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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)

APPOINTMENT OF INDEPENDENT PROFESSIONAL ADVISOR

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The Board wishes to announce that in addressing the issues raised by the Company's auditors, KPMG, Certified Public Accountants, in respect of the relevant information contained in the Group's accounting records, as announced by the Company in the Announcement and their disclaimer of opinion in respect of the consolidated financial statements of the Group for the year ended 31 December 2010, the Audit Committee has, on 19 April 2011, appointed ZHONGLEI Risk Advisory Services Limited as the independent professional advisor for performing an independent review and investigation pertaining to the Audit Issues and for conducting an internal control review and a follow-up review on, among other things, the business operations and the corporate governance of the Group.

The Board believes that the Audit Issues raised by its auditors can be clarified through the conducting of the Independent Review and Investigation, and both the internal control system and corporate governance of the Group will be proved effective after completion of the Independent Internal Control Reviews.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended with effect from 9:00 a.m. on 30 March 2011 and shall continue to be suspended pending the release of an announcement of the Company regarding the completion of the Independent Review and Investigation and the Independent Internal Control Reviews and the Audit Committee is satisfied that the Audit Issues have been clarified through the conducting of the Independent Review and Investigation, and both the internal control system and corporate governance of the Group are proved effective after completion of the Independent Internal Control Reviews.

APPOINTMENT OF INDEPENDENT PROFESSIONAL ADVISOR

Reference is made to the 2010 annual results announcement of the Company dated 30 March 2011 (the “**Announcement**”).

The board of directors (the “**Board**”) of the Company wishes to announce that in addressing the issues raised by the Company’s auditors, KPMG, Certified Public Accountants, in respect of the relevant information contained in the Group’s accounting records, as announced by the Company in the Announcement (the “**Audit Issues**”) and their disclaimer of opinion in respect of the consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2010, the audit committee of the Company (the “**Audit Committee**”) has, on 19 April 2011, appointed ZHONGLEI Risk Advisory Services Limited as the independent professional advisor for performing an independent review and investigation pertaining to the Audit Issues (the “**Independent Review and Investigation**”) and for conducting an internal control review (the “**Internal Control Review**”) and a follow-up review (the “**Follow-up Internal Control Review**”) on, among other things, the business operations and corporate governance of the Group (collectively the “**Independent Internal Control Reviews**”). Whilst the scope of the Independent Review and Investigation involves, in respect of the Audit Issues, an independent general review of the affairs and operations of the Group, of the state of conditions and reliability of its accounting books and records, to carry out an in-depth analysis and investigation of the issues raised by the Company’s auditors, KPMG, and to make a report of findings to the Company via the Audit Committee, the Independent Internal Control Reviews shall involve conducting reviews in respect of the financial procedures and internal control system of the Group before and after remedial steps (if necessary) have been taken by the Group to address the deficiencies in internal controls (if any) as identified in the course of the reviews.

ZHONGLEI Risk Advisory Services Limited and its ultimate beneficial owner(s) are, to the best of knowledge, information and belief and having made all reasonable enquiries by the directors of the Company (the “**Directors**”), third parties independent of the Company and its connected persons.

Reports of findings following completion of each of the Independent Review and Investigation and the Independent Internal Control Reviews will be made available to Company through the Audit Committee. The preliminary drafts of the reports of findings in respect of the Independent Review and Investigation and the Internal Control Review are expected to be available on 17 June 2011 or such earlier or later date as may be mutually agreed between ZHONGLEI Risk Advisory Services Limited and the Company in writing. A draft of the Follow-up Internal Control Review report is expected to be available on 17 July 2011 or such later date as may be mutually agreed between ZHONGLEI Risk Advisory Services Limited and the Company in writing.

The Board believes that the Audit Issues raised by its auditors can be clarified through the conducting of the Independent Review and Investigation, and both the internal control system and corporate governance of the Group will be proved effective after completion of the Independent Internal Control Reviews. The executive committee of the Company comprising all three executive Directors also confirms that the Group’s business operations have not been affected by the Audit Issues and remains confident in the long-term growth of the Group.

The Company shall continue to keep shareholders informed of the progress of the Independent Review and Investigation and the Independent Internal Control Reviews by making further announcement as and when appropriate.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended with effect from 9:00 a.m. on 30 March 2011 and shall continue to be suspended pending the release of an announcement of the Company regarding the completion of the Independent Review and Investigation and the Independent Internal Control Reviews and the Audit Committee is satisfied that the Audit Issues have been clarified through the conducting of the Independent Review and Investigation, and both the internal control system and corporate governance of the Group are proved effective after completion of the Independent Internal Control Reviews.

By Order of the Board
ZHU Yu Guo
Chairman

Shandong, the PRC, 19 April 2011

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 Messrs. ZHAO Wei, WANG Lu and KWONG Kwan Tong.