
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Qunxing Paper Holdings Company Limited** (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(1) GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES;
(2) RE-ELECTION OF DIRECTORS;
(3) SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2010;
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting (the "AGM") of the Company to be held at the Company's head office situated at San Li He, Chang Shang Town, Zouping County, Shandong Province, the PRC on Wednesday, 18 May 2011 at 10:00 a.m. is set out on pages 18 to 21 of this circular.

A form of proxy for use at the AGM is also enclosed with this circular. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2010 Final Dividend”	the final dividend of HK8.633 cents per Share for the year ended 31 December 2010 payable to the Shareholders whose names were recorded on the register of members of the Company on the Record Date
“AGM”	the annual general meeting of the Company to be convened and held at the Company’s head office situated at San Li He, Chang Shang Town, Zouping County, Shandong Province, the PRC on Wednesday, 18 May 2011 at 10:00 a.m., the notice of which is set out on pages 18 to 21 of this circular
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Qunxing Paper Holdings Company Limited (群星紙業控股有限公司), a company incorporated in the Cayman Islands with limited liability, and Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the powers of the Company to allot, issue and deal with new Shares up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution in relation thereof
“Latest Practicable Date”	6 April 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Record Date”	Wednesday, 18 May 2011
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the powers of the Company to repurchase fully paid-up Shares up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution in relation thereof
“Scrip Dividend Scheme”	a scheme of the Company under which the 2010 Final Dividend is to be paid up by the allotment and issue of Scrip Shares credited as fully paid with a cash option
“Scrip Shares”	new Share(s) to be allotted, issued and credited as fully paid up under the Scrip Dividend Scheme
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. ZHU Yu Guo (*Chairman*)

Mr. ZHU Mo Qun (*Vice-chairman*)

Mr. SUN Zhen Shui

Non-executive Director:

Ms. SUN Rui Fang

Independent Non-executive Directors:

Mr. ZHAO Wei

Mr. WANG Lu

Mr. KWONG Kwan Tong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Suite 1901A

Exchange Tower

33 Wang Chiu Road

Kowloon Bay

Hong Kong

11 April 2011

To the Shareholders,

Dear Sir or Madam,

- (1) GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES;
(2) RE-ELECTION OF DIRECTORS;
(3) SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2010;
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with (i) details of the Issue Mandate and the Repurchase Mandate; (ii) an explanatory statement regarding the Repurchase Mandate; (iii) details of re-election of the Directors; (iv) details of the Scrip Dividend Scheme; and (v) notice of the AGM.

LETTER FROM THE BOARD

REPURCHASE MANDATE

At the annual general meeting of the Company held on 5 May 2010, a general mandate was granted to the Directors to exercise the powers of the Company to repurchase Shares up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution. Such mandate will lapse at the conclusion of the AGM.

At the AGM, an ordinary resolution will be proposed to grant the Repurchase Mandate to the Directors. An explanatory statement as required under the Listing Rules to provide the requisite information of the Repurchase Mandate is set out in Appendix I to this circular.

ISSUE MANDATE AND EXTENSION OF ISSUE MANDATE

At the annual general meeting of the Company held on 5 May 2010, a general mandate was given by the Company to the Directors to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the relevant resolution and such general mandate was extended by adding to it the aggregate nominal amount of any Shares repurchased by the Company under the authority to repurchase Shares granted on that date. Such general mandate will also lapse at the conclusion of the AGM.

At the AGM, an ordinary resolution will be proposed to grant the Issue Mandate to the Directors in order to ensure flexibility to the Directors to issue new Shares. As at the Latest Practicable Date, a total of 1,586,391,450 Shares was in issue. Subject to the passing of the proposed ordinary resolution approving the Issue Mandate and on the basis that there are no further changes in the issued share capital of the Company from the Latest Practicable Date up to the date of convening the AGM, the Directors would be allowed under the Issue Mandate to issue a maximum of 317,278,290 Shares, representing 20% of the total number of Shares in issue as at the date of passing of the relevant resolution at the AGM. In addition, an ordinary resolution will also be proposed to extend the Issue Mandate by adding to it the number of such Shares repurchased by the Company under the Repurchase Mandate, if granted.

