

CHINA PAPER HOLDINGS LIMITED

First Quarter Financial Statement And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

Explanatory Notes:

China Paper Holdings Limited (the “Company”) was incorporated on 5 March 2004 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 14 July 2004. The Company and its subsidiaries (the “Group”), together with the operations (the “Operations”) acquired from Linyi Dahua Paper Co., Ltd. (“Dahua”) as explained in the Prospectus dated 6 July 2004 (the “Prospectus”), are referred to as the “Group”.

All significant intra-group transactions and balances were eliminated on consolidation.

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Three months ended		Change %
	31/03/2008 RMB'000	31/03/2007 RMB'000	
Turnover	218,801	201,339	8.7%
Cost of sales	(163,043)	(151,395)	7.7%
Gross profit	55,758	49,944	11.6%
Other revenue	737	443	66.4%
Selling and distribution costs	(11,180)	(10,985)	1.8%
Administrative expenses	(4,362)	(3,508)	24.3%
Profit from operating activities	40,953	35,894	14.1%
Finance costs	-	-	-
Profit before tax	40,953	35,894	14.1%
Tax	(6,945)	(6,092)	14%
Net profit attributable to shareholders	34,008	29,802	14.1%
Earnings per share			
-Basic	RMB0.09	RMB0.08	
-Diluted	N/A	N/A	

Notes:

- (1) The turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions. All of the Group's turnover is derived in the People's Republic of China (“PRC”).
- (2) The basic earnings per share amounts have been computed based on the weighted average number of ordinary shares in issue of 400,000,000 for the three months ended 31 March 2008 (“1QFY2008”) and for the three months ended 31 March 2007 (“1QFY2007”).

(3) Other revenue for 1QFY2008 and 1QFY2007 of the Group mainly consisted of the amounts of bank interest income.

The profit before tax is arrived at after charging/ (crediting) the following:

	Three months Ended	
	31/03/2008 RMB'000	31/03/2007 RMB'000
Interest income	670	385
Depreciation	8,291	6,407
Interest on bank borrowings	-	-
Minimum lease payment under operating lease on fixed assets	2,550	2,550

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEET AS AT 31 MARCH 2008

	Group		Company	
	31/03/2008 RMB'000	31/12/2007 RMB'000	31/03/2008 RMB'000	31/12/2007 RMB'000
Non-current assets				
Fixed assets	298,030	306,321	-	-
Investment in subsidiaries	-	-	157,949	157,949
	<u>298,030</u>	<u>306,321</u>	<u>157,949</u>	<u>157,949</u>
Current assets				
Inventories	69,516	67,321	-	-
Accounts receivable	99,953	98,638	-	-
Prepayments and deposits	135	135	135	135
Due from subsidiaries	-	-	157,783	159,685
Cash and bank balances	316,645	272,437	-	-
	<u>486,249</u>	<u>438,531</u>	<u>157,918</u>	<u>159,820</u>
Current liabilities				
Accounts payable	29,137	26,771	-	-
Accrued liabilities, other payables	31,078	30,623	1,674	2,578
Current income tax liabilities	6,945	4,347	-	-
	<u>67,160</u>	<u>61,741</u>	<u>1,674</u>	<u>2,578</u>
Net current assets	<u>419,089</u>	<u>376,790</u>	<u>156,244</u>	<u>157,242</u>
Total assets less current liabilities	<u>717,119</u>	<u>683,111</u>	<u>314,193</u>	<u>315,191</u>

Non-current liabilities				
Deferred tax liabilities	471	471	-	-
	471	471	-	-
Net assets	716,648	682,640	314,193	315,191

	Group		Company	
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
CAPITAL RESERVES	RMB'000	RMB'000	RMB'000	RMB'000
Issued capital	132,320	132,320	132,320	132,320
Reserves	584,328	550,320	181,873	182,871
	716,648	682,640	314,193	315,191

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/03/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
N/A	N/A	N/A	N/A

Amount repayable after one year

As at 31/03/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
N/A	N/A	N/A	N/A

