party surveyor's detailed inspection and report of their own.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regard to the legal boundaries of the properties. No responsibility from our part is assumed. The management of the Group or interested party in such properties should conduct their own due diligence work.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS 5 OF THE HKIS STANDARDS

We have relied solely on the information provided by the management of the Group or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Group. All properties on the list have been included in our valuations. The management of the Group has confirmed to us that it has no property interest other than those specified on the list supplied to us.

Unless otherwise stated, we have not carried out any valuation on the study of possible alternative development options on the properties and the related economics do not come within the scope of our work product.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided.

Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS OF THIS SUMMARY REPORT

Our opinion of values of the properties in this summary report are valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this prospectus to the Company's shareholders.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work product giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules”) as well as the guidelines contained in the HKIS Standards. The valuation has been undertaken by valuers, acting as independent valuers as required by the Listing Rules, qualified for the purpose of the valuation.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company’s authorisation and prior arrangement made with us. Moreover, we will add the Company’s information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,

For and on behalf of

LCH (Asia-Pacific) Surveyors Limited

Joseph Ho Chin Choi

B.Sc. PgD RPS (GP)

Managing Director

Elsa Ng Hung Mui

B.Sc. M.Sc. RPS (GP)

Associate Director

Contributing Valuers:

Leslie Wong Tak Chiu *B.Sc.*

Terry Fung Chi Hang *B.Sc.*

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Scotland, Germany, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 18 years of experience in valuing real estate properties in mainland China.
2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 8 years of experience in valuing properties in mainland China.
3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are valuers on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of Market Value

| Property | Amount of valuations in existing state attributable to the Group as at 30 June 2007 |
|--|--|
| 1. A parcel of land together with various buildings and structures erected thereon and located at the eastern side of Zhu Jia Village, Chang Shan Town Zouping County, Binzhou City Shandong Province The People's Republic of China | RMB39,560,000 (100% interest) |
| 2. A parcel of land together with various buildings and structures erected thereon and located at the eastern side of Zhu Jia Village (also adjacent to Property 3 mentioned below) Chang Shan Town Zouping County, Binzhou City Shandong Province The People's Republic of China | RMB16,830,000 (100% interest) |
| 3. A parcel of land together with various buildings and structures erected thereon and located at the eastern side of Zhu Jia Village (also adjacent to Property 2 mentioned above) Chang Shan Town, Zouping County, Binzhou City Shandong Province The People's Republic of China | RMB3,430,000 (100% interest) |
| Sub-total: | RMB59,820,000 |

Group II – Properties rented by the Group in the PRC

| Property | Amount of valuations in existing state attributable to the Group as at 30 June 2007 |
|--|---|
| 4. A parcel of land together with various buildings and structures being erected thereon and located at San Li He, Chang Shan Town Zouping County, Binzhou City Shandong Province The People's Republic of China | No Commercial Value |
| 5. A warehouse located at the southern side of Changxing Road Chang Shan Town, Zouping County Binzhou City Shandong Province The People's Republic of China | No Commercial Value |
| Sub-total: | <u>Nil</u> |

Group III – Property rented by the Group in Hong Kong

| Property | Amount of valuations in existing state attributable to the Group as at 30 June 2007 |
|--|---|
| 6. Unit 23 on 7th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Hong Kong | No Commercial Value |
| Sub-total: | <u>Nil</u> |
| Grand Total: | <u><u>RMB59,820,000</u></u> |

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of Market Value

| Property | Description and tenure | Particulars of occupancy | Amount of valuations |
|--|---|---|--|
| | | | in existing state attributable to the Group as at 30 June 2007 RMB |
| 1. A parcel of land together with various buildings and structures erected thereon and located at the eastern side of Zhu Jia Village Chang Shan Town Zouping County Binzhou City Shandong Province The People's Republic of China | <p>The property comprises a parcel of land having a site area of approximately 36,185 sq. m. and there were 26 various buildings and structures erected thereon.</p> <p>The buildings and structures are of single to 3-storeys in height and were completed between 1999 and 2006. Together, they have a total gross floor area of approximately 25,783.46 sq. m. (See Notes 2 and 3 below)</p> <p>The property is subject to a right to use the land for a term of 46 years till 25 November 2053 for industrial purpose.</p> | We have inspected the property and confirmed by the Group that the property as at the Date of Valuation was occupied by the Group for manufacturing, storage, ancillary office and staff quarters purposes. | 39,560,000 (100 per cent. interest) |

