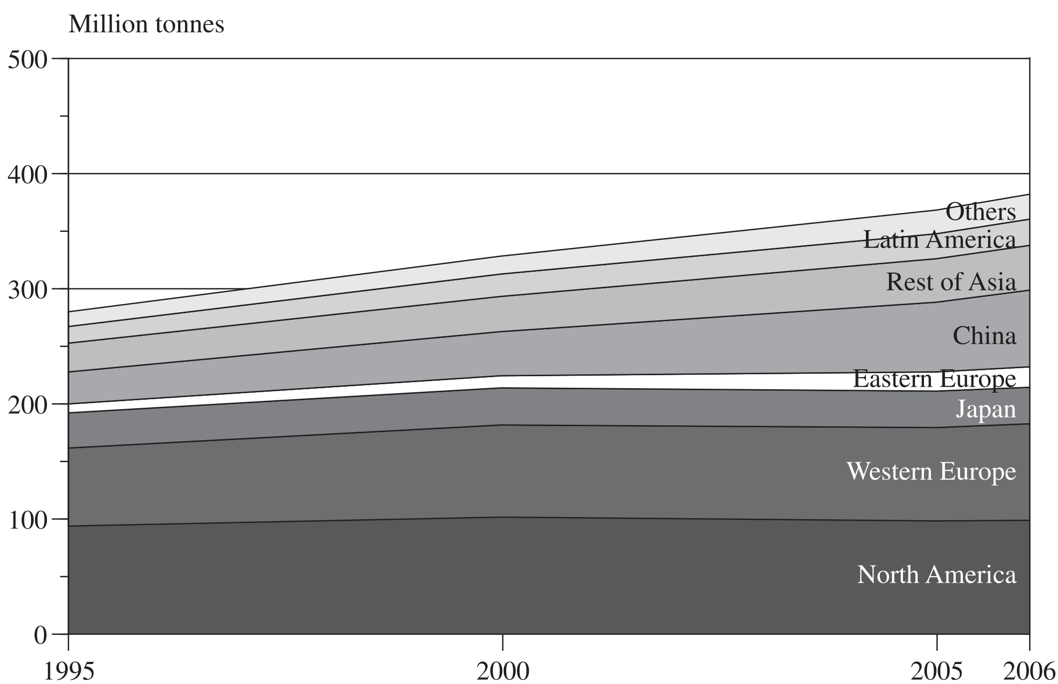
The information and statistics provided in the section below and in the sections headed "Summary", "Business — Overview", "Business — Competitive Strengths", "Business — Competition" and "Future Plans and Use of Proceeds" in this prospectus relating to the industry are derived from various official government sources. Our Directors have taken reasonable care in the production of such facts and statistics. However, no independent verification has been carried out on any facts and statistics which are directly or indirectly derived from any of these sources. The Company, the Sponsor, the Underwriters, their respective directors and advisers or any other party involved in the Global Offering make no representation as to the accuracy of this official information, which may not be consistent with each other or with other information compiled within or outside the PRC. Accordingly, the official information contained herein may not be accurate and should not be unduly relied upon.

Investors should also note that we commissioned Pöyry, our independent technical consultant, to prepare certain information and statistics on the paper industry for inclusion in this prospectus. Pöyry's report, from which the relevant information of this section is extracted, was based on the market research in the Chinese paper making industry. Pöyry is a global consulting and engineering firm focusing on the energy, forest industry and infrastructure and environment sectors.

Overview of the Global Paper and Paperboard Industry

The global demand for paper and paperboard has been growing stably over the past decade. According to Pöyry, global demand for paper and paperboard was 279.5 million tonnes in 1995 and reached 381.6 million tonnes in 2006 (representing a compound annual growth rate of approximately 2.9%).

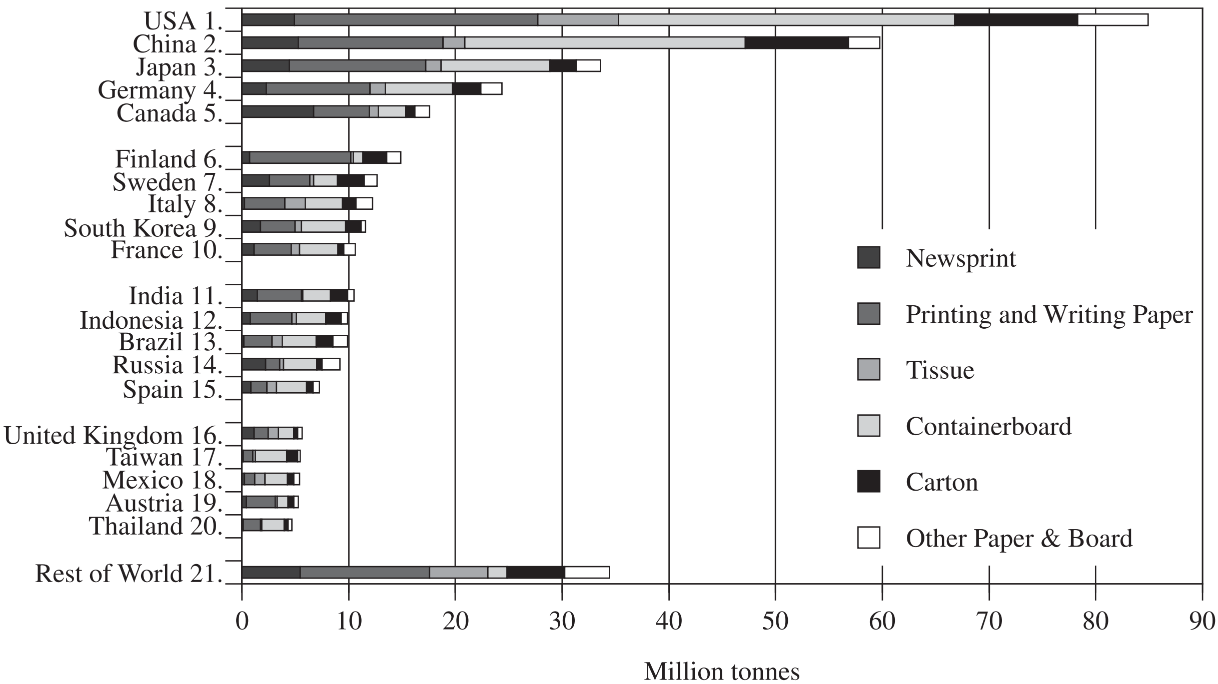
Global Demand for Paper and Paperboard: 1995-2006



Source: Pöyry

According to Pöyry, the U.S. is the largest producer of paper and paperboard in the world followed by China.

