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Qunxing Paper Holdings Company Limited

群星紙業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3868)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform shareholders and potential investors of the Company that upon receiving the Management Accounts for the six months ended 30 June 2012, the Board has conducted a preliminary assessment of the Management Accounts and expected that the profit of the Group for the six months ended 30 June 2012 may decline significantly as compared with that for the corresponding period in 2011.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Qunxing Paper Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board of Directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that upon receiving the Group’s management accounts (the “**Management Accounts**”) for the six months ended 30 June 2012, the Board has conducted a preliminary assessment of the Management Accounts and expected that the profit of the Group for the six months ended 30 June 2012 may decline significantly as compared with that for the corresponding period in 2011. The Board considers that the expected decline in the Group’s profit was mainly attributable to the increase in raw material prices during the first half of 2012 as compared with that for the corresponding period last year, gross margin declined due to rising average product cost and increment in administrative expense resulting from the Company’s measures to investigate audit issues raised by its former auditors. However, the Board would like to emphasise that the Group’s financial position remains solid with sufficient cash resources.

The Company is in the process of preparing interim results of the Group for the six months ended 30 June 2012. The information contained in this announcement is only based on the Board’s preliminary assessment of the Management Accounts and such information has not been audited or reviewed by the Company’s auditors. The audited interim results of the Group for the six months ended 30 June 2012 are expected to be announced on or about 23 August 2012.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
ZHU Yu Guo
Chairman

Shandong, the PRC, 26 July 2012

As at the date of this announcement, the executive directors of the Company are Dr. ZHU Yu Guo (Chairman), Mr. ZHU Mo Qun (Vice-Chairman) and Mr. SUN Zhen Shui; the non-executive director of the Company is Ms. SUN Rui Fang; the independent non-executive directors of the Company are Messrs. ZHAO Wei, WANG Lu and KWONG Kwan Tong.