

[For Immediate Release]



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

**Announced Interim Results 2010**

**Turnover and profit attributable to shareholders  
increased by 24.4% and 15.6% respectively**

**Expanding production capacity and optimizing product mix**

**Financial Highlights**

<b>For the six months ended 30 June</b>	<b>2010</b> <i>(RMB '000)</i>	2009 <i>(RMB '000)</i>	Change
<b>Turnover</b>	<b>873,569</b>	702,205	+24.4%
<b>Gross profit</b>	<b>224,008</b>	196,770	+13.8%
<b>Profit before taxation</b>	<b>198,262</b>	171,299	+15.7%
<b>Profit attributable to shareholders</b>	<b>172,508</b>	149,208	+15.6%
<b>Earnings per share</b> - Basic <i>(RMB cents)</i>	<b>17</b>	14	+21.4%

(25 August 2010 – 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 unaudited interim results of the Group for the six months ended 30 June 2010.

During the period under review, the Group's turnover increased by 24.4% to approximately RMB873.6 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 the decorative base paper products and printing paper product. During the period, the Group improved its operating efficiency and resulted in a 13.8% year on year growth in gross profit from RMB196.8 million in the first half of 2009 to RMB224.0 million. Overall gross profit margin for 2010 maintained at a stable level of 25.6%. Profit attributable to shareholders reached RMB172.5 million, increased by 15.6% year on year. Basic earnings per share amounted to RMB17 cents (1H2009: RMB14 cents).

Commenting on the Group's interim results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "In the first half of 2010, the global economy continued with its recovery started in the latter half of 2009. Thanks to the effort of the PRC's government in boosting domestic demand, adjusting economic development structure and improving overall living standard, the China's economy remained robust. Riding on the general wage growth and acceleration in urbanization, the market demand for decorative base paper industry in the PRC has been growing ceaselessly. Together with the strong backing for the construction of economically affordable housing by the PRC government, demand for laminated boards in substitution of logs was fueled, driving the growth of the Group's decorative base paper business. With a lower production costs than the oversea competitors in producing world-class qualified products, the Group succeeded in capturing a larger market share which solidified its foundation as the largest decorative base paper manufacturer in China.

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During the period under review, the overall sales volumes increased by approximately 12.9% from 68,078 tonnes to 76,858 tonnes, of which the sales volumes of the decorative base paper products increased by approximately 22.7% from 49,175 tonnes in the first half of 2009 to 60,329 tonnes in the same period of 2010 while that of the printing paper product remained stable. Meanwhile, average selling prices of the decorative base paper products increased by approximately 5.7% from RMB12,072 per tonne in the first half of 2009 to RMB12,755 per tonne in the same period of 2010 due to the rising cost of overall raw materials. Capitalised on the a close and stable relationship with the clients, the Group successfully raised the average selling prices of the products as a mean to shift a portion of the cost burden to the clients while maintaining the sales volumes, which resulted in a stable gross profit margin.

During the period, the Group continued to enhance its competitiveness, while expanding its economies of scales and production capacity strategically to upkeep its leading position in the market. Currently, 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. Production lines nos. 12 and 13, each of which has a designed annual production capacity of approximately 30,000 tonnes with the construction completed in August 2010, will commence its commercial production in the 4th quarter of 2010. By that time, the Group's aggregate designed annual production capacity will be further expanded to approximately 380,000 tonnes. In addition, the Group plans to rebuild Production lines nos. 1 and 2 in the second half of 2010 in order to enlarge the designed annual production capacity of these production lines and to enhance the Group's cost competitiveness.

The Group has been emphasizing environmental protection and corporate social responsibilities. The premium wood pulp used in the production of decorative base paper conforms to the national policies for environmental protection of the PRC with almost no pollution caused. The promotion of the development and use of new energy automobiles by the PRC Government could poise the growing demand in the environmentally friendly decorative base paper products as interior decoration materials. Currently, the Group has two waste water treatment systems with an annual processing capacity of approximately 5,350,000 cubic meters. A monitoring device is installed in those systems by the relevant authority in the PRC to ensure their waste water emission level is up to national standard. In order to further enhance the standard of our waste water treatment to accommodate the Group's long-term growth and future expansion of production capacity, the Group has planned to commence renovation and improvement works on the Old System, which was established earlier with an annual processing capacity of approximately 1,700,000 cubic meters, in the second half of 2010.

Dr. Zhu stated that, "Looking forward to the second half of 2010 and the coming years, the Group will continue to expand its business in a prudent manner. We will closely monitor market changes and respond with flexible strategies. With the PRC government's strong support in environmental protection nowadays, we believe that the laminated board market in the PRC will continue to grow considerably. The Group will gradually expand its production facilities and the sales of high-end products while enlarging the scope of applications of the products to elevate it competitiveness in the market for a larger market share. Riding on our strong financial position and experienced management team, the Group will continue to execute environmental protection and corporate social responsibilities, while endeavoring to seize expansion opportunities by leveraging its favorable conditions, with a view to generating maximum returns for shareholders in the long run."

**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>.

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