Leading Paper and Paperboard Producing Countries in Q1 2008 (in terms of annual production capacity)



Source: Pöyry

Overview of the Paper and Paperboard Industry in China

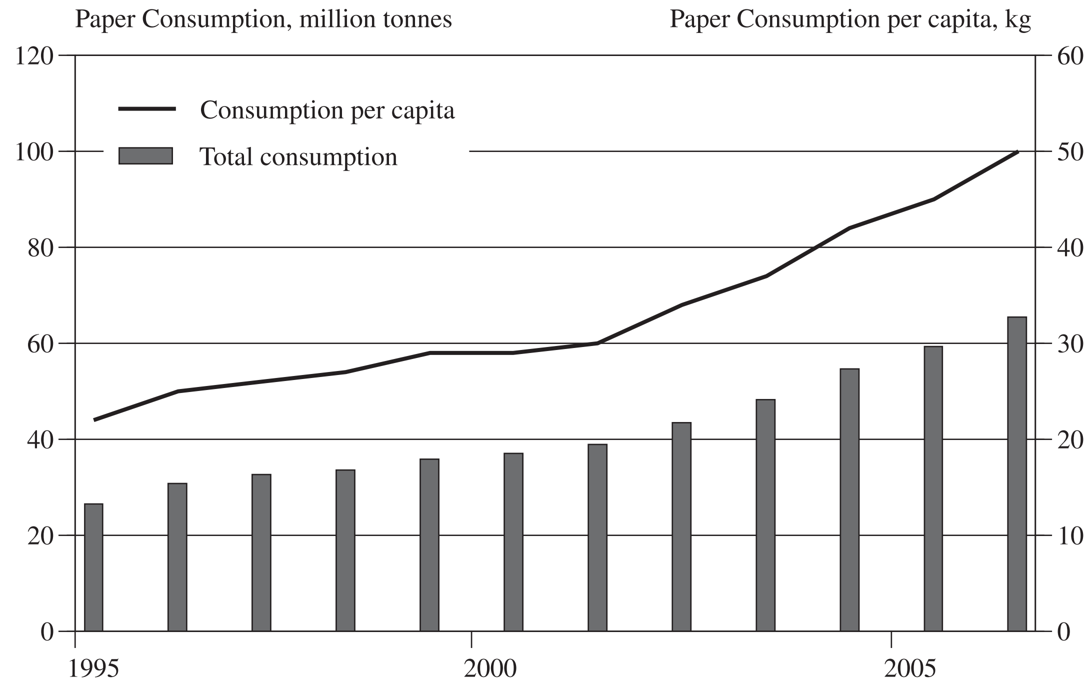
The paper and paperboard industry in China has become the second largest market in the world after the U.S., measured by both paper and paperboard consumption and production. During the past decade, consumption for paper and paperboard in China has been growing at a compound annual growth rate of 8.6%. The total paper and paperboard consumption in China was approximately 26.5 million tonnes in 1995 and grew to approximately 65.5 million tonnes in 2006.

The key demand drivers for paper and paperboard in China are:

- Strong growth of per capita GDP (from USD601 in 1995 to USD1,990 in 2006); and
- Increasing exports and foreign investments, especially after China's entry into WTO as China's industrialization and urbanization process have also accelerated paper and paperboard consumption. Meanwhile, consumer behavior has improved, from a purely price-sensitive to both price and quality sensitive market.

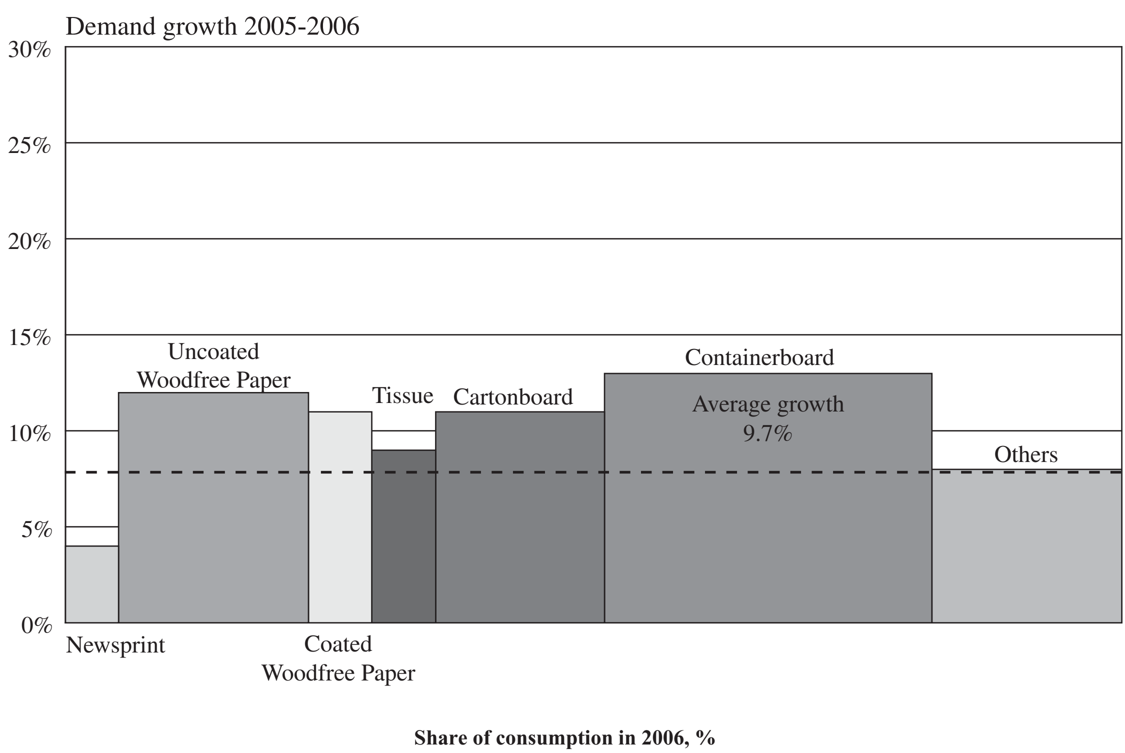
However, China's per capita consumption of paper and paperboard in 2006 was only about 50.0 kg, and is still below the world average of 60.0 kg and well below consumption levels in developed countries (such as USA 310.0 kg, Japan 245.0 kg). Thus, there is still strong development potential in the Chinese paper sector.

