

[For Immediate Release]



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

QX Paper announces 2012 interim results
Upgrading existing production facilities and enhancing product quality

(23 August 2012 – 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, today announced the audited interim results of the Group for the six months ended 30 June 2012.

During the period, the Group's turnover slightly decreased to RMB974.6 million as compared to approximately RMB1,038.3 million for the same period in 2011. Gross profit declined as a result of the surge in raw material prices over the same period last year, particularly in the price of titanium dioxide powder, one of its principal raw materials. Gross profit margin dropped 9.3 percentage points to 12.0%. Meanwhile, the increase in administrative expense resulting from the Group's measures to investigate audit issues raised by its former auditors, as well as the increased cost to sales revenue due to the diminishing economies of scale, has led to a drop in profit attributable to shareholders for the first half of 2012 to RMB40.8 million from RMB158.8 million in the corresponding period a year ago. Basic earnings per share were RMB3 cents.

Commenting on the Group's interim results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "In spite of slowdown in economic growth, the PRC government has not relaxed its control measures for the housing market, resulting in a 10.0% decrease in gross floor area of commodity housing sold in the first half of 2012 to 399.64 million square metres, depressing demand for building materials. Moreover, high prices of raw materials have further hampered the operations of producers of decorative base paper, and our business in the first half of 2012 has also been affected as a result."

During the period, selling prices of the Group's products remained steady but overall sales volume decreased. The overall sales volumes decreased from 85,998 tonnes to 79,886 tonnes, of which the sales volume of printing paper products increased by approximately 13.3% from 11,753 tonnes in the first half of 2011 to 13,322 tonnes in the first half of 2012. During the period, the average selling price ("ASP") of decorative base paper products increased by approximately 2.9% from RMB12,940 per tonne in the first half of 2011 to RMB13,322 per tonne in the first half of 2012, while the ASP of printing paper products remained steady at approximately RMB6,600 per tonne.

QX Paper has upgraded the production technology during off peak season to facilitate long-term development. The relocation of production lines nos. 3 commenced in May 2012 and completion is expected to take place in the fourth quarter of 2013. The expansion of production capacity mainly involves premium decorative base paper products which have a higher profit margin. The Group believes this will effectively alleviate the pressure on the gross profit margin resulting from the surge in prices of raw materials.

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QX Paper is committed to corporate social responsibilities and environmental protection. The premium wood pulp that it use 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. In addition, the Group has two waste water treatment systems with a total annual processing capacity of approximately 5,350,000 cubic metres. One of the systems has an annual processing capacity of approximately 1,700,000 cubic metres and another one has an annual processing capacity of approximately 3,650,000 cubic metres. Waste water treated by the Group's waste water treatment systems is reused for irrigation at the Group's production base in Shandong, the PRC.

The Group had cash and cash equivalents of approximately RMB574.0 million as at 30 June 2012 (31 December 2011: approximately RMB489.0 million). During the six months ended 30 June 2012, the net cash generated from operations was RMB209.7 million. As at 30 June 2012, the Group did not have any borrowings.

Dr. Zhu concluded that, "Looking into the second half of 2012, the macroeconomic environment will remain grim. In response to the complex and changing market, we will further enhance our product quality as well as goodwill by upgrading existing production facilities, in a bid to expand our market share. We will secure competitive prices by establishing long-term relationship with our suppliers to ease the pressure from rising cost of raw materials. We will also strive to strengthen our leading market position and customer base in our existing sales regions by attracting new customers, so as to improve our sales. We will not only constantly optimise our product mix, but also make an effort to boost the sales and market share of premium products with a higher gross profit margin, as well as implement rigorous cost-control measures with a view to enhancing profitability for our shareholders."

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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, specialising 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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