Notes:

1. The right to possess the land is held by the State and the rights to use the land has been transferred to Shandong Qunxing Paper Limited (hereinafter referred to as "Shandong Qunxing") via the following ways:
 - (i) pursuant to a Contract for the Transfer of State-owned Land Use Rights made between Zouping Guang Hua Veneer Company Limited and Shandong Qunxing dated 2 April 2007, the land use rights of two parcels of land, including the property and Property 2 mentioned at Page IV-12, having a total site area of approximately 60,000 sq. m. were transferred to Shandong Qunxing at a consideration of RMB10,980,000. The land was located at San Li He, Chang Shan Town, Zouping County and transferred to Shandong Qunxing for a term of 46 years for industrial usage; and
 - (ii) pursuant to a State-owned Land Use Rights Certificate – Zou Guo Yong (2007) Di 020190 Hao 鄒國用(2007)第020190號 dated 3 April 2007 and issued by the People's Government of Zouping County, the property is a transferable land and has a site area of approximately 36,185 sq. m. The land use of the property is restricted to industrial usage and for a term of 46 years till 25 November 2053.
2. Pursuant to three various Building Ownership Certificates – Zouping County Fang Quan Zheng Chang Shan Gong Zi Di CSG00032(1) Hao 鄒平縣房權證長山公字第CSG00032(1)號, Zouping County Fang Quan Zheng Chang Shan Gong Zi Di CSG00032(2) Hao 鄒平縣房權證長山公字第CSG00032(2)號 and Zouping County Fang Quan Zheng Chang Shan Gong Zi Di CSG00032(3) Hao 鄒平縣房權證長山公字第CSG00032(3)號 all dated 14 April 2007 and issued by the Housing Management Bureau of Zouping County 鄒平縣房產管理局 regarding the major buildings and structure mentioned in Note 3 below, the legally interested party in the buildings erected on the land was Shandong Qunxing.

3. A detailed breakdown of the gross floor area of the various buildings and structures is as follows:

| Building Ownership Certificate no. | Buildings (no. of storey excluding roof) | Gross Floor Area (sq. m.) |
|---|---|----------------------------------|
| CSG00032(1) Hao | Storage (Single Storey) | 45.72 |
| CSG00032(1) Hao | Storage (Single Storey) | 49.40 |
| CSG00032(1) Hao | Storage (Single Storey) | 898.98 |
| CSG00032(1) Hao | Workshop (2-Storey) | 3,151.00 |
| CSG00032(1) Hao | Workshop (2-Storey) | 1,362.06 |
| CSG00032(2) Hao | Workshop (Single Storey) | 2,794.20 |
| CSG00032(2) Hao | Office (Single Storey) | 101.56 |
| CSG00032(2) Hao | Dormitory (3-Storey) | 1,717.50 |
| CSG00032(2) Hao | Workshop (Single Storey) | 1,413.13 |
| CSG00032(2) Hao | Storage (Single Storey) | 1,607.04 |
| CSG00032(3) Hao | Workshop (2-Storey) | 5,128.57 |
| | Sub-total: | 18,269.16 |
| | Structures | |
| Not applicable to structures in China | Sedimentation Tower | 384.65 |
| | Filtration Pool | 90.00 |
| | Water Pool | 1,080.00 |
| | Sedimentation Pool | 96.00 |
| | Water Pool | 64.00 |
| | Regulating Pool | 418.00 |
| | Sludge Treatment Pool | 704.00 |
| | Sedimentation Pool | 484.00 |
| | Laboratory House (Single Storey) | 90.00 |
| | Sedimentation Tower | 1,235.00 |
| | Sedimentation Tower | 648.00 |
| | Workshop (Single Storey) | 400.00 |
| | Water Pool | 1,100.00 |
| | Carport (Single Storey) | 710.65 |
| Guard House (Single Storey) | 10.00 | |
| | Sub-total: | 7,514.30 |
| | Grand Total: | <u>25,783.46</u> |

4. Pursuant to a copy of the Enterprise Legal Person Business Licence dated 14 February 2007, Shandong Qunxing is a limited liability company for an operational period commencing from 15 August 2006 to 14 August 2026. Shandong Qunxing was 100 per cent. owned by Best Known Group Limited, a wholly-owned subsidiary of Qunxing Paper Holdings Company Limited.

