

[For Immediate Release]



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

Qunxing Paper announces its audited 2011 interim results
Turnover rose 18.9% to RMB1,038 million

Financial Highlights

For the six months ended 30 June	2011 <i>(RMB '000)</i>	2010 <i>(RMB '000)</i>	Change
Turnover	1,038,341	873,569	+18.9%
Gross profit	220,866	224,008	-1.4%
Profit before taxation	183,002	198,262	-7.7%
Profit attributable to shareholders	158,804	172,508	-7.9%
Earnings per share - Basic <i>(RMB cents)</i>	11	16	-31.3%

(19 August 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 audited interim results of the Group for the six months ended 30 June 2011.

For the six months ended 30 June 2011, the Group's turnover increased by 18.9% to approximately RMB1,038 million as compared with the first half of 2010. 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 period, gross profit had slightly decreased by 1.4% year-on-year from approximately RMB224 million in the first half of 2010 to approximately RMB221 million in the first half of 2011. Overall gross profit margin for the first half of 2011 was 21.3%. Profit attributable to shareholders reached approximately RMB159 million, decreased by 7.9% year-on-year. Basic earnings per share amounted to RMB11 cents (1H2010: RMB16 cents).

Commenting on the Group's interim results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "As the global economy recovery continues since 2010, the China's economy maintained a good growth momentum. Although the central government tightened measures to cool down the property market as well as the People's Bank of China has increased interest rates, the adjustment in the property sales volume was merely temporary, indicating the demand-driven nature of the PRC property market. The accelerating urbanisation in second- and third-tier cities as well as the construction of social security housing has driven the demand for housing decoration materials. Taking advantage of the positive market environment, the Group has maintained appropriate cost control initiatives and implemented its strategy to boost sales of high-end products as per consumer preference and delivered satisfactory performance marked by continuous growth momentum."

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During the period under review, the overall sales volumes increased by approximately 11.9% from 76,858 tonnes to 85,998 tonnes, of which the sales volumes of the decorative base paper products increased by approximately 23.1% from 60,329 tonnes in the first half of 2010 to 74,245 tonnes in the first half of 2011. Meanwhile, average selling prices of the decorative base paper products increased by approximately 1.5% from RMB12,755 per tonne in the first half of 2010 to RMB12,940 per tonne in the first half of 2011, and that of the printing paper product increased by approximately 4.8% from RMB6,297 per tonne in the first half of 2010 to RMB6,602 per tonne in the first half of 2011.

The Group continued to enhance its competitiveness by strengthening economies of scales of its production lines in order to retain its leading position in the market. Currently, the Group invested in 13 highly automated production lines. In addition, the Group launched the reconstruction of Production lines nos. 1 and 2 in September 2010. The expansion of production capacity mainly involves premium decorative base paper products that have a higher gross 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 its 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. The other system has an annual processing capacity of approximately 3,650,000 cubic metres. Waste water after treatment is reused for irrigation at the Group's production base in Shandong, the PRC.

The Group had cash and cash equivalents of approximately RMB896 million as at 30 June 2011 (31 December 2010: approximately RMB448 million). During the six months ended 30 June 2011, the net cash generated from operations was RMB314 million, representing a year-on-year increase of 20.4%. As at 30 June 2011, the Group did not have any borrowings.

Looking forward, Dr. Zhu concluded that, "Under the '12th Five-Year' plan launched by the central government last year, construction of more social security housing has become one of the key policies of the State. In 2011, the number of newly constructed social security housing will reach 10 million units, surging the market demand for decorative base paper. In view of the Group's high-end technology in producing decorative base paper products and its solid foundation, we believe the Group's business will continue to grow steadily in the second half of 2011. We will continue to optimise the existing production facilities orderly and enhance production capacities as well as efficiency of Production lines nos. 12 and 13, so as to further strengthen our competitiveness. Paralleled to consolidating our leading market position and client base in the mainland market covered by our sales network, we will make an effort to boost the sales and market share of premium products with a higher gross profit margin, and implement rigorous cost-control measures, aiming at enhancing profitability."

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/ veronica.hui@iprogilvy.com/
charis.yau@iprogilvy.com/ callis.lau@iprogilvy.com