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED CASH FLOW STATEMENTS

	Group	
	Three months ended	
	31/03/2008	31/03/2007
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	40,953	35,894
Adjustment for:		
Depreciation	8,291	6,407
Interest income	(670)	(385)
Operating profit before working capital changes	48,574	41,916
Working capital adjustments:		
(Increase) / decrease in inventories	(2,195)	(2,748)
(Increase) / decrease in accounts receivable	(1,315)	(3,024)
Increase in prepayment	-	(139)
Increase / (decrease) in accounts payable	2,366	(1,721)
Increase / (decrease) in accrued liabilities, other payables and deposits received	455	(3,019)
Increase in amount due to a related company	-	850
Cash generated from operating activities	47,885	32,115
Interest received	670	385
Tax paid	(4,347)	(3,867)
Net cash generated from operating activities	44,208	28,633
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	44,208	28,633
Cash and cash equivalents at beginning of period	272,437	251,482
CASH AND CASH EQUIVALENTS AT END OF PERIOD	316,645	280,115

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance as at 1 January 2008	132,320	128,549	1,069	76,873	343,829	682,640
Net profit for the period	-	-	-	-	34,008	34,008
Balance as at 31 March 2008	132,320	128,549	1,069	76,873	377,837	716,648

Group	Issued capital RMB'000	Share premium account RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance as at 1 January 2007	132,320	128,549	61,081	260,616	582,566
Net profit for the period	-	-	-	29,802	29,802
Balance as at 31 March 2007	132,320	128,549	61,081	290,418	612,368

Company	Capital reserve RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance as at 1 January 2008	58,752	128,549	1,069	(5,499)	182,871
Net loss for the year	-	-	-	(998)	(998)
Balance as at 31 March 2008	58,752	128,549	1,069	(6,497)	181,873

Company	Capital reserve RMB'000	Share premium account RMB'000	Retained Earnings / Accumulated loss RMB'000	Total RMB'000
Balance as at 1 January 2007	58,752	128,549	262	187,563
Net loss for the year	-	-	(891)	(891)
Balance as at 31 March 2007	58,752	128,549	(629)	186,672

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Issued share capital RMB'000
Issue and allotment of ordinary shares in the Company on 9 March 2004	300,000	-
Credited as fully paid of the 300,000 ordinary shares issued nil paid on 9 March 2004	-	99
Issue and allotment of ordinary shares, credited as fully paid, upon completion of the Restructuring Exercise	299,700,000	99,141
	300,000,000	99,240
New issue public listing	100,000,000	33,080
Issued and paid up share capital at 31 December 2007 and 31 March 2008	400,000,000	132,320

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 March 2008	As at 31 March 2007
Total number of issued shares	400,000,000	400,000,000
Less : Treasury shares	-	-
Total number of issued shares excluding treasury shares	400,000,000	400,000,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. During the current financial period and the immediately preceding financial period reported on, the Company does not have any outstanding treasury shares.

2. Whether the figures have been audited or reviewed, and in accordance with which standard or practice.

The figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

In 2008, the Group adopted the new or revised International Financial Reporting Standards ("IFRSs") that are applicable in the current financial period. The adoption of the new or revised IFRSs did not result in substantial changes to the Group's accounting policies.

Other than the above, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2007.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group	
	31/03/2008	31/03/2007
Earnings per share in RMB	0.09	0.08

The calculation of basis earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of RMB34,008,000,000 (1QFY2007 : RMB29,802,000) and the 400,000,000 ordinary shares in issue throughout 1QFY2008 (1QFY2007 : 400,000,000 ordinary shares).

There were no potential dilutive ordinary shares in existence for the 1QFY2008 and 1QFY2007 and accordingly, no diluted earnings per share have been presented.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
Net asset value per ordinary share in RMB	1.79	1.71	0.79	0.79

Net assets value per ordinary share of the Group/Company at 31 December 2007 and 31 March 2008 was calculated based on 400,000,000 ordinary shares in issue of Company at 31 December 2007 and 31 March 2008.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Group Revenue

Group revenue improved by 8.7% from RMB201.3 million for the 3 months ended 31 March 2007 ("1QFY07") to RMB218.8 million for the 3 months ended 31 March 2008 ("1QFY08"). The improvement is reflected across our paper product segments

The higher turnover in 1QFY08 is attributable to increased average selling price for the quarter as compared with 1QFY07. Revenue from printing paper, witnessed a growth of approximately 8.7% from RMB178.3 million in 1QFY07 to RMB193.8 million in 1QFY08. Newsprint paper saw an increase of 7.5% from RMB10.8 million in 1QFY07 to RMB11.6 million in 1QFY08 while the revenue of light-weight packing paper rose 10.8% from RMB3.7 million in 1QFY07 to RMB4.1 million 1QFY08.