RE-ELECTION OF DIRECTORS

In accordance with Article 108 of the Articles of Association, Dr. Zhu Yu Guo, Ms. Sun Rui Fang and Mr. Zhao Wai will retire and, being eligible, will offer themselves for re-election at the AGM. The biographical details of these Directors are set out in Appendix II to this circular.

LETTER FROM THE BOARD

SCRIP DIVIDEND SCHEME

On 30 March 2011, the Board announced the audited consolidated results of the Group for the year ended 31 December 2010 and recommended the payment of the 2010 Final Dividend in scrip form equivalent to HK8.633 cents per Share with a cash option and a special cash dividend of HK3 cents per share to the Shareholders whose name appear on the Company's register of members as at the Record Date.

Particulars of Scrip Dividend Scheme

Under the Scrip Dividend Scheme, each Shareholder is entitled to receive the 2010 Final Dividend by the allotment and issue of Scrip Shares credited as fully paid up with a cash option.

Accordingly, the Shareholders have the following choices to receive the 2010 Final Dividend:

- (a) an allotment of Scrip Shares (the number of which is determined by method set out hereunder), credited as fully paid, save for adjustment for fractional entitlements, equal to the total amount which such Shareholder would otherwise receive in cash in respect of HK8.633 cents per Share; or
- (b) a cash dividend of HK8.633 cents per Share; or
- (c) partly in the form of Scrip Shares and partly in cash.

For the purpose of calculating the number of Scrip Shares to be allotted to the Shareholders pursuant to the Scrip Dividend Scheme, the market value of a Scrip Share will be calculated as an amount equal to the average closing price ("**Average Closing Price**") per Share for the five consecutive trading days (on which such price is available) up to and including 18 May 2011 (the "**Market Value**") less a discount of 5% and rounding down such figure to four decimal places. Accordingly, it will not be possible to determine until after the close of business on Thursday, 5 May 2011 the exact number of Scrip Shares that the Shareholders will be entitled. The number of Scrip Shares which the Shareholders will receive in respect of the existing Shares registered in their names as at the Record Date will be calculated as follows:

$$\begin{array}{l} \text{Number of Scrip} \\ \text{Shares to be} \\ \text{received} \end{array} = \begin{array}{l} \text{Number of existing Shares} \\ \text{held on the Record Date} \end{array} \times \frac{\begin{array}{l} \text{HK\$0.08633} \\ \text{(2010 Final Dividend} \\ \text{per Share)} \end{array}}{\begin{array}{l} \text{Average Closing} \\ \text{Price per Share} \end{array} \times 95\%}$$

LETTER FROM THE BOARD

Scrip Shares will rank *pari passu* in all respects with the existing issued Shares, and will rank in full for all future dividends and distribution which may be declared, made or paid (except for the 2010 Final Dividend).

The number of Scrip Shares to be issued to the Shareholders will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will be disregarded and the benefit thereof will accrue to the Company.

Odd lots of Shares may arise out of the distribution of Scrip Shares. However, as the reason behind the Scrip Dividend Scheme is for the Shareholders to increase its investment in the Company and not to encourage the Shareholders to sell Scrip Shares immediately after its distribution, the Company will not appoint any agent to facilitate the trading of odd lots of Shares after the distribution of Scrip Shares.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 12 May 2011 to Wednesday, 18 May 2011, both days inclusive. In order to qualify for the proposed 2010 Final Dividend and the attendance of the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited (the "**Branch Share Registrar**") at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 11 May 2011.

Effect of Scrip Dividend Scheme

The Shareholders should note that Scrip Shares may give rise to notification requirements under Part XV of the SFO. If the Shareholders are in any doubt as to how these provisions may affect them or as to their taxation position, they are recommended to consult their own professional advisers.

