THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should immediately consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Qunxing Paper Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

博大資本國際有限公司
Partners Capital International Limited

A letter from the Board is set out on pages 1 to 9 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on page 10 of this circular. A letter from Partners Capital (as defined herein) containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 20 of this circular.

The notice of the EGM (as defined herein) to be held at Oasis Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 3 November 2009 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is also enclosed with this circular and has posted on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qxpaper.com) respectively. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending, and voting at the EGM or any adjournment thereof if you so wish.

15 October 2009

CONTENTS

In this circular, unless otherwise indicated in the context, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Capital and the Sale Debts by the Purchaser from the Vendors pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional acquisition agreement dated 24 September 2009 entered into between the Vendors and the Purchaser in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above or on which a black rainstorm warning is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"Closing Conditions"	the conditions precedent to Completion as set out in the Acquisition Agreement
"Company"	Qunxing Paper Holdings Company Limited (群星紙業控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition pursuant to the terms and conditions set out in the Acquisition Agreement
"Completion Date"	the completion date of the Acquisition, being the fifth Business Day (or such other date as the Vendors and the Purchaser may mutually agree in writing) following the date on which the Purchaser shall have sent a written notice to the Vendors for Completion upon the fulfillment or (where applicable) waiver of all Closing Conditions
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Dr. Zhu"	Dr. Zhu Yu Guo, an executive Director and the chairman of the Board, the spouse of Ms. Sun and the father of Mr. Zhu
"EGM"	an extraordinary general meeting to be convened by the Company on Tuesday, 3 November 2009 for considering, and if thought fit, approving, among other things, the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder
"Encumbrances"	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same and "**Encumber**" and cognate expressions shall be construed accordingly
"Enlarged Group"	the Company and its subsidiaries upon Completion

"Equipment"	the 58 sets of 850 KW wind turbines and other related equipment which was agreed to be purchased by the Target Company from the Equipment Company pursuant to the EES Supply Contracts
"Equipment Company"	山東長星風電科技有限公司 (Shandong Changxing Wind Power Technology Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC whose registered capital is beneficially owned by 3 of the Directors, namely, Dr. Zhu (70%), Mr. Zhu (20%) and Ms. Sun (10%)
"EES Supply Contracts"	a series of contracts entered into between the Target Company and the Equipment Company, pursuant to which the Equipment Company has agreed to supply the Equipment and certain engineering services to the Target Company for the construction of the Wind Farm, the total contract sum of which amounts to RMB523.2 million (about HK$593.6 million)
"Existing Business Agreements"	a total of 34 business contracts (including the EES Supply Contracts) made by the Target Company for sourcing equipment, engineering services and other assets for the Wind Power Generation Business
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board comprising Messrs. Zhao Wei, Wang Lu and Kwong Kwan Tong, the independent non-executive Directors
"Independent Financial Adviser" or "Partners Capital"	Partners Capital International Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholder(s) other than Dr. Zhu, Ms. Sun, Mr. Zhu and their respective associates who are required to abstain from voting on the resolution to approve the Acquisition, the Acquisition Agreement, the EES Supply Contracts, and transactions contemplated thereunder at the EGM
"Independent Third Party(ies)"	third party(ies) independent of and not connected or acting in concert with the Company and any of its connected persons and are not connected persons of the Company
"Latest Practicable Date"	14 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	5:00 p.m. Hong Kong time on 31 December 2009 or such other time and date as the Vendors and the Purchaser may mutually agree in writing
"Material Adverse Change"	any change which has a material and adverse effect on the financial position, business, property, results of operations, prospects or assets of the Target Company as a whole

"Mr. Zhu"	Mr. Zhu Mo Qun, an executive Director, general manager and the vice-chairman of the Board and the son of Dr. Zhu and Ms. Sun
"Ms. Sun"	Ms. Sun Rui Fang, a non-executive Director and the spouse of Dr. Zhu and mother of Mr. Zhu
"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchase Price"	RMB30.0 million (about HK$34.0 million) (subject to adjustment), being the aggregate purchase price for the Sale Capital and the Sale Debts under the Acquisition Agreement, but in any event shall not exceed RMB563.5 million (about HK$639.4 million)
"Purchaser"	山東群星紙業有限公司 (Shandong Qunxing Paper Limited*), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of the Company
"Sale Capital"	the entire registered capital in the Target Company at Completion
"Sale Debts"	a total principal amount of RMB10.0 million (about HK$11.3 million) as at 30 September 2009 and which actual amount shall equal to the entirety of the face value of the loans outstanding as at Completion made by or on behalf of the Vendors to the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	通遼長星風力發電有限公司 (Tongliao Changxing Wind Power Co., Ltd.*), a limited liability company incorporated under the laws of the PRC
"Vendors"	Ms. Sun and Mr. Zhu
"Wind Farm"	內蒙古通遼市科爾沁區莫力廟風電場 (Inner Mongolia Tongliao Keerqin District Molimiao Wind Farm*) which is being established by the Target Company in Inner Mongolia, the PRC
"Wind Power Generation Business"	the wind power generation business and related services being operated or proposed to be operated by the Target Company
"Euro"	the lawful currency of the European Union
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"KW"	kilowatt or one thousand watts
"MW"	megawatt or one million watts. The installed capacity of power plants is generally expressed in MW

"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square metres
"%"	per cent.

