

[For Immediate Release]



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

**Announced 2009 Annual Results**

**Turnover and profit attributable to shareholders  
reached RMB1.53 billion and RMB324 million respectively**

**Increasing economies of scale and operational efficiency**

**Financial Highlights**

<b>For the year ended 31 December</b>	<b>2009 (RMB '000)</b>	<b>2008 (RMB '000)</b>	<b>Change</b>
<b>Turnover</b>	<b>1,530,321</b>	1,496,360	+2.3%
<b>Gross profit</b>	<b>424,804</b>	405,516	+4.8%
<b>Gross profit margin</b>	<b>27.8</b>	27.1%	+0.7pp
<b>Profit attributable to shareholders</b>	<b>324,087</b>	383,361	-15.5%
<b>Profit from operations before tax</b> <i>- Excluding the effects of other revenue and other net loss from non-core operations</i>	<b>367,385</b>	344,299	+6.7%
<b>Earnings per share</b> <i>- Basic (RMB cents)</i>	<b>31</b>	37	-16.2%
<b>Dividend per share (HK cents)</b> <i>- Interim</i>	<b>10.68</b> <b>3.277</b>	12.61 4.16	N/A
<i>- Final</i>	<b>7.403</b>	8.45	

(17 March 2010 – 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 the Company and its subsidiaries (collectively the "QX Group" or the "Group") for the year ended 31 December 2009.

For the year ended 31 December 2009, the Group's turnover increased by 2.3% to approximately RMB1.53 billion as compared with 2008. The increase in turnover was mainly attributable to the economies of scale and enhancement of operational efficiency as a result of the launch of our Production lines nos. 8 and 9 since March 2009, as well as the realignment of our product mix through increasing the proportion of premium decorative base paper products. Through the Group's implementation of stringent cost control, overall gross profit margin increased to 27.8% in 2009 from 27.1% in 2008. During the year, profit attributable to shareholders amounted to approximately RMB324 million. Profit from operations before tax (excluding other revenue and net gain and loss from non-core operations) amounted to approximately RMB367 million, representing a year-on-year growth of approximately 6.7%. Basic earnings per share for the year ended 31 December 2009 achieved RMB31 cents (2008: RMB37 cents). The board of directors of the Company has recommended payment of a final dividend of HK7.403 cents per share wholly in scrip form. In aggregate with the interim dividend of HK3.277 cents per share, the total dividend for the year ended 31 December 2009 will be HK10.68 cents per share (2008: HK12.61 cents).

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Commenting on the Group's annual results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "The financial tsunami swept across the world in 2008. The global business operating environment was full of challenges. However, with the economic stimulus policies implemented by various governments have gradually taken effect during the second half of 2009. The global financial markets have shown signs of stabilization. During the year under review, the Group continued with the increase of the production proportion of high margin premium decorative base paper products to realign product mix successfully. As a result, the Group can meet the increasing demand for this product category in the market and further penetrate into the premium decorative base paper market in China. The overall cost of raw materials decreased as compared with last year. The Group's average selling price of the decorative base paper products decreased 8.3% from RMB13,236 per tonne in 2008 to RMB12,142 per tonne in 2009. On condition that the gross margin was not affected, we have reduced the selling price of the products in order to share with our customers the benefits of lowering costs and further expand our market share afterwards. Riding on the Group's capacity to produce international quality products at a production cost far lower than its overseas competitors, the Group has secured greater market share and maintained as the largest decorative base paper manufacturer in the PRC."

Dr. Zhu continued, "The Group has been putting great emphasis on environmental protection and corporate social responsibility. Apart from our core decorative base paper products serving as a cost-effective substitute for wooden products, the premium wood pulp used by the Group for the production of decorative base paper can minimize pollution and is in line with the national policies of the PRC for environmental protection. Besides, waste water after treatment during the production process can be reused for the irrigation system at our production base in Shandong. To accommodate our long-term growth and future expansion of production capacity, the Group has completed the construction of a waste water treatment system with an annual processing capacity of approximately 3,650,000 cubic meters in December 2009. Currently, the Group's waste water systems have an annual processing capacity of approximately 5,350,000 cubic meters."

During the year under review, overall sales volumes of the Group increased by approximately 10.0% from 133,213 tonnes in 2008 to 146,506 tones in 2009. Among the increase, sales volumes of decorative base paper products increased by approximately 16.3% from 92,564 tonnes in 2008 to 107,667 tones in 2009 while the sales volume of printing paper product remained stable.

During the year, the Group continued to increase its production capacity in order to enhance its economies of scale and competitiveness, and underpin its leading position in the market. As at 31 December 2009, the Group invested in and operated 11 highly automated Production lines nos. 1 to 11 with an aggregate designed annual production capacity of approximately 320,000 tonnes, comprising approximately 270,000 tonnes of decorative base paper products and approximately 50,000 tonnes of printing paper product. Construction of Production lines nos. 10 and 11 were completed by the end of 2009 and its commercial production was launched in December 2009. Meanwhile, in order to cater for the growing market demand for decorative base paper products, the Group is constructing Production lines nos. 12 and 13 which are expected to be completed by mid 2010. The designed annual production capacity of each of the 4 Production lines nos. 10 to 13 is approximately 30,000 tonnes, which will further expand our designed annual production capacity to approximately 380,000 tonnes.

Dr. Zhu stated that, "Looking ahead, the Group will continue to expand production lines of decorative base paper in a progressive approach, focus on the development of high-end products as well as widening applications of our products to enhance the Group's competitiveness. Moreover, the Group will continue to implement stringent cost control measures, improve production efficiency and quality control system so as to provide products of best quality."

Dr. Zhu continued, "The Group will continue to implement environmental protection and corporate social responsibility. Meanwhile, we are devoted to explore every related development opportunities and capture for business expansion, aiming to enhance the return of shareholders in long run. Leveraging the strong financial position and excellent management team of the Group, the Board is confident in the Group's long-term business development and 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 the largest decorative base paper manufacturer in the PRC, specializing in the production of decorative base paper products and printing paper product. The Group has been ranked by China Paper Association as the largest decorative base paper manufacturer in China for four consecutive years since 2005.

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

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