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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 the Inside Information Provisions under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

The Board wishes to inform shareholders and potential investors of the Company that upon receiving the Group's Management Accounts for the year ended 31 December 2012, the Board has conducted a preliminary assessment of the Management Accounts and expected that the profit of the Group for the year ended 31 December 2012 may decline significantly as compared with that for the corresponding period in 2011.

Shareholders of the Company and potential investors 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 the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**") and Rule 13.09 of 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 year ended 31 December 2012, the Board has conducted a preliminary assessment of the Management Accounts and expected that the profit of the Group for the year ended 31 December 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 the depreciation of fixed assets as compared with that for the corresponding period last year due to the commercial operation of rebuilt Production line no. 2 since March 2012. Nevertheless, the sales volume of products did not increase as expected, leading to the increase in average product cost which in turn caused a decline in gross profit margin. Further, loss on disposal recognised on the disposal of the aged Production line no. 2 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 annual results of the Group for the year ended 31 December 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 annual results of the Group for the year ended 31 December 2012 are expected to be announced on or about 13 March 2013.

Shareholders of the Company and potential investors 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, 8 February 2013

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.