For the purpose of this circular, unless the context requires otherwise, translation of RMB and Euro into HK$, for illustration purpose only, are at the rates of RMB0.88133 to HK$1 and Euro 1 to HK$11.0889 respectively.

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

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)

Executive Directors:
Dr. ZHU Yu Guo (*Chairman*)
Mr. ZHU Mo Qun (*Vice-chairman*)
Mr. SUN Zhen Shui

Non-executive Director:
Ms. SUN Rui Fang

Independent Non-executive Directors:
Mr. ZHAO Wei
Mr. WANG Lu
Mr. KWONG Kwan Tong

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Unit 3103-5
Enterprise Square Two
No. 3 Sheung Yuet Road
Kowloon Bay
Hong Kong

15 October 2009

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Company announced on 24 September 2009 that on 24 September 2009 (after trading hours), the Purchaser, being an indirect wholly-owned subsidiary of the Company and the Vendors, entered into the Acquisition Agreement.

The Acquisition Agreement provides for the purchase of the Target Company by the Purchaser. The purchase will be effected by an acquisition of the Sale Capital and the Sale Debts. As disclosed in the announcement of the Company dated 24 September 2009, the Purchase Price consists of the face value of the registered capital of the Target Company and the face value of the Sale Debts. As at 31 August 2009, the Sale Debts amounted to approximately RMB4.2 million (about HK$4.8 million). The Vendors have been advancing further loans to the Target Company for its construction of the Wind Farm. As at 30 September 2009, the accumulated Sale Debts amounted to approximately RMB10.0 million (about HK$11.3 million). As at 30 September 2009, the aggregate face value of the Target Company's registered capital amounted to RMB20.0 million. Their total sum (i.e. the registered capital of the Target Company and the shareholders' loans to the Target Company) amounted to approximately RMB30.0 million (about HK$34.0 million) as at 30 September 2009. As discussed further below, the Purchase Price will be subject to adjustment by reference to the face value of the registered capital of the Target Company and the face value of the shareholders' loans to the Target Company as at the Completion Date, but shall in any event not exceed RMB563.5 million (about HK$639.4 million). The total consideration will be satisfied in cash in accordance with the terms and conditions set out in the Acquisition Agreement and further details are set out in the section headed

"Purchase Price, its adjustment and the contract sums under the Existing Business Agreements" below. The Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules.

The Target Company has entered into the Existing Business Agreements (including the EES Supply Contracts) pursuant to which it has agreed to purchase certain Equipment, engineering services and other assets for its Wind Power Generation Business.

The contract sums under the Existing Business Agreements amounted to approximately RMB559.1 million (about HK$634.4 million). The Group will, on completion of the Acquisition, become liable to pay all unpaid balances due under the Existing Business Agreements. The transactions contemplated under the EES Supply Contracts will become connected transactions of the Company upon Completion under the Listing Rules.

The purpose of this circular is to provide you with (i) further details of the Acquisition and the EES Supply Contracts; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition Agreement and the EES Supply Contracts; and (iv) a notice of the EGM.

THE ACQUISITION AGREEMENT

Date: 24 September 2009 (after trading hours)

Parties:

Vendors:
(i) Ms. Sun, who owns 87% in the equity interest of the registered capital of the Target Company; and
(ii) Mr. Zhu, who owns 13% in the equity interest of the registered capital of the Target Company.

Purchaser: Shandong Qunxing Paper Limited, an indirect wholly-owned subsidiary of the Company

As both Vendors are the Directors, the transactions contemplated under the Acquisition constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Target Company by acquiring the Sale Capital and the Sale Debts, subject to the terms and conditions as set out in the Acquisition Agreement.

The Sale Capital represents the entire equity interest in the registered capital of the Target Company, which amounted to RMB20 million as at 30 September 2009.