Total Consumption of Paper and Paperboard in China



Source: Pöyry

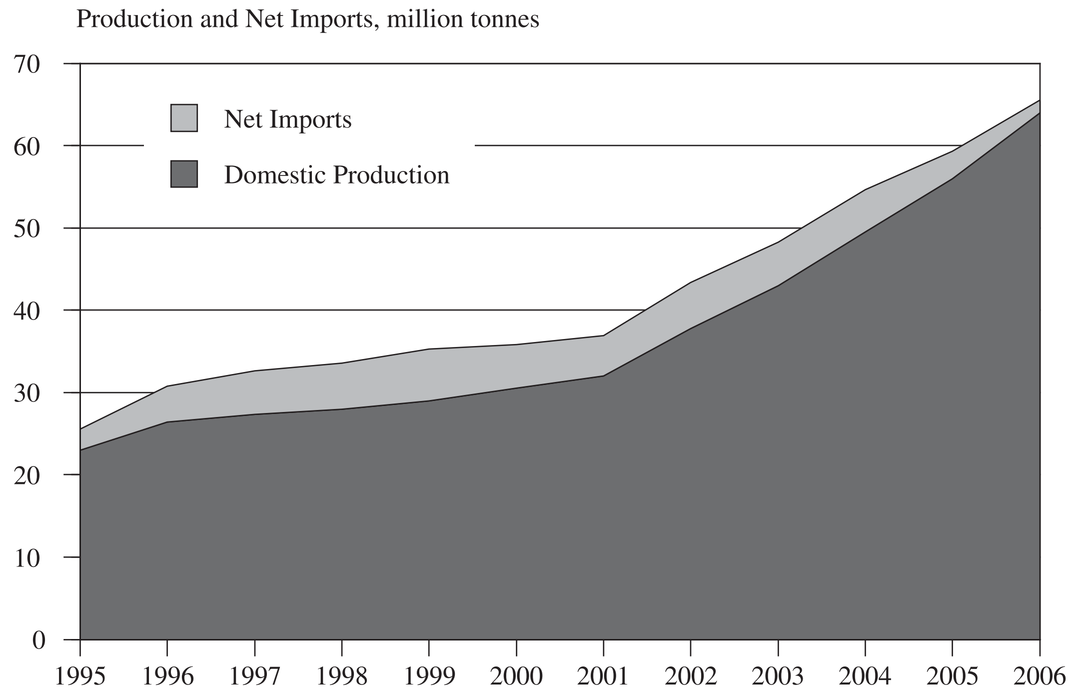
Demand Growth and Consumption Share by Grade



Source: Pöyry

Due to the strong growth in consumption, China's paper and paperboard production has also grown dramatically over the past decades. Total paper production was approximately 23.0 million tonnes in 1995 which grew to approximately 64.5 million tonnes in 2006. Nevertheless, China is still a net importer of paper and paperboard, even though domestic production capacity has been expanding sharply since 1995.

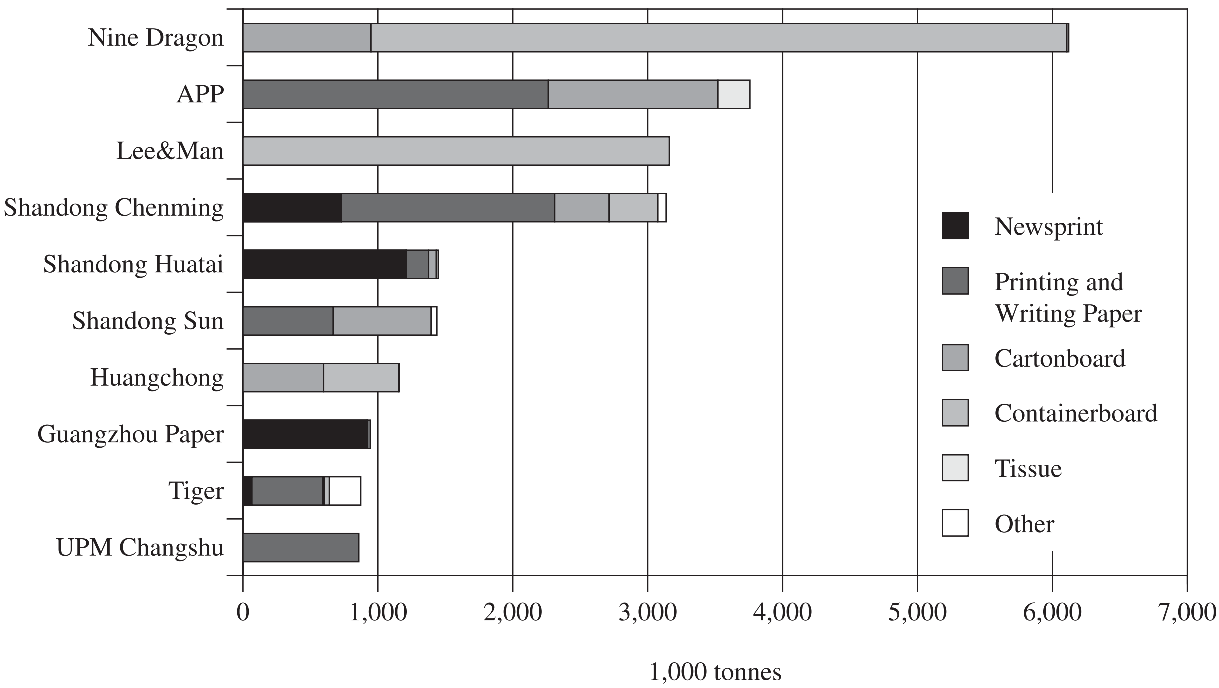
Total Production and Net Imports in China



Source: Pöyry, China Paper Association and World Trade Atlas

According to Pöyry, the Chinese paper and paperboard industry is very fragmented, with some 3,500 companies recorded in the system of National Bureau of Statistics of China (中華人民共和國國家統計局) in 2006. In fact, the top ten companies account for only 24.0% of the national production based on the 2006 data. The following diagram shows the top ten paper manufactures, measured by the annual production capacity in the first quarter of 2008. Compared to other main paper and paperboard producing countries, the industry concentration level is still low in China.

