

[For Immediate Release]



## Qunxing Paper Holdings Company Limited Announced 2008 Annual Results

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**Gross profit and profit attributable to shareholders  
surged by 43.0% and 9.4% to  
approximately RMB405.5 million and RMB383.4 million respectively**

### Financial Highlights

For the year ended 31 December	2008 (RMB '000)	2007 (RMB '000)	Change
<b>Turnover</b>	<b>1,496,360</b>	1,125,524	+33.0%
<b>Gross profit</b>	<b>405,516</b>	283,469	+43.0%
<b>Gross profit margin</b>	<b>27.1%</b>	25.2%	+1.9pp
<b>Profit attributable to shareholders</b>	<b>383,361</b>	350,572	+9.4%
<b>Profit attributable to shareholders</b> - Excluding the effects of other revenue and other net loss from non-core operations	<b>344,299</b>	229,247	+50.2%
<b>Earnings per share*</b> - Basic (RMB cents)	<b>37</b>	42	-11.9%
<b>Dividend per share</b> (HK cents) - Interim	<b>12.61</b> 4.16	11.28 -	+11.8%
- Final	8.45	11.28	

\* The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB383,361,000 (2007:RMB350,572,000) and the weighted average number of 1,038,273,000 (2007:826,562,000) ordinary shares in issue during the year.

(18 March 2009 – Hong Kong) **Qunxing Paper Holdings Company Limited** (the "Company" or "QX Paper", HKEx stock code: 3868, together with its subsidiaries, collectively the "Group" or "QX Group"), the largest decorative base paper manufacturer in the PRC, is pleased to announce the annual results of QX Group for the year ended 31 December 2008.

For the year ended 31 December 2008, the Group's turnover increased by 33.0% to approximately RMB1,496.4 million as compared with 2007. The increase was mainly attributable to the economies of scale and enhancement of operational efficiency as a result of the commercial production of our Production line no. 7 commenced in March 2008, as well as the realignment of our product mix. Gross profit margin increased to 27.1% from 25.2% in 2007. Profit attributable to shareholders increased by 9.4% to approximately RMB383.4 million from RMB350.6 million for the year ended 31 December 2008. Worth to mention that the profit attributable to shareholders for 2007 did include a one-off interest income amounted to RMB106.9 million raised from our IPO exercise, and such interest income did not recur for the year ended 31 December 2008. By netting off the effects of the other revenue and

other net loss arose from non-core operations, profit attributable to shareholders for this year should had increased by 50.2% to approximately RMB344.3 million from approximately RMB229.2 million for 2007. Basic earnings per share for the year ended 31 December 2008 achieved RMB37 cents as compared with RMB42 cents for 2007. The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB383.4 million (2007:RMB350.6 million) and the weighted average number of 1,038,273,000 (2007:826,562,000) ordinary shares in issue during the year.

The board of directors of the Company has recommended payment of a final dividend of HK8.45 cents. In aggregate with the interim dividend of HK4.16 cents per share, we declared and paid during the year, the total dividend for the year ended 31 December 2008 will be HK12.61 cents per share, representing an increase of 11.8% as compared with HK11.28 cents for 2007.

Commenting on the Group's annual results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "The operating environment in 2008 was full of challenges. The unprecedented financial tsunami triggered by the U.S. subprime mortgage crisis swept across the world. The PRC economy was not immune from the crisis, but the damage has been relatively less severe."

Dr. Zhu continued, "Despite the challenging market environment and the growing cost pressure, QX Group continued to achieve satisfactory results in 2008. During the year under review, the Group continued with the realignment of product mix by increasing the proportion of high margin premium decorative base paper products. As a result, the average selling price of our decorative base paper products increased by approximately 10% from RMB12,028 per tonne to RMB13,236 per tonne. By having the increase in the average selling prices of our products, we were able to offset the rising cost pressure since early 2008. In addition, capitalizing on our capability to deliver quality products of international standard while producing at a cost significantly lower than overseas rivals, QX Group has successfully captured a greater market share and remained as the largest decorative base paper manufacturer in the PRC."

During the year under review, overall sales volumes of the Group increased by approximately 18.2% from 112,681 tonnes to 133,213 tonnes. Among the increase, sales volumes of decorative base paper products had increased by approximately 28.2% from 72,187 tonnes to 92,564 tonnes while the sales volume of printing paper product remained constant. By increasing the proportion of high margin decorative base paper products, our overall gross profit margin increased by 1.9 percentage points to 27.1% from 25.2% of 2007.

In order to capture a greater market share and to maintain our leading position in the industry, our Group will continue to increase its production capacity and thus enhance its economies of scale and competitiveness. Currently, the Group has invested and is operating the highly automated Production lines nos. 1 to 9 with an aggregate designed annual production capacity of approximately 260,000 tonnes, comprising approximately 210,000 tonnes of decorative base paper products and approximately 50,000 tonnes of printing paper product. Construction of Production lines nos. 8 and 9 was completed in the end of 2008 and commercial production was commenced in early March 2009. Meanwhile, Production lines nos. 10 and 11 are currently under construction and are expected to be completed by mid 2009.

Furthermore, construction of Production lines nos. 12 and 13 is expected to commence in the second half of 2009 and to be completed by early 2010. The designed annual production capacity of each of the four Production lines nos. 10 to 13 is 30,000 tonnes. These new production facilities will further expand the Group's total production capacity in order to cater for the growing market demand for decorative base paper products.

Looking forward, Dr. Zhu stated that, "In light of the impact of the global financial crisis, 2009 is destined to be a challenging year across all industries globally. The sluggish economic environment will continue to dampen the growth around the world. However, the PRC will probably remain as one of the fastest growing economies in the world, with urbanization in the second to third tier cities underway."

Dr. Zhu continued, "In view of the changing economic environment and in order to satisfy the housing demand of mainland Chinese citizens in the suburbs, the PRC government implemented a new policy in 2008 to speed up construction of economic residential properties as well as renovation of old buildings over the country. In addition, the less positive economic prospect will drive middle class families to consider price-efficient alternatives while seeking to improve their living standards. This will create new demand for laminated boards, and, hence, the demand for decorative base paper products. We are optimistic for the long-term development of the Group accordingly."

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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 the largest decorative base paper manufacturer in the PRC, specializing in the production of decorative base paper products and printing paper product. QX Paper accredited as one of the "Asia's 200 Best Under A Billion" in 2008 by *Forbes Asia*.

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

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