The Target Company was established by Ms. Sun and an Independent Third Party on 2 November 2007. At its incorporation, the Target Company was owned by Ms. Sun and such Independent Third Party as to 87% (who contributed RMB17.4 million to its registered capital) and 13% (who contributed RMB2.6 million to its registered capital) respectively. In October 2008, the said Independent Third Party transferred to Mr. Zhu his 13% registered capital in the Target Company at a consideration of RMB2.6 million.

As at the date of Acquisition Agreement, the Sale Debts represent all the shareholder's loans owing by the Target Company to one of the Vendors. To the best of the Directors' knowledge and information having made all reasonable enquiries, as at 30 September 2009, the Sale Debts amounted to approximately RMB10.0 million (about HK$11.3 million).

Further information regarding the Target Company and the Wind Farm is set out in the paragraph headed "Information on the Target Company and the Wind Farm" below.

The Target Company has entered into a total of 34 Existing Business Agreements, 4 of which are the EES Supply Contracts, pursuant to which the Target Company has agreed to purchase certain Equipment, engineering services and other assets for its Wind Power Generation Business.

The contract sums under the Existing Business Agreements amounted to approximately RMB559.1 million (about HK$634.4 million). The Group will, on completion of the Acquisition, become liable to pay all unpaid balances due under the Existing Business Agreements.

PURCHASE PRICE, ITS ADJUSTMENT AND THE CONTRACT SUMS UNDER THE EXISTING BUSINESS AGREEMENTS

The Purchase Price is initially RMB30.0 million (about HK$34.0 million) and is subject to adjustment as mentioned below, which shall be paid by the Purchaser to the Vendors at Completion in cash.

The Purchase Price is composed of two portions: (i) consideration for the Sale Capital, which shall be equal to the face value of registered capital of the Target Company as at the Completion Date, and (ii) the consideration for the Sale Debts, which shall be an amount equal to the face value of the Sale Debts as at the Completion Date. The Purchase Price shall be subject to adjustment by reference to the face value of the shareholder's loans of the Target Company as at the Completion Date.

As informed by the Vendors, the Target Company has not borrowed from any banking or financial institutions or any other third-party, except from the Vendors for financing the construction of the Wind Farm. The registered capital of the Target Company and the loans provided by the shareholder of the Target Company have been applied to pay the construction and investment costs for the Wind Farm and will be applied to the payment of contract sums payable under the Existing Business Agreements.

As informed by the Vendors, the Target Company has entered into a total of 34 Existing Business Agreements, the total contract sums of which amounted to approximately RMB559.1 million (about HK$634.4 million). Of the 34 Existing Business Agreements, (i) 30 were made with Independent Third Parties and the total contract sums for these agreements amounted to approximately RMB35.9 million (about HK$40.7 million) and (ii) 4 are the EES Supply Contracts. The total contract sums under the EES Supply Contracts amounted to approximately RMB523.2 million (about HK$593.6 million). The total contract sums payable by the Target Company under the EES Supply Contracts amounted to, as at 30 September 2009, approximately RMB221.0 million (about HK$250.8 million).

Under the Existing Business Agreements, the total contract sums amounted to approximately RMB559.1 million (about HK$634.4 million). It is expected that up to Longstop Date, accumulated operating expenses of the Target Company (excluding the amounts paid or payable under the Existing Business Agreements) amounted to approximately RMB4.4 million (about HK$5.0 million) since establishment. Accordingly, the Purchase Price in any event would not exceed RMB563.5 million (about HK$639.4 million) (being the sum of the said total contract sums plus the said operating expenses).

The Purchase Price as at Completion will be equivalent to the aggregate of (i) the contract sums paid under the Existing Business Agreements paid up to the Completion Date; and (ii) the Target Company's operating expenses paid up to the Completion Date.

The balance of the contract sums payable under the Existing Business Agreements subsequent to the Completion Date and the Target Company's operating expenses payable subsequent to the Completion Date will be borne by the Target Company.

The Purchase Price and the balance of the contract sums payable under the Existing Business Agreements subsequent to the Completion Date and the Target Company's operating expenses payable subsequent to the Completion Date (subject to and after Completion) will be funded by the

Group's internally generated funds. Proceeds arising from the initial public offerings carried out by the Company in October 2007 will not be applied to payments under the Existing Business Agreements.

As informed by the Vendors, the contract price for the Equipment and the service fees for the engineering services under the EES Supply Contracts were agreed between the Target Company and the Equipment Company which were determined with reference to (i) the required level of technology for the Equipment and the engineering services; and (ii) the prevailing market prices of such equipment and services.