5. According to the legal opinion as prepared by the Group's legal advisers as to PRC law, Jingtian & Gongcheng, the following opinions are noted:

- (i) Shandong Qunxing is a limited liability company incorporated in China with a valid Enterprise Legal Person Business Licence; and
- (ii) Shandong Qunxing has obtained the right to use the property legally by way of transfer and is the only legally interested party in the property. Based on that and subject to the relevant rules and regulations as well as the terms and conditions as stipulated in the relevant land grant contract and its subsequent supplementary and certificates, Shandong Qunxing has the right to use and assign the property.

| Property | Description and tenure | Particulars of occupancy | Amount of valuations in existing state attributable to the Group as at 30 June 2007 RMB |
|---|---|--|--|
| <p>2. A parcel of land together with various buildings and structures erected thereon and located at the eastern side of Zhu Jia Village (also adjacent to Property 3 mentioned on Page IV-14) Chang Shan Town Zouping County Binzhou City Shandong Province The People's Republic of China</p> | <p>The property comprises a parcel of land having a site area of approximately 23,815 sq. m. and there were 17 various buildings and structures erected thereon.</p> <p>The buildings and structures are of single to 2-storeys in height and were completed between 1999 and 2002. Together, they have a total gross floor area of approximately 10,662.59 sq. m. (See Notes 2 and 3 below)</p> <p>The property is subject to a right to use the land for a term of 46 years till 25 November 2053 for industrial purpose.</p> | <p>We have inspected the property and confirmed by the Group that the property as at the Date of Valuation was occupied by the Group for manufacturing, storage and ancillary office purposes.</p> | <p>16,830,000 (100 per cent. interest)</p> |

Notes:

1. The right to possess the land is held by the State and the rights to use the land has been transferred to Shandong Qunxing Paper Limited (hereinafter referred to as "Shandong Qunxing") via the following ways:
 - (i) pursuant to a Contract for the Transfer of State-owned Land Use Rights made between Zouping Guang Hua Veneer Company Limited and Shandong Qunxing dated 2 April 2007, the land use rights of two parcels of land, including Property 1 mentioned at Page IV-10 and the property, having a total site area of approximately 60,000 sq. m. were transferred to Shandong Qunxing at a consideration of RMB10,980,000. The land was located at San Li He, Chang Shan Town, Zouping County and transferred to Shandong Qunxing for a term of 46 years for industrial usage; and
 - (ii) pursuant to a State-owned Land Use Rights Certificate – Zou Guo Yong (2007) Di 020192 Hao 鄒國用(2007)第020192號 dated 3 April 2007 and issued by the People's Government of Zouping County, the property is a transferable land and has a site area of approximately 23,815 sq. m. The land use of the property is restricted to industrial usage and for a term of 46 years till 25 November 2053.
2. Pursuant to two various Building Ownership Certificates – Zouping County Fang Quan Zheng Chang Shan Gong Zi Di CSG00033(1) Hao 鄒平縣房權證長山公字第CSG00033(1)號 and Zouping County Fang Quan Zheng Chang Shan Gong Zi Di CSG00033(2) Hao 鄒平縣房權證長山公字第CSG00033(2)號 both dated 14 April 2007 and issued by the Housing Management Bureau of Zouping County 鄒平縣房產管理局 regarding the major buildings and structures mentioned in Note 3 below, the legally interested party in the buildings was Shandong Qunxing.

