

[For Immediate Release]



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

**QX Paper announces 2013 interim results**  
**Profit for the period increases by 26.2% to RMB51.5 million**

(26 August 2013 - 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 leading decorative base paper manufacturer in the PRC, today announced the audited interim results of the Group for the six months ended 30 June 2013.

During the period, turnover of the Group was approximately RMB776.8 million, representing a decrease of approximately 20.3% from RMB974.6 million for the same period in 2012. Gross profit decreased by 10.1% from approximately RMB117.1 million for the first half of 2012 to approximately RMB105.3 million for the first half of 2013. Profit for the period increased by 26.2% from approximately RMB40.8 million for the first half of 2012 to approximately RMB51.5 million for the first half of 2013. Basic earnings per share were RMB3.2 cents (1H2012: RMB2.6 cents).

The increase in profit of the Group mainly reflected the combined effect of the following factors: 1) new customers were less inclined to place orders as the Group was conducting an internal investigation. This depressed the overall sales volume during the period; 2) the prices of the Group’s products declined to a lesser degree compared to the raw material prices. Therefore, the Group’s gross profit margin increased by 1.6 percentage points to 13.6% from the same period of last year; and 3) the Group, as required by the Stock Exchange, appointed another investigation team at the end of 2011 to carry out forensic investigations (the “Further Investigation”). The further investigation resulted in an expense of RMB7.60 million for the first half of 2012, while no such expenses were incurred for the period as the investigation was completed and the investigation report was submitted to the Stock Exchange in November 2012, leading to lower administrative expenses when compared to that for the same period of 2012.

Commenting on the Group's interim results, Dr. Zhu Yu Guo, Chairman of QX Paper said, “Although the PRC government did not relax its control measures to rein in the property market, the housing market gradually recovered with a significant year-on-year increase of 28.7% in sales of commodity properties to 514.33 million square metres in terms of floor area. In particular, sales of residential properties and office buildings grew by 30.4% and 31.7% year-on-year in terms of floor area, which helped stimulate the demand for interior decoration products. However, the Group’s internal investigation during the period affected its sales.”

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During the period, both the selling prices the Group's products and overall sales volume decreased. The decrease in sales volume mainly reflected that the Group's customers tended to be more cautious in placing orders amid the uncertain economic conditions and intensive competition of the decorative base paper industry in the PRC. In addition, the Further Investigation also affected clients' sentiment of placing order. Average selling price of the Group's products decreased by approximately 8.2%, mainly as a result of downward adjustment of the product prices under lower raw material prices.

During the period, overall sales volume of the Group dropped by 12.8% from 79,885 tonnes for the first half of last year to 69,691 tonnes for the first half of 2013. Of which, sales volume of decorative base paper, the Group's principal product, was down by 12.3% from 66,563 tonnes for the first half of 2012 to 58,391 tonnes for the first half of 2013. Income from the sales of decorative base paper decreased by 19.5%, and accounted for 91.1% of the total revenue.

In terms of production capacity, the reconstruction of production line no. 3 was still ongoing, and is expected to complete in 2014. The reconstruction of production line no. 3 was aimed at upgrading the production technology for the Group's long-term development. The existing production line no. 3 would remain in operation during the reconstruction period.

The Group had cash and cash equivalents of approximately RMB655.3 million as at 30 June 2013 (31 December 2012: RMB539.5 million). The Group continues to enjoy a stable and strong net cash inflow from operations. During the six months ended 30 June 2013, the net cash generated from operations was RMB195.5 million. As at 30 June 2013, the Group did not have any borrowings.

Dr. Zhu concluded that, "Looking into the second half of 2013, China's economic growth will continue to slow down. However, the plan to increase construction of social security housing according to the "Twelfth Five-Year Plan" remained one of the major government policies, forming an important driver of the development of the decorative base paper market. With regard to development strategies, we will further enhance our product quality and therefore the Group's reputation and market share by improving existing production facilities. In addition, we will also strive to strengthen our leading market position and customer base in existing sales regions so as to improve sales. We will also continue to adjust our product mix by raising the proportion of higher-margin products with an aim of expanding our market share. Furthermore, we will continue implementing cost-control measures with a view to increase the products' gross margins and generate better returns 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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