As the Purchase Price of the Acquisition was determined generally on cost basis, and taking into consideration the basis for the determination of the contract price for the Equipment and the service fees for the engineering services under the EES Supply Contracts as set out above, the Directors (including the independent non-executive Directors whose views are provided in the Letter from the Independent Board Committee set out in this circular after taking into account the opinion and advice from the Independent Financial Adviser) consider that the Purchase Price, the contract sums under the EES Supply Contracts, the other terms and conditions of the Acquisition and the transactions contemplated under the EES Supply Contracts are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

CLOSING CONDITIONS OF THE ACQUISITION

Completion of the Acquisition Agreement is subject to (among other conditions) the following Closing Conditions being fulfilled and remaining satisfied as at Completion (or, where applicable, waived by the Purchaser) on or before the Longstop Date:

(a) receipt by the Purchaser of a legal opinion on PRC laws (in the form and substance to the Purchaser's satisfaction) to be issued by such PRC law firms, covering, among others, the following issues:

    (i) the Target Company having been duly established and validly subsisting; its entire registered capital being legally and beneficially owned by the Vendors free from Encumbrances and all relevant approvals and filings required to be done having been properly obtained and completed;

    (ii) the legality of the construction of and in the Wind Farm and the operation or proposed operation of the Wind Power Generation Business;

    (iii) the relevant approvals and licences regarding the construction of and in the Wind Farm and/or other relevant buildings and facilities having been obtained and being in full force and effect at Completion;

    (iv) all relevant permits and licences necessary for the operation or proposed operation of the Wind Power Generation Business having been obtained and being in full force and effect at Completion (or if the same have not been obtained upon Completion, there shall be no material legal prohibition, impediment or delay for obtaining the same);

    (v) the legality, validity and enforceability of the Existing Business Agreements;

    (vi) all deposits, tax and other fees payable by the Target Company to any governmental authorities in compliance with the relevant laws on or prior to Completion having been paid in full;

    (vii) (if applicable) all necessary permits, approvals, waivers, registrations and/or filings required to be obtained by the Vendors and/or the Target Company in relation to the execution and enforcement of the Acquisition Agreement and/or the transactions contemplated thereunder having been obtained;

(viii) (if applicable) the Target Company having obtained all licences and rights to own or use all the properties owned, leased or occupied by the Target Company; and

(ix) such other aspects of the PRC laws as the Purchaser may reasonably require in relation to the Target Company, the Wind Farm and/or the Wind Power Generation Business;

(b) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operation or other aspects that the Purchaser considers material) on the Target Company and its related businesses, assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think necessary and appropriate to conduct;

(c) (if required) the Vendors having obtained, pursuant to applicable laws and regulations, from the relevant authorities all approvals in connection with the Acquisition Agreement and the transactions contemplated thereby;

(d) the approval by the Shareholders (or, as the case may be, the Independent Shareholders) at the EGM of the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder pursuant to the articles of association of the Company and the Listing Rules having been obtained;

(e) the Purchaser being satisfied that, from the date of the Acquisition Agreement and up to the Completion Date, the warranties given by the Vendors under the Acquisition Agreement remain true and accurate, not misleading in any material aspect or in breach; and that no events or situations have occurred which indicate that there has been any Material Adverse Change;

(f) the Purchaser not discovering or becoming aware of, from the date of the Acquisition Agreement, any abnormal operation of the Target Company or any Material Adverse Change regarding the scope of operation, status (including its assets, financial and legal status), operation, performance or properties of the Target Company or any non-disclosed potential risks having a material effect; and

(g) (if applicable) all requisite approvals, consents or waivers from any relevant third parties (including but not limited to banks or creditors) in connection with the execution and/or enforcement of the Acquisition Agreement having been obtained by the Vendors and/or the Target Company.

The Purchaser may at any time by notice in writing to the Vendors waive any of the Closing Conditions (other than that specified in items (c) and (d) above). If any of the Closing Conditions are not completely fulfilled (or, as the case may be, waived by the Purchaser) on or before the Longstop Date, the Purchaser may, after the Longstop Date, send a written notice to the Vendors to terminate the Acquisition Agreement, whereupon the Acquisition Agreement shall cease to be of any effect and the obligations of the Purchaser under the Acquisition Agreement shall forthwith cease and terminate and none of the parties to the Acquisition Agreement shall have any claims against the other parties, save for any antecedent breaches.

COMPLETION OF THE ACQUISITION

Subject to the satisfaction of all the Closing Conditions (or (where applicable) waiver of those which are waivable), Completion shall take place at 12:00 noon (Hong Kong time) on the fifth Business

Day (or at such other time and/or date as the Vendors and the Purchaser may agree) following the date on which the Purchaser shall have sent a written notice to the Vendors for Completion upon the fulfillment or (where applicable) waiver of all Closing Conditions.