Top Ten Paper and Paperboard Producers in China, Q1 2008 (in terms of annual production capacity)



Source: Pöyry

According to Pöyry, we are the largest or second largest producer in China in certain segments of the paper market which we operate in the first quarter of 2008:

- Light weight coated paper — largest producer
- Uncoated woodfree paper (including duplex press paper and writing paper) — second largest producer
- Coated woodfree paper (including art paper) — second largest producer
- News press paper — third largest producer
- White paper board — third largest producer

According to the data from the China Paper Association, we are the largest paper producer in China in terms of annual sales revenue from 2004 to 2007. The following table sets for the five largest paper products manufacturers in China in 2007 in terms of sales revenue based on the ranking of the China Paper Association:

2007 Ranking	Company	Principal Products	Financial year 2007 (In millions of RMB)
1	Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司)	White paper board, art paper, light weight coated paper, duplex press paper, news press paper, paperboard, writing paper, and other paper products	15,164.7(1)
2	Dongguan Nine Dragons Paper Industries Co., Ltd. (東莞玖龍紙業有限公司)	Linerboard, high performance corrugating medium and coated duplex board with grey black	9,837.7(1)
3	Shandong Huatai Paper Co., Ltd. (山東華泰紙業股份有限公司)	News press paper and copy paper	6,032.1(1)
4	Gold East Paper (Jiangsu) Co., Ltd. (金東紙業(江蘇)有限公司)	Art paper	9,841.2(2)
5	Shandong Bohui Paper Co., Ltd. (山東博滙紙業股份有限公司)	Writing and printing paper, duplex press paper, boardpaper, gypsum boardpaper and paperboard	3,167.6(1)

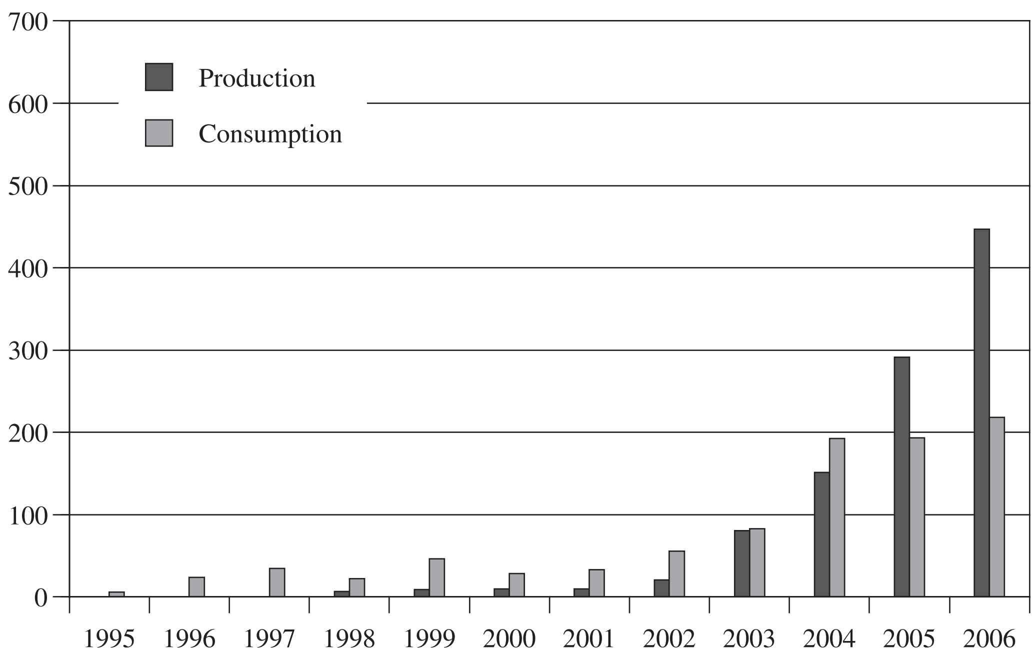
Source: China Paper Association

(1) Sales revenue is extracted from the respective audited annual report of 2007 published in respective websites.

(2) Sales revenue is extracted from the data of the China Paper Association as no public information is available.