The Shareholders who are trustees are recommended to seek professional advice as to whether it is within their powers to receive Scrip Shares and as to its effect having regard to the terms of the relevant trust instrument.

Advantages of Scrip Dividend Scheme

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company to the extent that the Shareholders shall receive Scrip Shares in whole or in part in lieu of a cash dividend, and the profit of the Company will be retained for use as working capital by the Company.

LETTER FROM THE BOARD

Form of Election

In the event that the resolution in relation to the 2010 Final Dividend was approved by the Shareholders at the AGM, the full details of the Scheme will be set out in another circular to be sent to the shareholders together with a form of election on or about Wednesday, 25 May 2011 for their use should they wish to receive the 2010 Final Dividend wholly or partly in cash in lieu of scrip dividend. The completed election form should be returned to the Branch Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 8 June 2011.

Overseas Shareholders

Based on the register of members of the Company as at the Latest Practicable Date, there is one Shareholder with registered address situated in Macau.

None of this circular nor Scrip Shares will be registered or filed under the securities laws or equivalent legislation of any jurisdiction outside Hong Kong. It is the responsibility of any Shareholder to satisfy himself/herself/itself as to full observance of the laws of any relevant territory, including obtaining any governmental or other consents which may be required for receiving Scrip Shares. In this respect, the Shareholders should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to receive Scrip Shares. No person resident in any territory outside Hong Kong and no person receiving in any territory outside Hong Kong a copy of this circular may treat the same as an invitation to him/her/it to subscribe for Scrip Shares unless in the relevant territory such invitation could lawfully be made to him/her/it without having to comply with any unfulfilled registration or other legal requirements.

For the avoidance of doubt, Scrip Shares are not being offered to the public.

Listing and Dealings

The Shares are listed and dealt in on the Stock Exchange. No part of the Company's securities is listed or dealt in on any other stock exchange, nor is listing or permission to deal on any other exchange being or proposed to be sought.

Application will be made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, Scrip Shares. It is expected that the share certificates for Scrip Shares will be posted to the Shareholders at the risk of those entitled thereto on or about Thursday, 16 June 2011. Dealings in Scrip Shares on the Stock Exchange are expected to commence on or about Friday, 17 June 2011.

LETTER FROM THE BOARD

Subject to the granting by the Listing Committee of the Stock Exchange the listing of, and permission to deal in, Scrip Shares issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. The Shareholders should seek the advice of their licensed securities dealer or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

Scrip Shares to be issued to the Shareholders may be allocated in odd lots. No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of Scrip Shares issued in odd lots. The Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

Conditions of Scrip Dividend Scheme

The Scrip Dividend Scheme are conditional upon (1) the passing of an ordinary resolution to approve the 2010 Final Dividend at the AGM; and (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, Scrip Shares.

Documents Available for Inspection

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Suite 1901A, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours from the date of this circular up to and including Tuesday, 26 April 2011.

- (1) The Articles of Association;
- (2) The Companies Law (2009 Revision) of the Cayman Islands;
- (3) Annual reports of the Company for the two years ended 31 December 2009 and 2010; and
- (4) Service agreements/letters of appointment with each of the Directors.

LETTER FROM THE BOARD

Waiver Application

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 19.10(2) and 19.10(3) of the Listing Rules regarding the requirements to include in this circular summaries of (1) the provisions of the constitutive documents of the Company in so far as they may affect shareholders' rights and protections and directors' powers; and (2) the relevant regulatory provisions of the jurisdiction in which the Company is incorporated.

AGM

A notice convening the AGM to be held at the Company's head office situated at San Li He, Chang Shang Town, Zouping County, Shandong Province, the PRC on Wednesday, 18 May 2011 at 10:00 a.m. is set out on pages 18 to 21 of this circular. Pursuant to Rules 13.39(4) and 13.39(5) of the Listing Rules, any voting of the Shareholders at the AGM will be taken by way of poll and an announcement on the poll results of the AGM will be made by the Company after the AGM as soon as possible.