3. A detailed breakdown of the gross floor area of the various buildings and structures is as follows:

| Building Ownership Certificate no. | Buildings (no. of storey excluding roof) | Gross Floor Area (sq.m.) |
|---|---|---------------------------------|
| CSG00033(1) Hao | Office (Single Storey) | 125.00 |
| CSG00033(1) Hao | Storage (Single Storey) | 689.40 |
| CSG00033(1) Hao | Workshop (2-Storey) | 2,472.50 |
| CSG00033(1) Hao | Storage (Single Storey) | 256.75 |
| CSG00033(1) Hao | Storage Single Storey) | 1,668.92 |
| CSG00033(2) Hao | Switch Room (Single Storey) | 184.60 |
| CSG00033(2) Hao | Workshop (Single Storey) | 1,517.55 |
| CSG00033(2) Hao | Lavatory (Single Storey) | 61.22 |
| CSG00033(2) Hao | Storage (Single Storey) | 903.00 |
| | Sub-total: | 7,878.94 |
| | Structures | |
| Not applicable to structures in China | Water Pool | 504.00 |
| | Sedimentation Tower | 384.65 |
| | Storage (Single Storey) | 200.00 |
| | Storage (Single Storey) | 480.00 |
| | Sedimentation Tower | 255.00 |
| | Water Pool | 800.00 |
| | Workshop (Single Storey) | 90.00 |
| | Workshop (Single Storey) | 70.00 |
| | | Sub-total: |
| | Grand Total | <u>10,662.59</u> |

4. Pursuant to a copy of the Enterprise Legal Person Business Licence dated 14 February 2007, Shandong Qunxing is a limited liability company for an operational period commencing from 15 August 2006 to 14 August 2026. Shandong Qunxing was 100 per cent. owned by Best Known Group Limited, a wholly-owned subsidiary of Qunxing Paper Holdings Company Limited.
5. According to the legal opinion as prepared by the Group's legal advisers as to PRC law, Jingtian & Gongcheng, the following opinions are noted:
- (i) Shandong Qunxing is a limited liability company incorporated in China with a valid Enterprise Legal Person Business Licence; and
 - (ii) Shandong Qunxing has obtained the right to use the property legally by way of transfer and is the only legally interested party in the property. Based on that and subject to the relevant rules and regulations as well as the terms and conditions as stipulated in the relevant land grant contract and its subsequent supplementary and certificates, Shandong Qunxing has the right to use and assign the property.

| Property | Description and tenure | Particulars of occupancy | Amount of valuations in existing state attributable to the Group as at 30 June 2007 RMB |
|--|---|---|--|
| 3. A parcel of land together with various buildings and structures erected thereon and located at the eastern side of Zhu Jia Village (also adjacent to Property 2 mentioned on Page IV-12) Chang Shan Town Zouping County Binzhou City Shandong Province The People's Republic of China | <p>The property comprises a parcel of land having a site area of approximately 2,520 sq. m. with 3 various buildings and structures erected thereon.</p> <p>The buildings and structures include a single storey office, a single storey carport and a single storey lavatory which were completed in 2000. Together, they have a total gross floor area of approximately 1,780.35 sq. m. (See Note 2 below)</p> <p>The property is subject to a right to use the land for a term of 46 years till 25 November 2053 for industrial purpose.</p> | <p>We have inspected the property and confirmed by the Group that the property as at the Date of Valuation was occupied by the Group for office, and ancillary supporting purposes.</p> | <p>3,430,000 (100% interest)</p> |

Notes:

1. The right to possess the land is held by the State and the rights to use the land has been transferred to Shandong Qunxing Paper Limited (hereinafter referred to as "Shandong Qunxing") via the following ways:
 - (i) pursuant to a Contract for the Transfer of State-owned Land Use Rights made between Zouping Guang Hua Veneer Company Limited and Shandong Qunxing dated 8 May 2007, the land use rights of a parcel of land having a site area of approximately 2,520 sq. m. was transferred to Shandong Qunxing at a consideration of RMB461,160 for a term of 46 years for industrial usage; and
 - (ii) pursuant to a State-owned Land Use Rights Certificate – Zou Guo Yong (2007) Di 020194 Hao 鄒國用(2007)第020194號 dated 8 May 2007 and issued by the People's Government of Zouping County, the property is a transferable land and has a site area of approximately 2,520 sq. m. The land use of the property is restricted to industrial usage and for a term of 46 years till 25 November 2053.
2. Pursuant to a Building Ownership Certificate – Zouping County Fang Quan Zheng Chang Shan Gong Zi Di CSG00034 Hao 鄒平縣房權證長山公字第CSG00034號 dated 10 May 2007 and issued by the Housing Management Bureau of Zouping County 鄒平縣房產管理局 regarding a two storey office building having a total gross floor area of approximately 1,515.35 sq. m., the legally interested party in the buildings was Shandong Qunxing.
3. Pursuant to a copy of the Enterprise Legal Person Business Licence dated 14 February 2007, Shandong Qunxing is a limited liability company for an operational period commencing from 15 August 2006 to 14 August 2026. Shandong Qunxing was 100 per cent. owned by Best Known Group Limited, a wholly-owned subsidiary of Qunxing Paper Holdings Company Limited.

