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Kanstar Environmental Paper Products Holdings Limited

建星環保紙品控股有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8011)

ANNOUNCEMENT OF INVESTIGATION RESULTS IN RESPECT OF CONCENTRATION OF PUBLIC FLOAT

The Board of Directors was informed by the Stock Exchange on 15 October 2004 that at the close of business on 17 August 2004, there was a high concentration of the Shares of the Company held by a few shareholders. The Company made an announcement relating to concentration of public float on 20 October 2004 to disclose the interests of the Directors and shareholders and to keep the market promptly informed of this circumstance. To ascertain if there is sufficient public float of the Shares and to confirm the high concentration of the Shares in a limited number of Shareholders, the Company has conducted an investigation under Section 329 of the Securities and Futures Ordinance to establish the identity of its shareholders and their respective shareholdings in the Company. The Company was still unable to ascertain the owners of 133,500,000 shares (3.34% of issued share capital) but the investigation was regarded as concluded pursuant to Section 332(7) of the Securities and Futures Ordinance.

Based on the responses received and the information available to the Company on approximately 96.66% of the Company's total issued share capital as at 17 August 2004, the Board notes that, on 17 August 2004, (i) a total of 3,000,000,000 Shares, representing 75% of the Company's total issued share capital were held by its controlling shareholder, (ii) 1 shareholder was interested in Shares representing approximately 5.5% of the total issued share capital of the Company, (iii) the other top 14 shareholders were interested in Shares representing approximately 2.96%, 2.36%, 1.85%, 1.25%, 0.88%, 0.88%, 0.88%, 0.83%, 0.75%, 0.75%, 0.51%, 0.34%, 0.25% and 0.25% respectively, and (iv) approximately 1.42% of the Company's total issued share capital were held by around 30 parties other than the shareholders as referred to in (i), (ii) and (iii) above.

The Board confirms that 25% of the total issued Shares are held in the hands of the public and the Company is in compliance with Rule 11.23(1) of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The results of the investigation as disclosed in this announcement had been reported to the Stock Exchange and the Securities and Futures Commission on 24 February 2005. As at the date of such report, the Company had been waiting for the reply from respondents who held in aggregate 133,500,000 Shares. It had been the Board's intention to make further announcement of the results of the investigation after receiving the replies from these respondents. No further reply from these respondents has been received by the Company and thereby resulted in the delay of making this announcement. Given the concentration of public float of the Company in hands of a limited number of shareholders as at 17 August 2004, the Company hereby makes the announcement to keep the market informed of this circumstance.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

The board (the “Board”) of directors of the Company (the “Directors”) was informed by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 October 2004 that at the close of business on 17 August 2004, there was a high concentration of the issued share capital of the Company (“Shares”), held by a few shareholders, the controlling shareholder and 11 shareholders held an aggregate of 95.2% of the Company’s issued share capital, leaving only approximately 4.8% interest in the hands of other shareholders. Therefore, the Company made an announcement relating to concentration of public float on 20 October 2004 to disclose the interests of the Directors and shareholders and to keep the market promptly informed of this circumstance. To ascertain if there is sufficient public float of the Shares and to confirm the high concentration of the Shares in a limited number of Shareholders, the Company has conducted an investigation under section 329 of the Securities and Futures Ordinance to establish the identity of its shareholders and their respective shareholdings in the Company. The Company was still unable to ascertain the owners of 133,500,000 shares (3.34% of issued share capital) but the investigation was regarded as concluded pursuant to Section 332(7) of the Securities and Futures Ordinance.

The Company selected 17 August 2004 as the cut-off date for the purpose of the investigation to look into the sufficiency of the Shares in the public hands for the maintenance of an orderly market. On 19 October 2004, the Company requested Standard Registrars Limited, the Company’s share registrar, to generate a shareholders’ report dated on 17 August 2004. In addition, investigation letters were sent to CCASS participants who held Shares of the Company as at 17 August 2004. As at 24 January 2005, replies representing a total of 3,866,500,000 Shares of the Company (representing approximately 96.66% of the total issued share capital of the Company comprising 4,000,000,000 Shares in issue) have been received from Standard Registrars Limited and CCASS participants. As at the date of this announcement, the Company is still waiting for the reply from respondents who held in aggregate 133,500,000 Shares. The results of the investigation as disclosed in this announcement had been reported to the Stock Exchange and the Securities and Futures Commission on 24 February 2005. It had been the Board’s intention to make further announcement of the results of the investigation after receiving the replies from these respondents. Due to the uncooperative attitude of some of these respondents, no further reply from these respondents has been received by the Company and thereby resulted in the delay of making this announcement. No further action has been taken by the Company to pursue for the replies from these respondents since 24 January 2005.

Based on the responses received on the Investigation and the information available to the Company on approximately 96.66% of the Company’s total issued share capital as at 17 August 2004, the Board notes that, as at 17 August 2004:

- (1) Siko Venture Limited, a company wholly owned by Mr. Chim Kim Kiu, Jacky (“Mr. Jacky Chim”), the Chairman and the managing director of the Company, was interested in 3,000,000,000 Shares in the share capital of the Company, representing 75% of the Company’s total issued share capital;
- (2) an aggregate 220 million Shares (*Note*), representing approximately 5.5% of the total issued share capital of the Company, were held by two companies wholly owned by Mr. Chim Pui Chung (the father of Mr. Jacky Chim), and other 14 parties who had interests in Shares representing approximately 2.96%, 2.36%, 1.85%, 1.25%, 0.88%, 0.88%, 0.88%, 0.83%, 0.75%, 0.75%, 0.51%, 0.34%, 0.25% and 0.25% respectively. The aggregate shareholding of these 15 parties amounted to approximately 20.24% of the total issued share capital of the Company;
- (3) approximately 1.42% of the Company’s total issued share capital were held by around 30 parties other than the shareholders as referred to in (1) and (2) above.

Note: So far as the Directors are aware of, an aggregate of 200 million Shares, representing 5% of the total issued share capital of the Company, were held by the CCASS participant nominated by Mr. Chim Pui Chung's wholly owned company which failed to reply to the investigation letter from the Company. Nevertheless, he had notified the Company of his beneficial interest in these Shares under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Apart from Siko Venture Limited and Mr. Jacky Chim as disclosed above, the Directors confirm that the other shareholders of the Company as referred to in paragraph (2) above (including Mr. Chim Pui Chung and the two companies wholly owned by him) were neither (a) connected person (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") of the Company; (b) person whose acquisition of Shares has been financed directly or indirectly by a connected person; nor (c) person who is accustomed to taking instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of Shares registered in his name or otherwise held by him, and therefore the Shares held by them were regarded as being in public hand under Rule 11.23 of the GEM Listing Rules.

The Board confirms that at least 96.66% of the total issued Shares were held in the hands of a limited number of shareholders as at 17 August 2004. So far as the Board is aware of after making reasonable enquiries, 25% of the total issued Shares are in public hands as at the date of this announcement.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

Made by the order of the Board, the directors of the Company collectively and individually accept responsibility for the accuracy of this announcement.

As at the date of this announcement, Mr. Chim Kim Kiu, Jacky, Mr. Ip Kai Cheong, Mr. Li Gang and Mr. Sun Tak Keung are executive Directors, Mr. Wan Hon Keung, Mr. Chan Chi Hung, Anthony and Mr. Wang Ai Guo are the independent non-executive Directors.

By order of the Board
Kanstar Environmental Paper Products Holdings Limited
Kwong Ping Man
Company Secretary

Hong Kong, 25 April 2006

This announcement, for which the directors (the "Directors") of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and completed in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.

The announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purpose only