

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. Potential investors should read the prospectus dated 17 September 2007 (the “**Prospectus**”) issued by Qunxing Paper Holdings Company Limited (the “**Company**”) for detailed information about the Share Offer described below before deciding whether or not to invest in the Offer Shares thereby being offered in the Share Offer.*

Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Prospectus.

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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)

EXERCISE OF OVER-ALLOTMENT OPTION

The Company announces that the Over-allotment Option referred to in the Prospectus was fully exercised by ICEA Securities Limited on behalf of the International Placing Underwriters on 2 October 2007 in respect of an aggregate of 45,000,000 Shares, representing in aggregate 15% of the Offer Shares initially offered under the Share Offer.

The 45,000,000 Shares will be issued and allotted by the Company at HK\$5.35 per Share (excluding brokerage fee of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%), being the Offer Price per Share in connection with the Share Offer.

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The Over-allotment Shares will be used solely to cover over-allocations in the International Placing. Immediately after the issue and allotment of the Over-allotment Shares, approximately 33.0% of the issued share capital of the Company will be held in public hands.

Listing of and permission to deal in the Over-allotment Shares have already been granted by the Listing Committee of the Stock Exchange.

The shareholding structures of the Company immediately before and immediately after the issue and allotment of the Over-allotment Shares are as follows:

Beneficial shareholders	Immediately before the issue and allotment of the Over-allotment Shares		Immediately after the issue and allotment of the Over-allotment Shares	
	Number of Shares	Approximate % of issued share capital	Number of Shares	Approximate % of issued share capital
Boom Instant Limited ⁽¹⁾	700,000,000 ⁽²⁾	70	700,000,000	67
Other Shareholders	300,000,000	30	345,000,000	33

Notes:

- (1) The issued share capital of Boom Instant Limited is beneficially owned as to 80% by Addinsight Limited (a company owned as to 87.5% by Mr. Zhu Yu Guo and as to 12.5% by Ms. Sun Rui Fang respectively) and as to 20% by Be Broad Limited (a company which is wholly-owned by Mr. Zhu Mo Qun) respectively.
- (2) These Shares include the 45,000,000 Shares borrowed by ICEA Securities Limited pursuant to the Stock Borrowing Agreement.

The additional net proceeds to the Company from the issue and allotment of the Over-allotment Shares are approximately HK\$233.4 million and the aggregated net proceeds received by the Company from the New Issue after the issue and allotment of the Over-allotment Shares are approximately HK\$1,488.3 million and the Company currently intends to apply such net proceeds as follows:

- as to approximately HK\$168.2 million for the settlement of the remaining balance of the construction costs of the new production line no. 7;
- as to approximately HK\$370.8 million for the construction of the new production lines no. 8 and no. 9;
- as to approximately HK\$741.6 million for the construction of the new production lines no. 10 and no. 11;
- as to approximately HK\$41.2 million for re-engineering and modification of the existing production lines no. 1 and no. 3;
- as to approximately HK\$41.2 million for strengthening of the marketing activities of the Group;
- as to approximately HK\$30.9 million for development of overseas market;
- as to approximately HK\$5.2 million for the research and development; and

- the remaining balance of approximately HK\$89.2 million for general working capital of the Group.

By order of the Board of
Qunxing Paper Holdings Company Limited
Zhu Yu Guo
Chairman

Hong Kong, 2 October 2007

As at the date of this announcement, the executive Directors are Mr. ZHU Yu Guo, Mr. ZHU Mo Qun and Mr. SUN Zhen Shui, the non-executive Director is Ms. SUN Rui Fang, and the independent non-executive Directors are Mr. ZHAO Wei, Mr. WANG Lu and Mr. KWONG Kwan Tong.