INFORMATION ON THE TARGET COMPANY AND THE WIND FARM

The Target Company was established in the PRC as a limited liability company on 2 November 2007. Its registered capital is RMB20 million which has been fully paid up. The business scope of the Target Company covers the operation of the Wind Power Generation Business. Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and its financial results will be consolidated with those of the Group.

The Target Company has obtained all relevant approval and consent for development and operating the Wind Farm. The Wind Farm will be operated with planned installed capacity of 49.3 MW and installed with 58 sets of 850 KW wind turbines on a land with a planned site area of approximately 190,000 sq.m. According to the feasibility report obtained by the Target Company in relation to the development and operation of the Wind Farm, the estimated duration for the development and operation of the Wind Farm is 21 years (inclusive of about 1 year for initial construction and development). The total investment cost of the Wind Farm is approximately RMB570.0 million (about HK$646.7 million). The construction of the Wind Farm commenced in March 2009 and is expected to be completed in March 2010. Commercial operation of the Wind Farm is expected to commence in May 2010.

The Wind Farm is located at the Eastern Inner Mongolia Autonomous Region in the PRC with abundant wind resources with close proximity to the North-east China national grid. When the Wind Farm starts to supply electricity to the North-east China national power grid, the selling price of the electricity will be determined in accordance with the then prevailing national policy. For reference purpose only, the currently prevailing tariff for electricity to be generated by the Wind Farm is RMB0.54/KWh (inclusive of value-added tax) or RMB0.46/KWh (exclusive of value-added tax).

The Wind Farm has been approved by the National Development and Reform Commission (the "**NDRC**") of the PRC as a project under the clean development mechanism ("**CDM**") for the reduction of carbon emission. Under the CDM, the Target Company can sell certain amount of certified emission reductions ("**CER(s)**") in the form of carbon credits as produced by the Wind Power Generation Business. The NDRC has approved the Target Company to enter into an agreement with a European company for the sale of a maximum of 440,000 tonnes of CERs to the European company Under the approval given by the NDRC, the selling price for each tonne of CER shall not be less than Euro 13 (about HK$144.2).

As at the Latest Practicable Date, the Wind Farm is still in construction stage and the Target Company has not yet generated any turnover so far. The Target Company has recorded neither profit nor loss since its date of incorporation (i.e. 2 November 2007) up to the Latest Practicable Date. Based on the latest management accounts of the Target Company as at 31 August 2009, the total asset value of the Target Company amounted to approximately RMB246.3 million (about HK$279.5 million), of which the major asset was construction-in-progress in respect of the Wind Farm of approximately RMB222.3 million (about HK$252.2 million) and the net asset value of the Target Company amounted to approximately RMB20.0 million (about HK$22.7 million). A valuation report in respect of the Target Company's equipment and machineries as at 24 September 2009 is set out in Appendix I to this circular, while a valuation report in respect of Target Company's property interests as at 24 September 2009 is set out in Appendix II to this circular.

REASONS FOR THE ACQUISITION

The Group is the largest manufacturer of decorative base paper in the PRC, principally engaging in the production and sale of decorative base paper products and printing paper product in the PRC. Following the Acquisition, production of decorative base paper products will remain as a core business of the Group.

As mentioned in the Company's interim report for the six months ended 30 June 2009, the Group has been putting great emphasis on implementing environmental protection and corporate social responsibility. The strategy is to take advantage of opportunities provided by the PRC government's increasing emphasis on the protection of environment and sustainable growth.

The Group's management is of the view that the development of the Wind Power Generation Business is in line with the Group's strategy of focusing on environmentally friendly business, enabling the Group to take advantage of favourable long term national policies for corporate growth to increase shareholder value and return. The Wind Power Generation Business also provides the Group with a means of allocating the cash flow of the Group to gradually build up a new business line.

Accordingly, the Directors consider that the Acquisition provides a valuable opportunity for the Group to diversify into a new and growing industry in the PRC that will add to its business and strengthen its financial capability, continuing development, and creating a new and sustainable source of earnings over the longer term. The Directors consider that the diversification of the Group's business into this new area with high growth potential and steady income is in the best interests of the Company and its Shareholders as a whole.

So far as the Directors are aware, the Equipment Company is the first company in the PRC that developed its own wind turbine technology, which gives it a competitive advantage over foreign and domestics manufacturers, and its wind turbines are capable of producing energy on a commercial basis at relatively light winds. The Equipment Company has made innovations in the wind power generation technology and related equipment and filed a number of patent applications in the PRC and has over 20 tertiary educated researchers and experts in its research and development section.

