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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)**

## **CONNECTED TRANSACTION ACQUISITION OF LAND USE RIGHT**

The Board announces that Shandong Qunxing, a wholly-owned subsidiary of the Company, as a purchaser entered into the Transfer Agreement on 2 May 2008 with Guang Hua as a vendor, pursuant to which Shandong Qunxing agreed to purchase and Guang Hua agreed to sell the Land Use Right in respect of the Land Parcel situated at San Li He, Chang Shan Town, Zouping County, Binzhou City, Shandong Province, the PRC with a total site area of approximately 21,263 sq.m. at a total consideration of RMB4,082,496 (approximately HK\$4,550,263).

As Guang Hua is a connected person of the Company, the Transfer contemplated under the Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios for the total consideration payable by Shandong Qunxing under the Transfer Agreement are more than 0.1% but less than 2.5% in accordance with Rule 14A.32(1) of the Listing Rules, the Transfer contemplated under the Transfer Agreement is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement of the Listing Rules.

### **TRANSFER AGREEMENT**

**Date:** 2 May 2008

**Parties:**

**Vendor:** Guang Hua

**Purchaser:** Shandong Qunxing, a wholly-owned subsidiary of the Company

## **Asset to be acquired**

Pursuant to the Transfer Agreement, Shandong Qunxing agreed to purchase and Guang Hua agreed to sell the Land Use Right in respect of the Land Parcel situated at San Li He, Chang Shan Town, Zouping County, Binzhou City, Shandong Province, the PRC with a total site area of approximately 21,263 sq.m.. Guang Hua acquired the Land Use Right in November 2003 at a consideration of RMB2,445,245. The Land has a remaining term of 45 years and is specifically used for industrial purpose.

## **Consideration**

The consideration for the Transfer contemplated under the Transfer Agreement is RMB4,082,496 (approximately HK\$4,550,263) which has been determined after arm's length negotiation between Guang Hua and Shandong Qunxing and is equal to the appraised value of the Land Parcel as at 27 February 2008 as stated in a valuation report prepared by 山東頤通地產評估有限公司 (Shandong Yitong Property Valuation Company Limited\*) an independent professional valuer in the PRC based on a cost approach method and coefficient-revising of benchmark land price method. The said consideration shall be paid in cash by Shandong Qunxing to Guang Hua in a lump sum within 15 days after completion of the Transfer.

The said consideration will be financed by the internally generated funds of the Group. The Directors consider that the Transfer will not have a significant impact on the Group's financial position.

## **Condition precedent**

Completion of the Transfer is conditional upon all necessary waivers, consents and approvals being granted by related third parties (including governmental or regulatory authorities) to implement the Transfer, including but not limited to the issuance of a revised state-owned land use right certificate to the Purchaser by the relevant approval authority in the PRC, and no statute, regulation or decision which would prohibit, restrict or materially delay the Transfer having been proposed, enacted or taken by any governmental or regulatory authority.

If the condition set out above is not fulfilled on or before 31 May 2008 or such other date as the parties to the Transfer Agreement may agree, the Transfer Agreement will cease to be of any further effect and none of the parties to the Transfer Agreement shall have any claims against the other (save for any antecedent breach).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENT**

The Group is principally engaged in the production and sale of decorative base paper products and printing paper product in the PRC. The principal business activity of the Company is investment holding.

As disclosed in the prospectus of the Company dated 17 September 2007 and the annual report of the Company for the year ended 31 December 2007, pursuant to a tenancy agreement dated 1 April 2007 entered into between Guang Hua as a lessor and Shandong Qunxing as a lessee, a site area of approximately 10,070 sq.m. of the Land Parcel has been leased by Guang Hua to Shandong Qunxing for a term of 20 years from 1 April 2007 to 31 March 2027 at an annual rental of RMB160,000 for construction of Production line no. 7 and such construction was completed in December 2007.

The remaining site area of approximately 11,193 sq.m. of the Land Parcel has been leased by Guang Hua to Shandong Qunxing under a tenancy agreement dated 1 March 2008 entered into between both parties for a term of 20 years from 1 March 2008 to 29 February 2028 at an annual rental of RMB230,000 for construction of Production lines nos. 8 to 9.

Pursuant to the Transfer Agreement, both Shandong Qunxing and Guang Hua agreed that the said tenancy agreements will be terminated on the date of completion of the Transfer. No activity was conducted by the Group or Guang Hua on the Land Parcel prior to entering into the aforesaid tenancy agreements.

The Directors consider the Transfer provides a good opportunity for the Group to acquire the Land Parcel at a reasonable price and to continue its use of the Land Parcel to expand the Group's production scale of decorative base paper products, thus enabling the Group to broaden the earning base of its businesses in the long run. The Directors (including the independent non-executive Directors) consider that the Transfer Agreement is entered into after an arm's length negotiation between Shandong Qunxing and Guang Hua and the terms therein are on normal commercial terms and the Transfer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Guang Hua is principally engaged in the production and sale of veneer, a type of laminated board. As Guang Hua is owned by Dr. Zhu Yu Guo (an executive Director and the chairman of the Company), Mr. Zhu Mo Qun (an executive Director and the vice-chairman of the Company) and Ms. Sun Rui Fang (an non-executive Director) as to approximately 50%, 33% and 17%, respectively, Guang Hua is an associate of Dr. Zhu Yu Guo, Mr. Zhu Mo Qun and Ms. Sun Rui Fang and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transfer contemplated under the Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios for the total consideration payable by Shandong Qunxing under the Transfer Agreement are more than 0.1% but less than 2.5% in accordance with Rule 14A.32(1) of the Listing Rules, the Transfer is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement of the Listing Rules.

## **DEFINITIONS**

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Qunxing Paper Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guang Hua”	鄒平光華板材有限公司 (Zouping Guang Hua Veneer Company Limited*), a limited liability company established in the PRC and the entire equity interests owned by Dr. Zhu Yu Guo, Mr. Zhu Mo Qun and Ms. Sun Rui Fang as to approximately 50%, 33% and 17%, respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Parcel”	a parcel of land situated at San Li He, Chang Shan Town, Zouping County, Binzhou City, Shandong Province, the PRC with a total site area of approximately 21,263 sq.m.
“Land Use Right”	a land use right in respect of the Land Parcel
“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 announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Qunxing”	山東群星紙業有限公司 (Shandong Qunxing Paper Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer of the Land Use Right to Shandong Qunxing from Guang Hua pursuant to the terms of the Transfer Agreement
“Transfer Agreement”	a land use right transfer agreement dated 2 May 2008 entered into between Guang Hua as a vendor and Shandong Qunxing as a purchaser in relation to the Transfer
“%”	per cent.
“sq.m.”	square meter

*For the purpose of illustration only and unless otherwise specified in this announcement, amounts denominated in RMB have been converted into HK\$ at a rate of RMB1.00 to HK\$1.1146. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at the above rate or at any other rates or at all.*

By Order of the Board of  
**Qunxing Paper Holdings Company Limited**  
**ZHU Yu Guo**  
*Chairman*

Hong Kong, 2 May 2008

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

*\* the unofficial English transliteration or translation is for identification purpose only*