4. According to the legal opinion as prepared by the Group's legal advisers as to PRC law, Jingtian & Gongcheng, the following opinions are noted:
- (i) Shandong Qunxing is a limited liability company incorporated in China with a valid Enterprise Legal Person Business Licence; and
 - (ii) Shandong Qunxing has obtained the right to use the property legally by way of transfer and is the only legally interested party in the property. Based on that and subject to the relevant rules and regulations as well as the terms and conditions as stipulated in the relevant land grant contract, Shandong Qunxing has the right to use and assign the property.

Group II – Properties rented by the Group in the PRC

| Property | Description and occupancy | Amount of valuation in existing state attributable to the Group as at 30 June 2007 RMB |
|--|---|---|
| 4. A parcel of land together with various buildings and structures being erected thereon and located at San Li He Chang Shan Town Zouping County Binzhou City Shandong Province The People's Republic of China | <p>The property comprises a parcel of land having a site area of approximately 10,070.6 sq.m. (See Note 1 below)</p> <p>During our inspection, we noticed that there were one single storey workshop building and a single storey supporting workshop being constructed on the land. Upon completion, these two buildings will have a total gross floor area of approximately 5,916 sq.m. There were also 3 various ancillary supporting pools being constructed on the land. The scheduled completion date of the construction is in early 2008.</p> <p>The property was leased to the Group at an annual rental of RMB160,000 from 1 April 2007 to 31 March 2027. We have inspected and confirmed by the Group that the property was under construction for its 7th production line workshop as at the Date of Valuation.</p> | No Commercial Value |

Notes:

1. According to a Tenancy Agreement made between Zouping Guang Hua Veneer Company Limited (hereinafter referred to as "Guang Hua") and Shandong Qunxing Paper Limited (hereinafter referred to as "Shandong Qunxing") dated 1 April 2007, a parcel of land having a site area of approximately 10,070.6 sq.m. was leased by Guang Hua to Shandong Qunxing for the construction of its 7th production line workshop at an annual rental of RMB160,000. The effective date of the Tenancy Agreement is for the period from 1 April 2007 to 31 March 2027.
2. According to a Supplementary Agreement made between Guang Hua and Shandong Qunxing dated 1 April 2007, Guang Hua agreed to transfer the land use right of the property to Shandong Qunxing before 31 December 2008.
3. The Lessor of the property is an associate of the ultimate holding company of Qunxing Paper Holdings Company Limited.
4. According to an Encumbrance Certificate – Zou Ta Xiang (2007) Zi Di 18094 Hao 鄒他項(2007)字第18094號 dated April 2007, Shandong Qunxing has the rights to use the land of the property for a terms of 20 years from 1 April 2007 to 31 March 2027 at an annual rental of RMB160,000 according to a tenancy agreement.
5. According to a Planning Permit for Using Construction Usage Land dated 29 April 2007, a Construction Planning Permit dated 29 April 2007 and a Permit to Commence Construction dated 30 April 2007, all issued by the Development Bureau of the Zouping County, Shandong Qunxing has obtained the right for the development on the subject land of its 7th production line workshop and will have a total gross floor area of approximately 5,916 sq.m. upon completion.