As informed by the Vendors, as the contract prices for the Equipment and the engineering services were considered by the Target Company to be in line with the market price and in view of the level of technology for such equipment and services as acquired by the Target Company and the ancillary and maintenance services to be provided by the Equipment Company, the Target Company considered that it is in the interest of the Target Company to purchase the Equipment and acquire the engineering services under the EES Supply Contracts from the Equipment Company.

In the light of the above, the Directors (including the independent non-executive Directors who have taken into account the opinion and advice from Partners Capital) consider that the Acquisition and the purchase of the Equipment and engineering services under the EES Supply Contracts are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

Since the applicable percentage ratios for the total amount payable by the Company under the Acquisition, inclusive of the amount payable under the Existing Business Agreements are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As both of the Vendors are the Directors, the Acquisition also constitutes a connected transaction of the Company. Three of the Directors are the ultimate beneficial owners of the Equipment Company, which is thus a connected person of the Company. The transactions contemplated under the EES Supply Contracts, being some of the Existing Business Agreements, will, therefore, become connected transactions upon Completion. The Acquisition and, subject to Completion, the transactions contemplated under the EES Supply Contracts will be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee consisting of all the independent non-executive Directors has been established to advise the Independent Shareholders on whether the Acquisition Agreement, the Acquisition, the EES Supply Contracts and the transactions contemplated thereunder are fair and reasonable. Its letter to the Independent Shareholders is set out on page 10 of this circular.

Partners Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder. The letter from Partners Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 20 of this circular.

EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be convened and held at Oasis Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 3 November 2009 at 11:00 a.m. at which a resolution will be proposed to the Independent Shareholders to consider, if thought fit, to approve the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder. Pursuant to Rules 13.39(4) and 13.39(5) of the Listing Rules, any voting of the Independent Shareholders at the EGM will be taken by way of poll and an announcement on the poll results of the EGM will be made by the Company after the EGM as soon as possible.

As at the Latest Practicable Date, Dr. Zhu and his associates (including Ms. Sun) were interested in 700,000,000 Shares, representing approximately 67.78% of the entire issue share capital of the Company. As Dr. Zhu and Ms. Sun are interested in the Acquisition, they (and their respective associates) will abstain from voting at the EGM on the resolution to approve the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder.

A form of proxy for use at the EGM is also enclosed with this circular and has posted on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qxpaper.com) respectively. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending, and voting at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Acquisition and the purchase of the Equipment and engineering services under the EES Supply Contracts, the respective terms and conditions of the Acquisition Agreement and the EES Supply Contracts are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

GENERAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on page 10 of this circular, the letter of advice from Partners Capital to the Independent Board Committee and the Independent Shareholders set out on pages 11 to 20 of this circular and the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
ZHU Yu Guo
Chairman

The following is the letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition Agreement and the EES Supply Contracts and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

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)

15 October 2009

To the Independent Shareholders

Dear Sir / Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular to the Shareholders dated 15 October 2009 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in connection with the Acquisition, the terms and conditions of Acquisition Agreement and the EES Supply Contracts and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the Circular.

Having considered the Acquisition, the terms and conditions of Acquisition Agreement and the EES Supply Contracts and the transactions contemplated thereunder and a letter of advice from the Independent Financial Adviser in relation thereto as set out from pages 11 to 20 of the Circular, we consider that the Acquisition, the terms and conditions of Acquisition Agreement and the EES Supply Contracts and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition, the terms and conditions of Acquisition Agreement and the EES Supply Contracts and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
QUNXING PAPER HOLDINGS COMPANY LIMITED
ZHAO Wei **WANG Lu** **KWONG Kwan Tong**
Independent Non-executive Directors

