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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)

**PROPOSED REPLACEMENT OF SCRIP DIVIDEND
SCHEME WITH DISTRIBUTION OF THE ENTIRE 2010
FINAL DIVIDEND IN CASH
AND
PROPOSED ADJOURNMENT OF ANNUAL GENERAL
MEETING TO 8 JUNE 2011
AND
REVISED BOOK CLOSURE PERIOD**

The Board proposes to replace the Scrip Dividend Scheme with a distribution of the entire 2010 Final Dividend in cash at HK8.633 cents per Share. In light of this proposed change, the Board also proposes to adjourn the AGM to 10:00 a.m. on Wednesday, 8 June 2011 and the register of members of the Company will be closed from 1 June 2011 to 8 June 2011 (both days inclusive).

Reference is made to (1) the 2010 annual results announcement of Qunxing Paper Holdings Company Limited (the “**Company**”) dated 30 March 2011 (the “**Annual Results Announcement**”) and a circular of the Company dated 11 April 2011 (the “**Circular**”) in respect of, inter alia, the Scrip Dividend Scheme in relation to the 2010 Final Dividend; and (2) the notice of the AGM dated 11 April 2011 (the “**AGM Notice**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Circular unless otherwise stated.

**PROPOSED REPLACEMENT OF SCRIP DIVIDEND SCHEME WITH DISTRIBUTION OF
THE ENTIRE 2010 FINAL DIVIDEND IN CASH**

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 names appear on the Company’s register of members on 18 May 2011.

The Scrip Dividend Scheme is conditional upon, apart from obtaining approval from the Shareholders at the AGM, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme on the Stock Exchange. As trading in the Shares has been suspended since 30 March 2011 pending the release of an announcement of the Company regarding the completion of the independent review and investigation and independent internal control reviews as detailed in the Annual Results Announcement and an announcement of the Company dated 19 April 2011, the Stock Exchange had indicated to the Company that as the Company has yet to submit any concrete resumption proposal, the Stock Exchange was unable to process the Company's application made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Scrip Shares. In view of the above and given the Group's sound financial position in the absence of debt which provide the Board with the flexibility to propose the replacement of the Scrip Dividend Scheme with distribution of the entire 2010 Final Dividend in cash while continuing to invest in growing the Group's business, the Board considers that such proposal is in the best interests of the Shareholders and the Company as a whole.

PROPOSED ADJOURNMENT OF THE AGM

As set out in the Circular and the AGM Notice, the AGM is originally scheduled to be held on Wednesday, 18 May 2011 for the following purposes in general: (i) to receive and consider the audited consolidated financial statements, the report of the Directors and the independent auditor's report for the year ended 31 December 2010; (ii) to declare a final dividend in scrip form with a cash option and a special cash dividend for the year ended 31 December 2010; (iii) to re-elect the retiring Directors; and (iv) to grant the general mandates to repurchase Shares and issue Shares.

In light of the proposed replacement of the Scrip Dividend Scheme with distribution of the entire 2010 Final Dividend in cash, the Board proposes to adjourn the AGM to 10:00 a.m. on Wednesday, 8 June 2011 (the "**Adjourned AGM**") at the Company's head office situated at San Li He, Chang Shang Town, Zouping County, Shandong Province, the PRC at which resolutions set out in the Adjourned AGM Notice will be proposed and considered by the Shareholders. The notice of the Adjourned AGM and the form of proxy for use at the Adjourned AGM will be despatched to the Shareholders on or about 19 May 2011.

Pursuant to the Articles of Association of the Company, the AGM will nevertheless be held on 18 May 2011 but at the commencement of the meeting, the chairman of the meeting will propose a motion to adjourn the AGM to 10:00 a.m. on 8 June 2011 which, if the consent of the meeting being obtained, the AGM will be so adjourned. **Shareholders are reminded that no business (other than the adjournment) is intended to be proposed at the AGM.**

CHANGE OF BOOK CLOSURE PERIOD

As set out in the Circular, it was proposed that in order to qualify for the 2010 Final Dividend and attendance at the AGM the register of members of the Company (the “**Register**”) would be closed from 12 May 2011 to 18 May 2011 (both days inclusive).

In light of the proposed adjournment of the AGM, the Register will be closed from 1 June 2011 to 8 June 2011 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for the attendance at the Adjourned AGM (and any adjournment thereof), all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Branch Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai Hong Kong not later than 4:30 p.m. on 31 May 2011. The proposed dividend will be paid on or about 16 June 2011 to the Shareholders whose names appear on the Register on 18 May 2011, subject to the approval of the Shareholders at the Adjourned AGM.

By Order of the Board
ZHU Yu Guo
Chairman

Shandong, the PRC, 17 May 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.