Light Weight Coated Paper

Production and Consumption in China, 1,000 tonnes

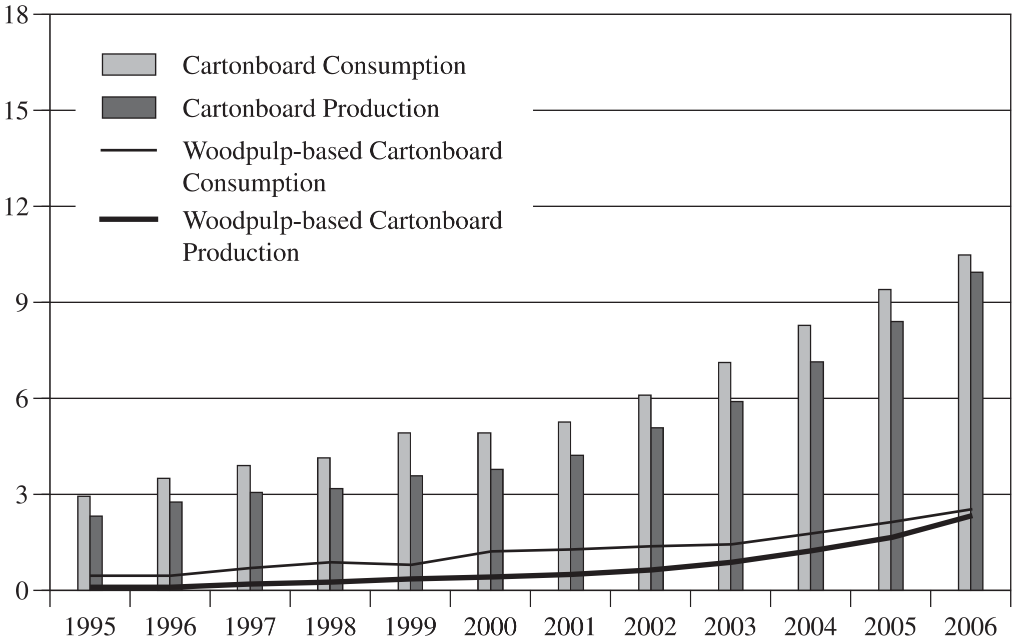


Source: Pöyry

Consumption of light weight coated paper is very much tied to the publishing and printing machinery improvement. Currently, there are not too many end-uses of light weight coated paper in China, and so far magazines and catalogues are main end-uses. In addition, newspaper publishing uses some light weight coated paper, mostly for colorful advertisements. The future consumption of light weight coated paper depends mainly on the demand for magazines and the competitive position of magazine and newspaper advertising against other media.

Cartonboard

Production and Consumption in China, million tonnes

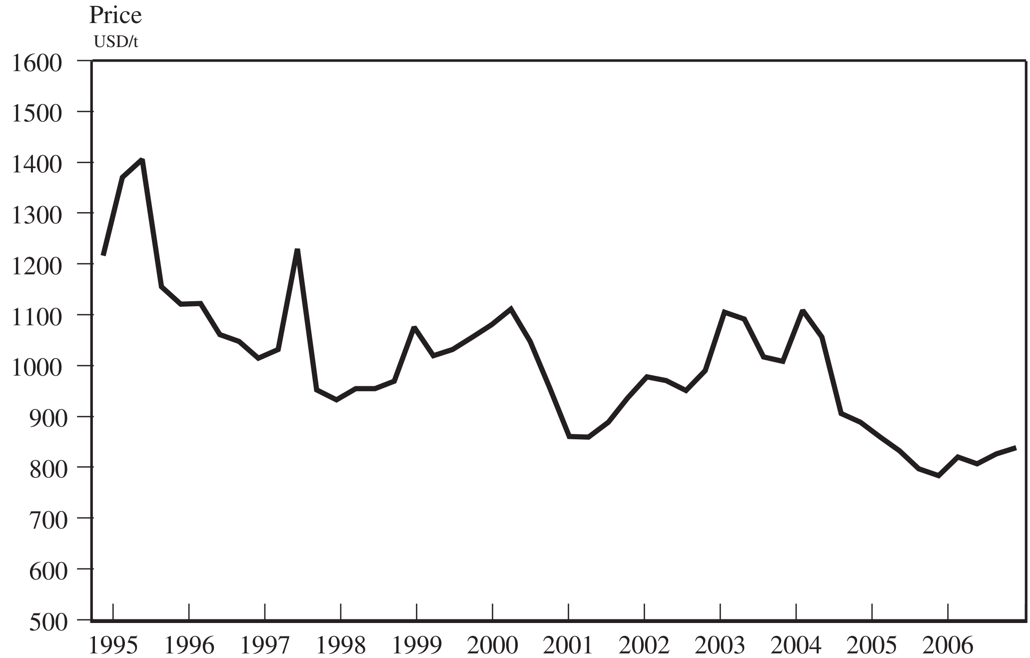


Source: Pöyry and China Paper Association

The cartonboard market comprises a variety of grades and end-uses, whose competitive environments vary depending on local industrial structures and locations, packaging and converting technology. In China, folding cartons are mainly used for packaging cigarettes, small consumer electronics, pharmaceuticals, cosmetics, hygiene products and playing cards.

The above graph shows a historical development of cartonboard demand and supply in China. The total consumption of cartonboard reached 10.5 million tonnes in 2006.

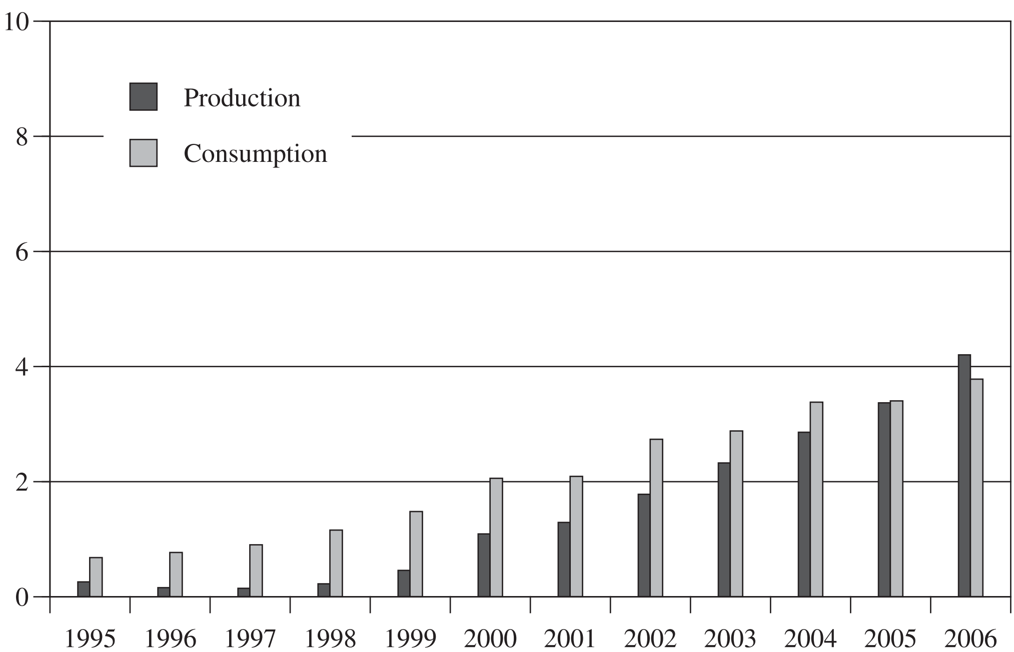
The following graph shows the historical trend of the average market price of cartonboard in China from 1995 to 2006:



Source: Pöyry

Coated Woodfree Paper

Production and Consumption in China, million tonnes

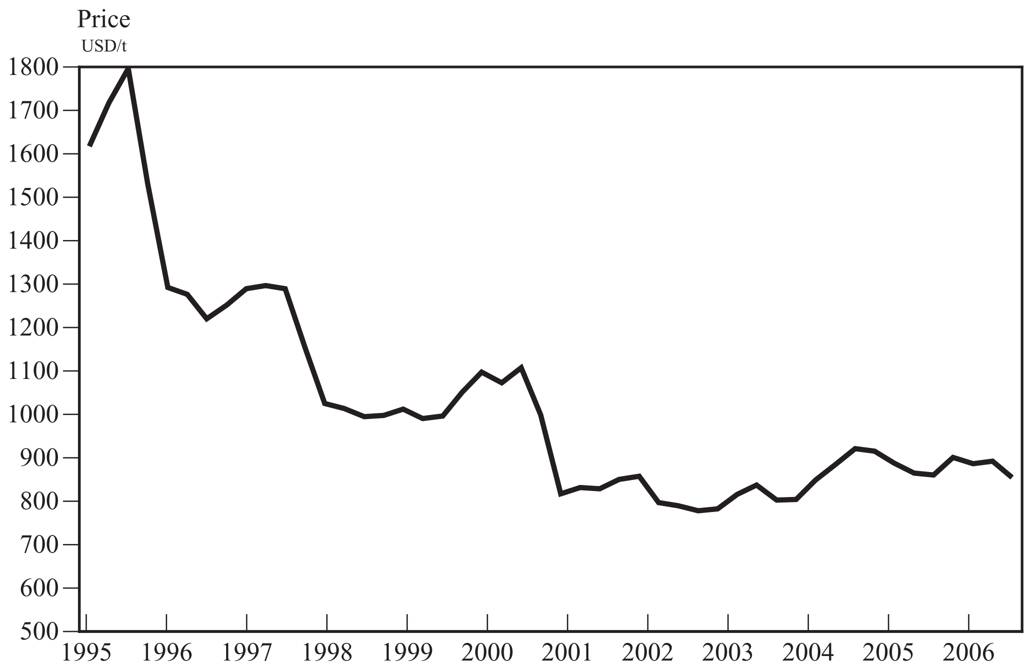


Source: Pöyry

China's consumption of coated woodfree papers reached approximately 3.8 million tonnes in 2006, up from 0.7 million tonnes in 1995.

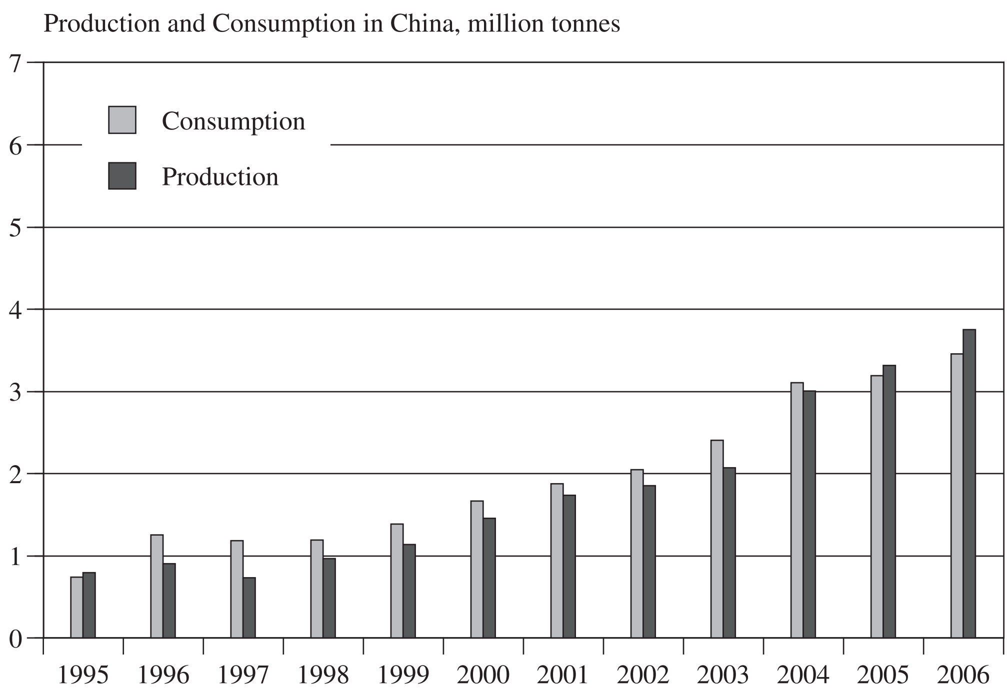
Coated woodfree papers are mainly used for commercial printing, magazines, catalogues, book covers, inserts, and direct mails.

The following graph shows the historical trend of the average market price of coated woodfree paper in China from 1995 to 2006:



Source: Pöyry

Newsprint

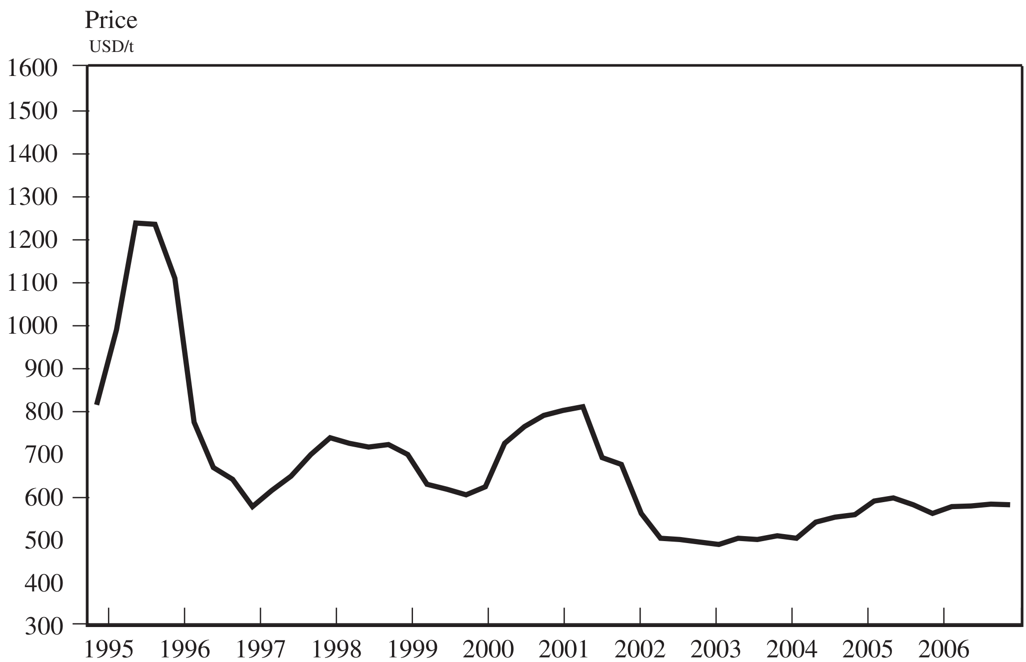


Source: Pöyry and China Paper Association

For years, China has been the world's largest consuming country of newspapers, both in terms of titles and circulations. Newsprint consumption was approximately 0.7 million tonnes in 1995 and grew to approximately 3.5 million tonnes in 2006, representing a compound annual growth rate of approximately 15.8%. Such rapid increase in both supply and demand is largely due to the sustainable economic development, relatively more flexible regulations on media, and increase in pagination and advertising in newspapers.

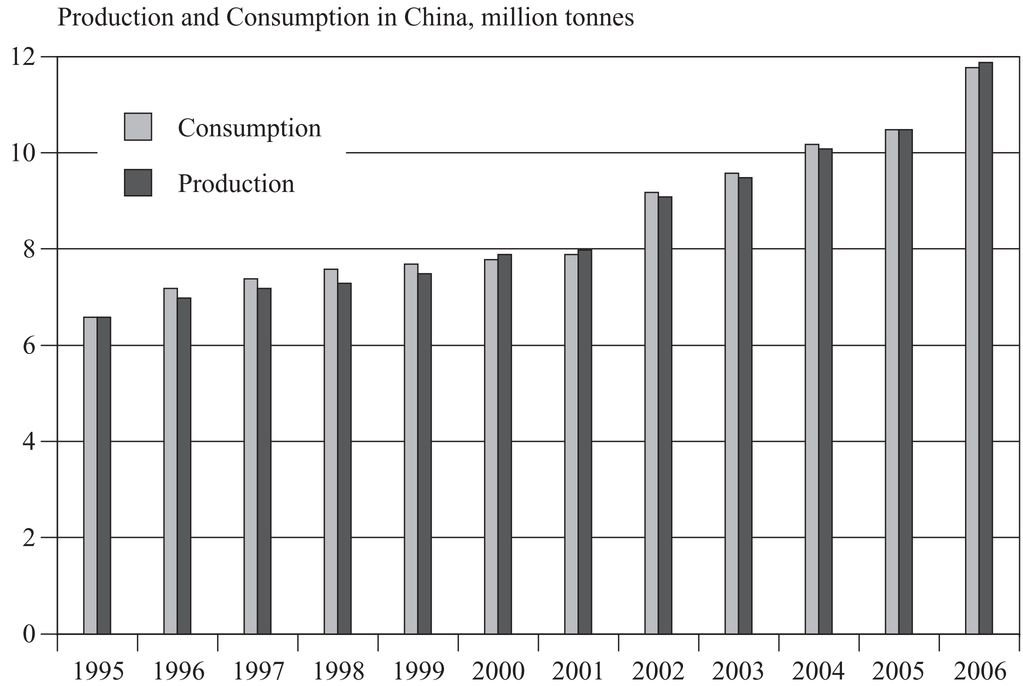
In 2006, newsprint consumption accounted for 5.0% of total paper and paperboard consumption in China, which is much lower than the world average level of 11.0%. The per capita consumption was only 2.6 kg in China, compared to 40.0 kg in North America and 20-30 kg in Western Europe, Oceania and Japan.

The following graph shows the historical trend of the average market price of newsprint in China from 1995 to 2006:



Source: Pöyry

Uncoated Woodfree

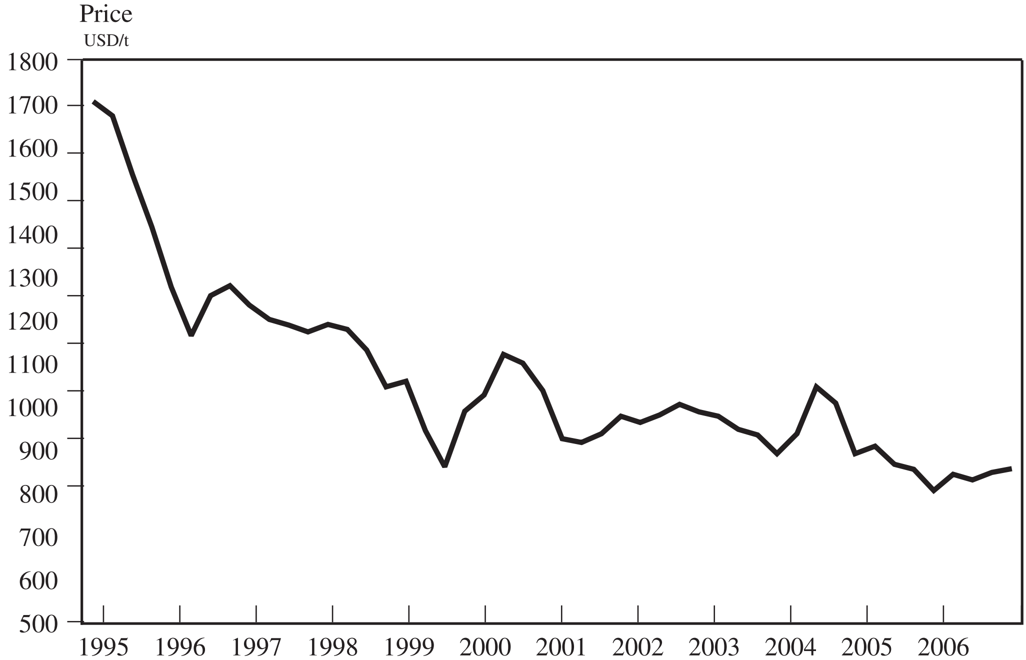


Source: Pöyry and China Paper Association

Uncoated woodfree papers in China consist of pure woodpulp-based, mixed woodpulp and non-wood pulp, and pure non-wood pulp grades. Uncoated woodfree paper is mainly used for offset printing, copy paper, business forms, educational paper, envelope paper, uncoated light weight papers, uncoated woodfree specialties, and carbonless copy base.