博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Hong Kong

15 October 2009

To the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, particulars of which are set out in the letter from the Board (the "Letter from the Board") of this circular to the shareholders (the "Shareholders") of the Company dated 15 October 2009 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 24 September 2009 (after the trading hours), the Vendors and the Purchaser, being an indirectly wholly-owned subsidiary of the Company, entered into the Acquisition Agreement, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase the Target Company by way of acquisition of the Sale Capital and the Sale Debts at a consideration (the "Consideration") of RMB24.2 million (about HK$27.5 million) (subject to adjustment, but in any event shall not exceed RMB563.5 million (about HK$639.4 million)), which will be satisfied in cash in accordance with the terms and conditions as set out in the Acquisition Agreement. As at 31 August 2009, the Sale Debts amounted to approximately RMB4.2 million (about HK$4.8 million). The Vendors have been advancing further loans to the Target Company for its construction of the Wind Farm. As at 30 September 2009, the accumulated Sale Debts amounted to approximately RMB10.0 million (about HK$11.3 million). As at 30 September 2009, the aggregate face value of the Target Company's registered capital amounted to RMB20.0 million. Their total sum (i.e. the registered capital of the Target Company and the shareholders' loans to the Target Company) amounted to approximately RMB30.0 million (about HK$34.0 million) as at 30 September 2009. Prior to the Acquisition, the Target Company is owned as to 87% by Ms. Sun and as to 13% by Mr. Zhu. The Consideration was determined after arm's length negotiations between the Company and the Vendors and composed of two portions: (i) consideration for the Sale Capital, which is equal to the face value of registered capital of the Target Company as at the Completion Date, and (ii) consideration for the Sale Debts which shall be an amount equal to the face value of the Sale Debts as at the Completion Date. In addition, the Target Company has entered into the Existing Business Agreements pursuant to which it has agreed to purchase certain Equipment, engineering services and other assets for its Wind Power Generation Business. The contract sums under the Existing Business Agreements amounted to RMB559.1 million (about HK$634.4 million), (the "Commitment"). The Group will, on completion of the Acquisition, become liable to pay all unpaid balances due under the Existing Business Agreements.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Besides, as both of the Vendors are the Directors, the Acquisition constitutes a connected transaction of the Company, which will be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated therein at the EGM to be conducted by poll. At the EGM, Ms. Sun, and Mr. Zhu and their respective associates will abstain from voting at the EGM on the resolution to approve the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated thereunder. In addition, the Independent Board Committee has been established to advise whether the terms of the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated therein are on normal commercial terms and fair and reasonable and whether the Acquisition, the Acquisition Agreement, the EES Supply Contracts and the transactions contemplated therein are in the interests of the Company and the Independent Shareholders as a whole. In this regard, Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

We are not connected with the directors, chief executive and substantial shareholders of the Company or the Vendors or any of its subsidiaries or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Vendors or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the Acquisition, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Vendors and their respective associates nor have we carried out any independent verification of the information supplied.

THE ACQUISITION

Principal factors considered

In arriving at our opinion regarding the Acquisition and the terms of the Acquisition Agreement, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisition

The Group is the largest manufacturer of decorative base paper in the PRC, principally engaging in the production and sale of decorative base paper products and printing paper product in the PRC. Following the Acquisition, production of decorative base paper products will remain as core business of the Group.

(i) Background of the Target Company

As set out in the Letter from the Board, the Target Company was incorporated in the PRC as a limited liability company on 2 November 2007. Its registered capital is RMB20 million which has been fully paid up. The business scope of the Target Company covers the operation of the

Wind Power Generation Business. Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and its financial results will be consolidated with those of the Group.

The Target Company has obtained all relevant approval and consent for development and operating the 49.3 MW Wind Farm on a land with a planned area of approximately 190,000 sq.m.. The Wind Farm will be equipped with 58 sets of 850 KW wind turbines. The total investment cost of the Wind Farm is approximately RMB570 million (equivalent to approximately HK$646.7 million). The construction of the Wind Farm commenced in March 2009 and is expected to start commercial operation in May 2010.

The Wind Farm is located at the Eastern Inner Mongolia Autonomous Region in the PRC with abundant wind resources and close proximity to the North-east China national grid. The Wind Farm has been approved by the National Development and Reform Commission of the PRC as a project under the clean development mechanism ("CDM") for the reduction of carbon emission. Under the CDM, the Target Company can sell certain amount of certified emission reductions ("CERs") in the form of carbon credits as produced by the Wind Power Generation Business. The National Development and Reform Commission of the PRC has approved the Target Company to enter into an agreement with a European company for the sale of a maximum of 440,000 tonnes of CERs to the European company.

As at the Latest Practicable Date, the Wind Farm is still in construction stage and the Target Company has not yet generated any turnover so far. The Target Company has recorded neither profit nor loss since its date of incorporation (i.e. 2 November 2007) up to the Latest Practicable Date. Based on the latest management accounts of the Target Company as at 31 August 2009, the total asset value of the Target Company amounted to approximately RMB246.3 million (about HK$279.5 million), of which the major asset was construction-in-progress in respect of the Wind Farm of about RMB222.3 million (about HK$252.2 million) and the net asset value of the Target Company amounted to approximately RMB20.0 million (about HK$22.7 million).

(ii) Reasons for entering into of the Acquisition Agreement

As set out in the Letter from the Board and mentioned in the Company's interim report for the six months ended 30 June 2009 (the "2009 Interim Report"), the Group has been putting great emphasis on implementing environmental protection and corporate social responsibility. The strategy is to take advantage of opportunities provided by the PRC government's increasing emphasis on the protection of environment and sustainable growth.