Gross profit

Gross profit outpaced turnover growth as it increased 11.6% from RMB49.9 million in 1QFY07 to RMB55.8 million in 1QFY08. This was attributable to the stability in wood pulp prices during the quarter under review. With the improvement in gross profit, gross profit margin edged up by 0.7% from 24.8% in 1QFY07 to 25.5% in 1QFY08.

Operating Expenses

The Group's selling and distribution costs remained fairly stable at RMB11.2 million for 1QFY08 as compared to RMB11.0 million in 1QFY07. Administrative expenses increased 24.3% from RMB3.5 million in 1QFY07 to RMB4.4 million in 1QFY08.

Profit Before Taxation and Net Profit After Tax

In line with our gross profit growth, profit before tax for the Group improved 14.1% from RMB35.9 million in 1QFY07 to RMB41.0 million in 1QFY08. Net profit increased 14.1% from RMB29.8 million in 1QFY07 to RMB34.0 million in 1QFY08.

Net profit margin improved from 14.8% in 1QFY07 to 15.5% in 1QFY08.

Cash Flow

As at 31 March 2008, the Group registered net cash generated from operating activities of RMB44.2 million. As there were no investing and financing activities for the quarter under review, hence cash and cash equivalent stood at RMB316.6 million.

Balance sheet

As at 31 March 2008, inventories rose to RMB69.5 million from RMB67.3 million as at 31 March 2007. This was in anticipation of increased production as the Group continues to take steps to increase the pace of production. Accounts receivable remained stable at RMB100.0 million as at 31 March 2008, compared to RMB98.6 million as at 31 December 2007. Accounts payable increased slightly to RMB29.1 million as at 31 March 2008 from RMB26.7 million as at 31 December 2007.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The increase in turnover for 1QFY08 was due to increase in the average selling price. The Directors continue to be optimistic about the prospects for paper products in the PRC. It is expected that the strong demand will continue with rising affluence.

Currently, we are working at achieving the optimised utilisation rate for our production lines. We are encouraged by the progress since the second half of FY2007. In addition, we are also planning to increase our maximum production output to handle the strong demand ahead.

With regards to cost of sales, the prices of wood pulp have remained fairly stable for the quarter. This has a positive effect on our margins. The Group expects the prices of wood pulp to continue remaining stable in the near future.

11. Dividend.

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable

(c) Date Payable

Not applicable

(d) Books Closure Date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 31 March 2008.

13. Interested Person Transactions.

Nature of transactions

	Group	
	Three months ended	
	31/03/2008	31/03/2007
	RMB'000	RMB'000
*Rental expenses to Dahua	1,500	2,250

* Mr. Chen Yong , Executive Chairman of China Paper Holdings Limited, has sold his entire stake comprising 67% of the total issued capital in Linyi Dahua Paper Co., Ltd (“Dahua”) to an individual third party unrelated to any director, substantial shareholder or controlling shareholder of the Group on 3 March, 2008.

With the completion of the abovementioned share sale, the Group will no longer have any interested person transaction with Dahua.

BY ORDER OF THE BOARD

Chen Yong
Executive Chairman
9 May 2008

**CHINA PAPER HOLDINGS LIMITED
(Incorporated in the Bermuda)**

**CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

We, Chen Yong and Li Pengju, being two directors of China Paper Holdings Limited (“the Company”), do hereby confirm on behalf of the directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the first financial quarter results of the Company and of the Group for the financial period ended 31 March 2008 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chen Yong
Executive Chairman

Li Pengju
Executive Director

Date : 9 May 2008