

[For Immediate Release]



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

**Qunxing Paper announces its 2010 full year results**  
**Profit attributable to shareholders rose 22.7% to RMB397,506,000**

**Financial Highlights**

<i>For the year ended 31 December</i>	<b>2010</b> <i>(RMB '000)</i>	2009 <i>(RMB '000)</i>	Change
<b>Turnover</b>	<b>2,058,916</b>	1,530,321	+34.5%
<b>Gross profit</b>	<b>519,785</b>	424,804	+22.4%
<b>Profit before taxation</b>	<b>455,973</b>	371,694	+22.7%
<b>Profit attributable to shareholders</b>	<b>397,506</b>	324,087	+22.7%
<b>Earnings per share</b> - Basic <i>(RMB cents)</i>	<b>38</b>	31	+22.6%
<b>Dividend per share</b> <i>(HK cents)</i>	<b>11.633</b>	10.68	+8.9%
- Interim	--	3.277	
- Final	<b>8.633</b>	7.403	
- Special dividend	<b>3.000</b>	--	

(31 March 2011 – 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, is pleased to announce the annual results of the Group for the year ended 31 December 2010.

For the year ended 31 December 2010, the Group's turnover increased by 34.5% to approximately RMB2,059 million as compared with 2009. The increase in turnover was mainly attributable to the increase in overall sales volumes and the average selling prices of both the decorative base paper products and printing paper product. During the year, the Group improved its operating efficiency and resulted in a 22.4% year-on-year growth in gross profit from RMB424.8 million in 2009 to approximately RMB519.8 million. Overall gross profit margin for 2010 maintained at a stable level of 25.2%. Profit attributable to shareholders reached RMB397.5 million, increased by 22.7% year-on-year. Basic earnings per share amounted to RMB38 cents (2009: RMB31 cents). The board of directors of the Company has recommended payment of a final dividend in scrip form of HK8.633 cents (2009: HK7.403 cents) per share, with a cash option, and a special cash dividend of HK3.0 cents (2009: Nil) per share for the year ended 31 December 2010.

- Cont'd -

Commenting on the Group's annual results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "Thanks to the collective efforts of governments around the world to tackle the financial crisis, the global economy has been making a notable recovery. The second round of US\$600 billion quantitative easing launched by the US government, has driven up the global commodity and property prices. In 2010, the Chinese government launched a multitude of measures in a bid to cool down the markets, especially the property segment. However, the market remains active on the whole, indicating the demand-driven nature of the PRC property market, particularly in second- and third-tier cities where huge demand was seen. For the year under review, the Group delivered an excellent performance marked by continuous growth momentum, thanks to accelerating urbanization in second- and third-tier cities, the construction of social security housing, rising demand for housing decoration materials, and our strategy to boost sales of high-end products in accordance with market demand."

During the year, the overall sales volumes increased by approximately 21.2% from 146,506 tonnes to 177,567 tonnes, of which the sales volumes of the decorative base paper products increased by approximately 31.4% from 107,667 tonnes in 2009 to 141,429 tonnes in 2010 while that of the printing paper product remained stable. Meanwhile, average selling prices of the decorative base paper products increased by approximately 6.3% from RMB12,142 per tonne in 2009 to RMB12,907 per tonne in 2010.

The Group continued to enhance its competitiveness by expanding economies of scales and production capacity strategically in order to retain its leading position in the market. Currently, the Group invested in and operated 13 highly automated Production lines nos. 1 to 13 with an aggregate designed annual production capacity of approximately 380,000 tonnes, comprising approximately 330,000 tonnes of decorative base paper products and approximately 50,000 tonnes of printing paper product. Production lines nos. 12 and 13, each of which has a designed annual production capacity of approximately 30,000 tonnes, have commenced commercial production in October 2010. In addition, the Group launched the reconstruction of Production lines nos. 1 and 2 in September 2010. The expansion in production capacity involves premium decorative base paper products which have a higher profit margin. This will effectively alleviate the pressure on the gross profit margin resulting from the surge in the cost of wood pulp.

QX Paper is committed to fulfilling corporate social responsibilities, and environmental protection has always been one of our first priorities. 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. At present, the Group has two waste water treatment systems, with a total annual processing capacity of approximately 5,350,000 cubic meters. The Group has upgraded and improved one of the systems with an annual processing capacity of approximately 1,700,000 cubic meters in October 2010 to enhance its sewage standard.

Looking forward, Dr. Zhu concluded that, "Under the '12<sup>th</sup> Five-Year' plan launched by the central government in October 2010, construction of more social security housing has become one of the key policies of the State. It is anticipated that the number of newly constructed social security housing in 2011 will shot up by 70% compared with 2010, pushing up market demand for decorative base paper. In view of the Group's high-end technology in producing decorative base paper and its solid foundation, we believe our business will continue to grow steadily in 2011. We will continue to expand our production capacity and further strengthen our competitiveness by improving and upgrading our production facilities. Paralleled to consolidating our leading market position and client base in mainland market covered by our sales network, we will make an effort to boost the sales and market share of high-end products with a higher gross profit margin. QX Paper is keeping a lookout for suitable and potentially lucrative acquisition targets in the decorative base paper industry of China, with a view to generating greater returns for our shareholders in the long run."

- End -

#### **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, specializing 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>.

#### **For further inquiries, please contact:**

##### **iPR Ogilvy Ltd.**

Athena Chan/ Veronica Hui/ Charis Yau/ Callis Lau

Tel: (852) 3920 7645/ 3170 6752/ 2136 6183/ 2136 6952

Fax: (852) 3170 6606

Email: [athena.chan@iprogilvy.com](mailto:athena.chan@iprogilvy.com)/ [veronica.hui@iprogilvy.com](mailto:veronica.hui@iprogilvy.com)/  
[charis.yau@iprogilvy.com](mailto:charis.yau@iprogilvy.com)/ [callis.lau@iprogilvy.com](mailto:callis.lau@iprogilvy.com)