6. According to the legal opinion as prepared by the Group's legal advisers as to PRC law, Jingtian & Gongcheng, the following opinions are noted:
- (i) Guang Hua held the land use rights of the property via a State-owned Land Use Rights Certificate – Zou Guo Yong (2007) Di 020191 Hao 鄒國用(2007)第020191號, in which the subject land forms part, and has the right to lease the property. The Tenancy Agreement was registered with the relevant local authorities, thus, the Tenancy Agreement is legal, valid and enforceable;
 - (ii) Shandong Qunxing has obtained the relevant permits to construct its building on the land and is the legally interested party in the property upon completion of the construction work and obtaining the relevant title certificate; and
 - (iii) there is no legal impediment for Shandong Qunxing to obtain the land use rights of the property upon Guang Hua transferred the land use rights to Shandong Qunxing in accordance with the terms and conditions stipulated in the Supplementary Agreement mentioned in Note 2 above.

| Property | Description and occupancy | Amount of valuation in existing state attributable to the Group as at 30 June 2007 RMB |
|--|---|---|
| 5. A warehouse located at the southern side of Changxing Road Chang Shan Town Zouping County Binzhou City Shandong Province The People's Republic of China | The property comprises a single storey warehouse which was completed in 2005. The property has a total gross floor area of approximately 12,158 sq. m. The property was leased to the Group at an annual rental of RMB400,000 from 10 May 2007 to 10 May 2008. We have inspected the property and confirmed by the Group that the property was occupied for storage purpose as at the Date of Valuation. | No Commercial Value |

Notes:

1. According to a Tenancy Agreement dated 10 May 2007 and a Supplementary Agreement dated 11 May 2007 and made between Shandong Changxing Group Limited (hereinafter referred to as "SD Changxing") and Shandong Qunxing Paper Limited (hereinafter referred to as "Shandong Qunxing"). The property was leased by SD Changxing to Shandong Qunxing at an annual rental of RMB400,000. The effective date of the tenancy agreement is for the period from 10 May 2007 to 10 May 2008.
2. The Lessor of the property is an associate of the ultimate holding company of Qunxing Paper Holdings Company Limited.
3. According to the legal opinion as prepared by the Group's legal advisers as to PRC law, Jingtian & Gongcheng, the following opinions are noted:
 - (i) SD Changxing obtained a Building Ownership Certificate for the property and has the right to lease the property. The Tenancy Agreement was registered with the relevant local authorities, thus, the Tenancy Agreement is legal, valid and enforceable; and
 - (ii) the property is used for the intended industrial purpose.

Group III – Property rented by the Group in Hong Kong

| Property | Description and occupancy | Amount of valuation in existing state attributable to the Group as at 30 June 2007 RMB |
|--|--|---|
| 6. Unit 23 on 7th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Hong Kong | <p>The property comprises an office unit on the 7th Floor of a 19-storey commercial building which was completed in 1993.</p> <p>The gross floor area and saleable area of the property is approximately 95.60 sq. m. (1,029 sq. ft.) and 70.88 sq. m. (763 sq. ft.), respectively.</p> <p>The property is rented to a member of the Group for a term of 2 years from 16 February 2007 to 15 February 2009 at a monthly rental of HK\$17,000 inclusive of rates, Government rent and management fees but exclusive of water and electricity bills and all other outgoings.</p> <p>We have inspected the property and have been confirmed by the Group that the property was occupied for office purpose as at the Date of Valuation.</p> | No Commercial Value |

Notes:

1. The registered owner of the property is Chun Kwok Industrial Company Limited, an independent third party of the Group.
2. According to a Tenancy Agreement made between Chun Kwok Industrial Company Limited (hereinafter referred to as "Chun Kwok") and Best Known Group Limited (hereinafter referred to as "Best Known") dated 9 February 2007, the property was leased to Best Known.
3. According to the legal opinion prepared by the Company's Hong Kong legal adviser, Chiu & Partners, the following opinions are noted:
 - (i) The Tenancy Agreement has been duly stamped.
 - (ii) The property is not subject to any legal charge/mortgage.
 - (iii) Best Known has confirmed that there has been no breach of the alienation restriction provision contained in the Tenancy Agreement which prohibits Best Known to sublet or transfer the tenancy created under the Tenancy Agreement to any party.
 - (iv) Best Known has confirmed that there are no notices affecting the property or its use whether given or served by Chun Kwok, any government department or other competent authority or any person or body which have not been complied with.
 - (v) The Tenancy Agreement is valid and enforceable in accordance with the terms thereof and Best Known is entitled to enjoy exclusive possession of the property in accordance with the terms of the Tenancy Agreement.