

[For Immediate Release]



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

**QX Paper announces 2012 annual results**  
**Upgrading existing production facilities and enhancing production techniques**

(18 March 2013 – 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 leading decorative base paper manufacturer in the PRC, today announced the audited annual results of the Group for the year ended 31 December 2012.

For the year ended 31 December 2012, the Group recorded a turnover of RMB1,880.4 million, representing a decrease of 6.2% from the turnover of RMB2,003.7 million in 2011. Gross profits dropped from approximately RMB326.9 million in 2011 by 36.7% to approximately RMB207.0 million. In 2012, profits declined by 66.1% to RMB75.3 million. Basic earnings per share were RMB5 cents. The Board recommends distribution of final dividends of HK1.229 cents per share.

Decrease in profits of the Group during the year under review was mainly attributable to decrease in overall sales volume, which led to an increase in the fixed cost shared by each tonne of products and therefore a decrease in the gross profit margin, as well as a loss from disposal of the legacy Production line no. 2 upon completion of reconstruction and commencement of commercial production of rebuilt Production line no. 2. Furthermore, the Group’s profit was also adversely affected by increment in administrative expense resulting from the Company’s measures to investigate audit issues raised by its former auditors; and an increase in income tax expenses in the PRC as compared to the same period last year as the tax concession to which the Group was entitled as a foreign investment enterprise expired at the end of 2011.

Commenting on the Group’s annual results, Dr. Zhu Yu Guo, Chairman of QX Paper said, “China’s economic growth witnessed a slowdown, coupled with the central government’s measures to cool the property market, the sales of floor space of commodity housing only recorded a slight increase of 1.8% to 1,113.04 million square metres. This also represented a decline of 2.6 percentage points in sales growth from 2011, dampening the demand for decorative items and thus affecting the Group’s business.”

During the year under review, the overall sales volume of the Group’s products decreased, which mainly reflected customers’ more prudent approach to placing orders under the influence of the macroeconomy, as well as the direct impact of intensifying competition in the PRC’s decorative base paper market on the sales revenue of the Group. The overall sales volume of the Group dropped from 164,202 tonnes for the previous year by approximately 3.5% to 158,405 tonnes in 2012. The sales volume of its major product, decorative base paper, was down by 8.4% from 142,480 tonnes of 2011 to 130,529 tonnes of 2012, whereas the average sales price was maintained at a steady level. The sales volume of printing paper product increased by approximately 28.3% from 21,722 tonnes in 2011 to 27,876 tonnes in 2012, while average selling price of printing paper product decreased by approximately 4.9% from RMB6,602 per tonne in 2011 to RMB6,278 per tonne in 2012.

After completion of reconstruction in the fourth quarter of 2011, the Group's Production line nos. 1 and 2 commenced commercial production in March 2012. The additional production capacity mainly concentrates on high-end decorative base paper products. On the other hand, reconstruction of Production line no. 3 on the relocation site selected by the Group in May 2012 continued to proceed, and was expected to be completed in the fourth quarter of 2013. The reconstruction of Production line no. 3 was aimed at enhancing the production techniques and preparing ahead for long-term development of the Group. The existing Production line no. 3 would maintain operation during the reconstruction period.

The Group places emphasis on environmental protection. High-end wood pulp which is used to produce decorative base paper products causes almost no environmental pollution during the production process. At present, we have two waste water treatment systems with a total annual processing capacity of approximately 5,350,000 cubic metres. Waste water after treatment is reused for irrigation at the Group's production base in Shandong.

The Group had cash and cash equivalents of approximately RMB539.5 million as at 31 December 2012 (31 December 2011: approximately RMB488.9 million). During the year ended 31 December 2012, the net cash generated from operations was RMB333.3 million. As at 31 December 2012, the Group did not have any borrowings.

Dr. Zhu concluded, "Looking ahead, the property sector cooling measures imposed by the Central Government of China will likely remain unchanged despite the uncertainty in the global and the country's economies. We are cautiously optimistic about the business growth of the Group in 2013. However, the "12th Five-year Plan" states that more public and government subsidised housing will be built, which will continue to be one of the major policies during the five-year period. Such policy environment is expected to continue to lend support to the decorative base paper market. In face of a more challenging market environment, the Group will continue to perfect its product quality through improvements of production facilities, and to increase its market share through enhancements of goodwill. Moreover, the Group will also strive to tap into new markets. Furthermore, the Group will continue to fine-tune its product portfolio and increase the proportion of high-end products with higher gross profit margins in sales and their market share. Lastly, the Group will consistently implement stringent cost control measures in order to increase the gross profit margin of products and in turn deliver better returns for its shareholders."

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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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