A form of proxy for use at the AGM is enclosed with this circular and has posted on HKExnews website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.qxpaper.com respectively. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Branch Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained herein misleading.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that (1) the grant of the Issue Mandate; (2) the grant of the Repurchase Mandate; (3) the extension of the Issue Mandate by the addition of the number of Shares repurchased pursuant to the Repurchase Mandate; (4) the re-election of the Directors; and (5) the payment of the 2010 Final Dividend in scrip form with a cash option are in the interests of the Group and the Shareholders as a whole and accordingly recommend all the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
ZHU Yu Guo
Chairman

This Appendix serves as an explanatory statement as required under the Listing Rules, to provide the requisite information to you for consideration of the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had an issued share capital of HK\$158,639,145 comprising 1,586,391,450 Shares. Subject to the passing of the proposed ordinary resolution approving the Repurchase Mandate at the AGM and on the basis that there are no further changes in the issued share capital of the Company from the Latest Practicable Date up to the date of convening the AGM, the Directors would be allowed under the Repurchase Mandate to repurchase a maximum of 158,639,145 Shares, representing 10% of the total number of Shares in issue as at the date of passing of the relevant resolution at the AGM.

REASONS FOR SHARE REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

FUNDING OF SHARE REPURCHASES

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

IMPACT OF SHARE REPURCHASES

The exercise of the Repurchase Mandate in full will not have a material adverse impact on the working capital or the gearing level of the Company (as compared with the position disclosed in its latest published audited accounts as at 31 December 2010).

SHARE PRICES

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:

	Price per Share	
	Highest HK\$	Lowest HK\$
2010		
March	2.400	2.187
April	2.500	2.220
May	2.460	1.887
June	2.120	1.907
July	2.340	1.927
August	2.327	2.060
September	2.320	2.087
October	2.680	2.287
November	2.807	2.320
December	2.790	2.340
2011		
January	3.100	2.590
February	2.720	2.240
March	2.910	1.980
April (up to the Latest Practicable Date)	suspended*	

* Trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 30 March 2011. The closing price per Share as quoted on the Stock Exchange prior to the aforesaid date of suspension was HK\$2.180.

UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

To the best of their knowledge having made all reasonable enquiries, none of the Directors nor any of their respective associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No connected persons of the Company have notified the Company that they have a present intention to sell any Shares to the Company nor have undertaken not to sell any of the Shares held by them to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

TAKEOVERS CODE

If, as a result of share repurchase made by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, the Shareholder, or a group of the Shareholders acting in concert with him (within the meaning under the Takeovers Code), depending on the level of increase of the Shareholders' interests, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Boom Instant Limited, a substantial shareholder of the Company, together with its associates, are interested in an aggregate of 1,075,207,218 Shares, representing approximately 67.78% of the then issued share capital of the Company (and 75.31% of the issued share capital of the Company if the Repurchase Mandate is exercised in full). On the basis of the shareholding interest of Boom Instant Limited in the Company, an exercise of the Repurchase Mandate in full would not result in it becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Board will ensure that the Company will maintain a 25% public float as required under Rule 8.08 of the Listing Rules.

Save as disclosed above, the Board is not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases pursuant to the Repurchase Mandate.

The Company had not purchased any shares, whether on the Stock Exchange or otherwise, in the six months preceding the Latest Practicable Date.

The biographical details of the Directors proposed to be re-elected at the AGM are as follows:

Dr. ZHU Yu Guo, aged 55, is the co-founder of QX Group. Dr. Zhu was appointed as an executive Director and a chairman of the Board in September 2006. He is a director of various subsidiaries and associated corporations of the Company. He is also a director of Boom Instant Limited, a substantial shareholder of the Company. He is responsible for overseeing and planning the business strategies of the Group. Dr. Zhu completed tertiary education with major in corporate management in Shandong Province Economic Management Official Institute* in the PRC in April 1992. Prior to the incorporation of Shandong QX, which is now a wholly-owned subsidiary of the Company, Dr. Zhu had been engaged in work relating to the manufacture of paper manufacturing machinery parts for over 10 years during which he also studied the features of different types of paper products and has accumulated extensive experience and knowledge in paper manufacturing industry. In 1990, Dr. Zhu was appraised as an economist by Zouping County Science and Technology Committee*. In July 2003, he was honoured by Shandong Provincial People’s Government as “Outstanding Private Entrepreneur in Shandong Province, the PRC*”. In January 2007, Dr. Zhu was hired by the Information Management Institute of Shandong Economic Institute as a parttime professor. In November 2007, Dr. Zhu received the “World Outstanding Chinese Award” from the World Outstanding Chinese Association and World Chinese Business Investment Foundation. He was also conferred with Honorary Doctoral Degree from Sinte Gleska University of California. In 2009, Dr. Zhu was conferred as one of the “Outstanding Entrepreneur of Papermaking Industry in China”* by China Paper Association. Dr. Zhu is the spouse of Ms. Sun Rui Fang, a non-executive Director, and the father of Mr. Zhu Mo Qun, a vice-chairman of the Board. Save for the Company, Dr. Zhu does not have any directorship in any listed companies in the last 3 years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Dr. Zhu held 1,075,207,218 Shares, representing approximately 67.78% of the Company’s then issued share capital through Boom Instant Limited which is owned as to 87.5% by him. Ms. Sun Rui Fang, being the spouse of Dr. Zhu, was deemed to be interested in the same parcel of said Shares held by Dr. Zhu within the meaning of Part XV of the SFO. Save as disclosed above, Dr. Zhu does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company.

Dr. Zhu has entered into a service agreement with the Company for a term of 3 years commencing from 1 October 2010 and the term of his service as a Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association. He is entitled to a director's fee of HK\$720,000 per annum and a discretionary management bonus in an amount to be determined by the Board. Such emoluments are determined with reference to his experience and contributions to the Group, the Group's performance and profitability, as well as the prevailing market conditions.

Ms. SUN Rui Fang, aged 55, was appointed as a non-executive Director in September 2007. She is a director of various subsidiaries and associated corporations of the Company. She is also a director of Boom Instant Limited, a substantial shareholder of the Company. Prior to such appointment, Ms. Sun had, since the inception of Shandong QX, assisted Dr. Zhu Yu Zuo, a chairman of the Board and Mr. Zhu Mo Qun, a vice-chairman of the Board, in attending general administrative works of Shandong QX. Ms. Sun is the spouse of Dr. Zhu Yu Guo and the mother of Mr. Zhu Mo Qun. Save for the Company, Ms. Sun does not have any directorship in any listed companies in the last 3 years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Ms. Sun, together with her associates, was deemed to be interested in 1,075,207,218 Shares, representing approximately 67.78% of the Company's then issued share capital under the SFO. Save as disclosed above, Ms. Sun does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company.

Ms. Sun has entered into a letter of appointment with the Company for a term of 2 years commencing from 1 October 2009 and the term of her service as a non-executive Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association. She is entitled to a director's fee of HK\$72,000 per annum which is determined by the Board with reference to her experience and contributions to the Group, the Group's performance and profitability, as well as the prevailing market conditions.

Mr. ZHAO Wei, aged 50, was appointed as an independent non-executive Director in September 2007. Mr. Zhao completed tertiary education in Dalian Institute of Light Industry (now known as “Dalian Polytechnic University”) in the PRC in June 1982, majoring in paper manufacturing. Mr. Zhao became a senior engineer accredited by China Light Industry Association* in December 1993 and is now the vicepresident and general secretary of China Paper Association. Mr. Zhao has been a member of the Food and Agriculture Organization of the United Nations since 2007. Mr. Zhao has also been a deputy chief member of the Nationwide Paper Making Industry Standardized Technology Committee since 2006. Mr. Zhao is currently an independent director of Guangdong Guanhao High-Tech Co., Ltd., a company listed on the Shanghai Stock Exchange of the PRC. Mr. Zhao has also been a non-executive director of Shandong Chenming Paper Holdings Limited*, a company listed on the Main Board of the Stock Exchange during a period from April 2007 to April 2010. Mr. Zhao has accumulated approximately 27 years of experience in the paper making industry. Save for the Company and as disclosed above, Mr. Zhao does not have any directorship in any listed companies in the last 3 years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Zhao does not have any interests in securities of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Zhu does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company.

