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JILIN QIFENG CHEMICAL FIBER COMPANY LTD:
WHAT IS BEHIND THIS COMPANY'S SHARE PRICE DETERIORATION ?

In a period of just 24 trading days, the share price of Jilin Qifeng Chemical Fiber Company Ltd () (Code: 549, Main Board, The Stock Exchange of Hongkong Ltd) has fallen 64 cents per share, equivalent to about 38 percent.

Nothing is financially wrong in this Company; there are no official investigations into any anomalies at Management level; and, the world is not coming to an end.

But the investing public of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is shunning this Company, which is one of the world's largest manufacturers of man-made fibres, used in the manufacture of clothing and home furnishings, mainly.

Of course, the Company is controlled by the Government of the PRC, however, there are many companies, listed on The Stock Exchange of Hongkong Ltd, that are controlled by the PRC Government and that has never stopped the investing public from buying their shares, from time to time.

Jilin Qifeng went public on the Main Board of The Stock Exchange of Hongkong Ltd on June 9, 2006, when it published its Global Offering Prospectus.

Trading in the shares of the Company commenced on Wednesday, June 21, 2006.

And, from June 21, 2006, until today, there has been relentless selling pressure on the Company's share price.

The Company Offered a total of 236.25 million, one renminbi Shares at a price between a low of $HK1.69 and a high of $HK2.12 per Share.

The Offer Price was, eventually, fixed at the low of $HK1.69 per Share and, from the day that the Shares were first traded on the Main Board until today, there has been a share-price erosion of about 64 cents per Share, equivalent to about 38 percent.

The current share price is far below the Adjusted Net Tangible Asset Value Per Share, which, as at the date of its listing on The Stock Exchange of Hongkong Ltd, was about $HK1.20 per share.

Pity those investors who bought into this Company at its Initial Public Offering!

The Flotation

The IPO of Jilin Qifeng was split into 2 parts: An International Placing tranche of 212,622,000 Shares; and, a Hongkong Offer tranche of 23,628,000 Shares.

On June 20, 2006, it was announced that the Hongkong Offer tranche was about 1.40 times over-subscribed while the International Offer tranche was fully subscribed.

The Over-Allotment Option of another tranche of 35,437,500 Shares, granted to BOCI Asia Ltd (), which is part of Bank of China Ltd (), was never exercised.

Which tells one a great deal about the reception that this Company received at its debut on the Main Board of The Stock Exchange of Hongkong Ltd.

According to Page 117 of the Company's Prospectus, Management said that it wanted to raise money (initially, about $HK420 million) for the following purposes:

1. $HK151.40 million *'for injection of 50% of the registered capital of the New Joint Venture, being established for the development of the New JV Facilities, which our Directors expect will enable us to improve our cost-competitiveness'*;

2. $HK235.90 million to retire some debts to PRC-domiciled banks; and,

3. $HK32.70 million to be added to the General Working Capital Account.

After all the IPO, investor applications had been counted, the amount of money, raised in this exercise, was only about $HK370 million, net of expenses.

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