

[For Immediate Release]



Qunxing Paper Holdings Company Limited
群星紙業控股有限公司

QX Paper announces its 2011 annual results
Turnover reached RMB2,003 million
Profit attributable to shareholders amounted to RMB222 million

(14 March 2012 – Hong Kong) **Qunxing Paper Holdings Company Limited** (“QX Paper” or the “Company”, HKEx stock code: 3868, together with its subsidiaries, collectively “QX Group” or the “Group”), the largest decorative base paper manufacturer in the PRC, today announced the audited annual results of the Group for the year ended 31 December 2011.

For the year ended 31 December 2011, the Group recorded a turnover of RMB2,003 million substantially the same as RMB2,058 million achieved in 2010. During the year, due to the increase in raw material costs and depreciation, as well as inadequate supply of electricity and steam in the second half of the year, the overall utilisation rates of the production capacity declined. Gross profit was RMB327 million while overall gross profit margin was 16.3% in 2011. Profit attributable to shareholders reached approximately RMB222 million, lower than the RMB398 million in 2010. Basic earnings per share amounted to RMB14 cents. The board of directors of the Company has recommended payment of a final dividend of HK3.38 cents per share.

Commenting on the Group’s annual results, Dr. Zhu Yu Guo, Chairman of QX Paper said, “Despite the Central Government’s stringent measures to curb the speculative property market, growth in the gross floor area of commodity housing sold was sustained with 1,099 million square metres sold in total for 2011. Besides, in a bid to ease housing pressure on households, more social security houses have been established by the Central Government in recent years, resulting in stable development in the property market. Demand for housing decoration materials was driven by the rising demand for housing. In addition, China’s rising disposable income also raised people’s demand for quality housing. In order to accommodate changes in such consumer spending patterns, the Group continued to boost sales of high-end products in order to boost business growth.”

During the year under review, selling prices of the Group’s products remained steady. The sales volume of decorative base paper products increased by approximately 0.7% from 141,429 tonnes in 2010 to 142,480 tonnes in 2011, primarily reflecting increased production capacity and expanded demand for premium decorative base paper, but such increase could not fully offset the decrease in sales volume of printing paper product. The overall sales volumes decreased from 177,567 tonnes in 2010 to 164,202 tonnes in 2011. During the year, the average selling prices of decorative base paper products and printing paper product increased by approximately 1.2% from RMB12,907 per tonne in 2010 to RMB13,056 per tonne in 2011 and approximately 2.2% from RMB 6,460 per tonne in 2010 to RMB6,602 per tonne in 2011, respectively.

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The Group continued to enhance its competitiveness by strengthening economies of scales of its production lines in order to retain its leading position in the market. At present, the Group invested in 13 highly-automated production lines. The Group launched the reconstruction of production lines nos. 1 and 2 in September 2010 and completed the related works in the fourth quarter of 2011. Currently, trial runs are being conducted. The expansion of production capacity mainly involves premium decorative base paper products with a higher profit margin. The Group believes this will effectively alleviate the pressure on the gross profit margin resulting from the surge in purchasing costs of wood pulp and titanium dioxide.

QX Paper is committed to corporate social responsibilities and environmental protection. The premium wood pulp that the Group uses to produce decorative base paper products causes almost zero environmental pollution during the production process and is in line with the national policies on environmental protection. In addition, the Group has two waste water treatment systems with a total annual processing capacity of approximately 5,350,000 cubic metres. The Group upgraded and improved one of the systems with an annual processing capacity of approximately 1,700,000 cubic metres in October 2010, which was completed in 2011. The other system has an annual processing capacity of approximately 3,650,000 cubic metres. Waste water treated by the Group's waste water treatment systems is reused for irrigation at the Group's production base in Shandong, the PRC.

The Group had cash and cash equivalents of approximately RMB489 million as at 31 December 2011 (2010: approximately RMB448 million). For the year ended 31 December 2011, the net cash generated from operations was RMB450.5 million. As at 31 December 2011, the Group did not have any borrowings.

Looking ahead, Dr. Zhu concluded that, "In addition to the development of the commodity housing market, construction of more social security housing becoming one of the key polices of the State under the 'Twelfth Five-Year Plan' will further stimulate the market demand for decorative base paper products. In view of the Group's high-end technology in producing decorative base paper products and its solid foundation, we believe the Group's business will continue to grow steadily in 2012. To seize suitable development opportunities, the Group will continue to expand its production capacity by upgrading existing production facilities, diversifying product offerings as well as increasing our market share. Besides, we will also strive to strengthen the leading position and customer base in our existing sales regions, optimise our product structure, increase sales proportion of high-end products that have a higher profit margin as well as adhere to strict cost control so as to achieve business growth."

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About QX Paper

QX Paper (HKEx stock code: 3868) is listed on the Main Board of The Stock Exchange of Hong Kong Limited in October 2007. QX Group is currently the largest decorative base paper manufacturer in the PRC, specialising in the production of decorative base paper products and printing paper product.

For further information, please visit QX Paper's website: <http://www.qxpaper.com>.

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