Mr. Zhao has entered into a letter of appointment with the Company for a term of 2 years commencing from 1 October 2009 and the term of his service as an independent non-executive Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association. He is entitled to a director’s fee of HK\$120,000 per annum which is determined by the Board with reference to his experience and contributions to the Group, the Group’s performance and profitability, as well as the prevailing market conditions.

NOTICE OF THE AGM



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “Meeting”) of Qunxing Paper Holdings Company Limited (the “Company”) will be held at the Company’s head office situated at San Li He, Chang Shang Town, Zouping County, Shandong Province, the PRC on Wednesday, 18 May 2011 at 10:00 a.m. for the following purposes:

Ordinary Business:

1. To receive and consider the audited consolidated financial statements, the report of the directors and independent auditor’s report for the year ended 31 December 2010.
2. To approve the declaration of a final dividend of HK8.633 cents per share in scrip form with a cash option and a special cash dividend of HK3 cents per share for the year ended 31 December 2010.
3. To re-elect retiring directors and to authorise the board of directors to fix the directors’ remuneration.

Special Business:

To consider and, if thought fit, to pass, with or without amendments, the following Resolution nos. 5, 6 and 7 as Ordinary Resolutions:

4. **“THAT:**
 - (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares (“Shares”) in the capital of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited be and is hereby generally and unconditionally approved;

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- (b) the approval in paragraph(a) above shall authorise the Directors on behalf of the Company during the Relevant Period (as hereinafter defined) to procure the Company to repurchase Shares at a price determined by the Directors;
- (c) the aggregate nominal amount of Shares which are authorised to be repurchased by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, “Relevant Period” means the period from the date of passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company (the “Articles of Association”) or any applicable laws to be held; or
 - (iii) the date upon which the authority set out in this Resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting.”

5. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors on behalf of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);

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- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any option scheme or similar arrangement of the Company for the granting or issuance of Shares or rights to acquire Shares; or (iii) the exercise of rights of subscription or conversion under the terms of any warrants issued or to be issued by the Company or any securities which are convertible into Shares; or (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:

“Relevant Period” shall have the same meaning as that ascribed to it under the Resolution no. 5 above; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

6. **“THAT** conditional upon the passing of the Resolution nos. 5 and 6 above, the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to the Resolution no. 6 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to the Resolution no. 5 above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this Resolution.”

By Order of the Board

ZHU Yu Guo

Chairman

Shandong, the PRC, 11 April 2011

NOTICE OF THE AGM

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal Place of Business
in Hong Kong:*
Suite 1901A
Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong

Notes:

1. In relation to the Resolution no. 2 as set out in this notice, the Register of Members of the Company will be closed from Thursday, 12 May 2011 to Wednesday, 18 May 2011 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and the attendance of the forthcoming annual general meeting, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited (the "Branch Share Registrar") at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 11 May 2011.
2. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy needs not be a shareholder of the Company.
3. In case of the joint registered holders of any Shares, any one of such persons may vote at any meeting, either in person or by proxy; but if more than one of such joint holders be present at any meeting in person or by proxy, the said person whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the Branch Share Registrar, not less than 48 hours before the time fixed for holding the Meeting.
5. With respect to the Resolution no. 3 as set out in this notice, Dr. Zhu Yu Guo, Ms. Sun Rui Fang and Mr. Zhao Wei will retire upon the conclusion of the Meeting and, being eligible, will offer themselves for re-election at the Meeting. The profiles of the above retiring Directors have been set out in a circular (the "Circular") of the Company dated 11 April 2011.
6. The Circular and the accompanying form of proxy have been sent to the shareholders on 11 April 2011.

As at the date of this notice, 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.