Uncoated woodfree paper consumption in China totalled 11.8 million tonnes in 2006. Unlike in North America and Western Europe where office papers account for 40-50% of uncoated woodfree paper demand, China's uncoated woodfree paper consumption is mostly used for education and books. Educational textbooks, books and magazines take up near half of total consumption. China's per capita uncoated woodfree paper consumption was only 9.0 kg in 2006, much lower than that of developed countries (such as USA 41.0 kg, Japan 29.0 kg) and also lower than the global average of 14.0 kg.

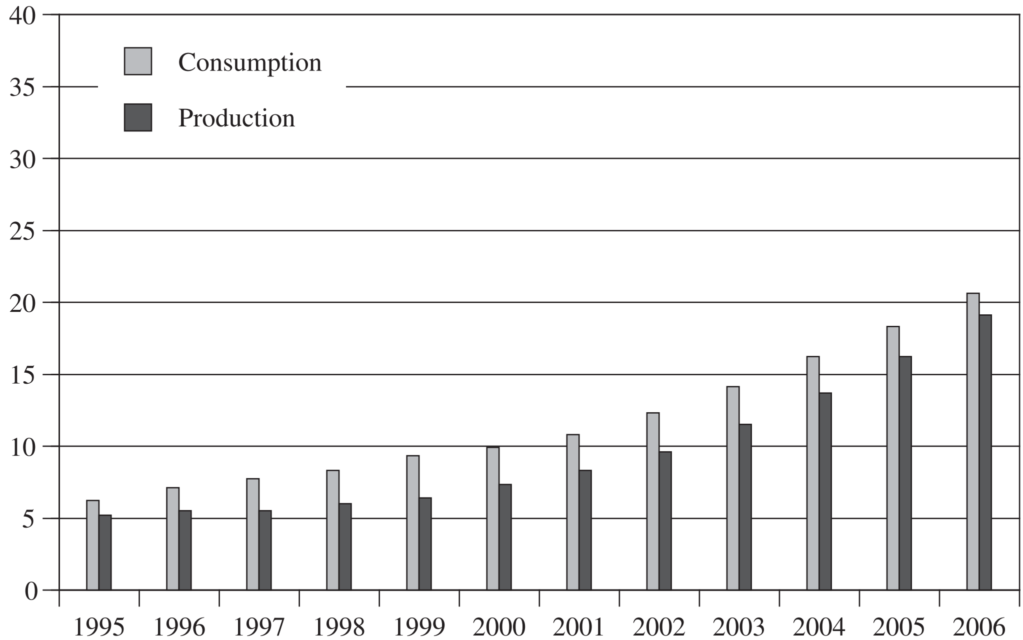
The following graph shows the historical trend of the average market price of uncoated woodfree paper in China from 1995 to 2006:



Source: Pöyry

Containerboard

Production and Consumption in China, million tonnes

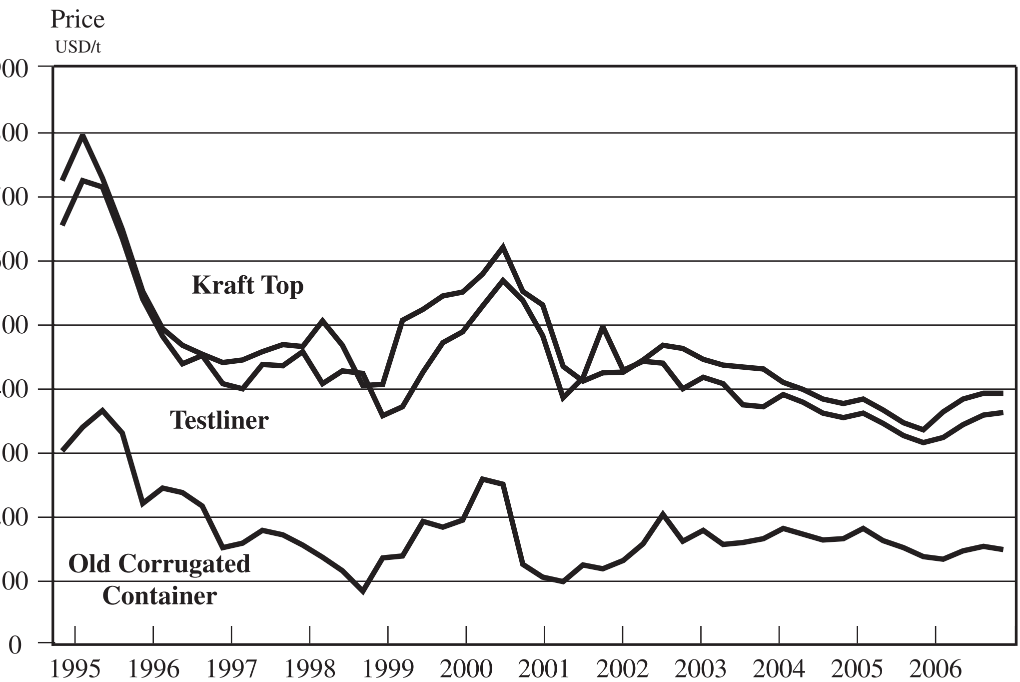


Source: Pöyry and China Paper Association

Consumption of containerboard, including linerboard and corrugating medium, was 20.6 million tonnes in 2006. The demand for containerboard correlated closely with the national economic activities. In China, containerboard is used for making corrugated boxes which are mainly used as shipping containers. Per capita consumption of containerboard in China was 16.0 kg in 2006. Containerboard consumption grew 13.0% in 2006.

As China is a vast country, end-use patterns vary widely from one region to another. Generally, the main end-uses are in food, beverages and tobacco, electronics and electrical items, and chemicals/ pharmaceuticals sectors.

The following graph shows the historical trend of the average market price of containboard paper in China during 1995 to 2006:



Source: Pöyry