The Group's management is of the view that the development of the Wind Power Generation Business is in line with the Group's strategy of focusing on environmentally friendly business and enables the Group to take advantage of favourable long-term national policies for corporate growth to increase shareholders' value and return. The Wind Power Generation Business also provides the Group with a means of allocating the cashflow of the Group to gradually build up a new business line.

Accordingly, the Directors consider that the Acquisition provides a valuable opportunity for the Group to diversify into a new and growing industry in the PRC that will add to its business and strengthen its financial capability and creating a new and sustainable source of earnings over the longer term. The Directors consider that the diversification of the Group's business into this new area with high growth potential and steady income is in the best interests of the Company and its Shareholders as a whole.

As advised by the Company, the decorative base paper products and printing paper products of the Group are made from wood pulp which is usually prepared by chemically or mechanically separating fibers from wood, fiber crops etc. The use of wood pulp as the primary raw material for manufacturing paper products has been encouraged under various national policies promulgated by the PRC government as wood pulp can be used as an alternative to reduce the use of wood and timber in the PRC. These national policies would also advocate the use of laminated board as a substitute for timber. The Directors consider that the use of wood pulp will help to conserve natural resources and is one of the ways to contribute towards the environmental protection. In addition, the Directors recognise the importance of environmental protection and adopt stringent environmental protection measures with a view to reducing the impact of the Group's operations on the environment and the risk of exposure to liabilities under the prevailing environmental protection laws and regulations. Moreover, the Directors consider that it is one of the main focuses of the PRC Government towards environmental protection and renewable energy according to the Eleventh Five Year Plan, the Medium and Long-Term Development Plan for Renewable Energy and the Eleventh Five Year Plan for Renewable Energy and the Directors are of the view that there are great business opportunities in these areas and the Group has been all along identifying opportunities in these areas.

According to the World Wind Energy Report 2008 published by World Wind Energy Association[1] in February 2009, wind energy has continued as the most dynamically growing energy source worldwide in the year 2008. Since 2005, the global wind installations more than doubled. The global wind installations reached 121,188 MW, after 59,024 MW in 2005, 74,151 MW in 2006, and 93,927 MW in 2007. World Wind Energy Association estimated that the global wind installations would reach approximately 152,000 MW and 190,000 MW by 2009 and 2010 respectively. The PRC continues its role as the most dynamic wind market in the year 2008, more than doubling the installations for the third time in a row, with more than 12,000 MW of wind turbines installed.

In mid September 2009, the United Nations held a summit on climate change in New York and more than 100 heads of State and Government participated the summit including Mr. Hu Jintao, the president of China. President Hu stated that the PRC aims to increase the share of non-fossil fuels in primary energy consumption to 15% by 2020 and increase forest coverage by 40 million hectares and forest stock volume by 1.3 billion cubic metres by 2020 with a view to develop a low-carbon economy, and enhance research, development and dissemination of climate-friendly technologies in the PRC. The Group has been putting great emphasis on implementing environmental protection and corporate social responsibility. The Directors consider that the Wind Power Generation Business would capture the advantage of opportunities provided by the PRC government's increasing emphasis on the protection of environment and sustainable growth and the Directors are of view that the Group has sufficient resources to invest and develop business relating to environmental protection and/or renewable energy. Thus, the Directors consider that the development of the Wind Power Generation Business would enable the Group to diversify into a new business with high growth potential and steady income.

Furthermore, the Wind Power Generation Business can enjoy certain tax benefits from the PRC Government. For instance, according to "Notice on policies relating to value-added tax on use of resources and other products" (關於資源綜合利用及其他產品增值稅政策的通知) issued by Ministry of Finance of the PRC and State Administration of Taxation, the electricity generated from wind power are subject to a value-added tax refund of 50%.

On the other hand, as advised by the Company, it is expected that the Wind Power Generation Business would require an one-off initial cash outlay for the establishment of the Wind Farm and the Wind Farm is able to generate sufficient fund to cover its ongoing operation costs

1 *World Wind Energy Association is an international non-profit association embracing the wind sector worldwide, with members in 90 countries. World Wind Energy Association works for the promotion and worldwide deployment of wind energy technology.*

and, as such, the Group is not required to invest further capital to the Wind Farm for its operations. The Directors also expect that the annual operating expenses of the Wind Farm will substantially consist of depreciation of the equipment which is of non-cash nature.

On the above basis, we consider that there is a strong commercial rationale for the Company to enter into the Acquisition Agreement which enables the Company to diversify its revenue sources and capture the advantage of opportunities provided by the PRC government's increasing emphasis on the protection of environment and sustainable growth.

2. Terms of the Acquisition Agreement

(i) Consideration

Pursuant to the Acquisition Agreement, the Consideration is initially RMB30 million (about HK$34 million) and is subject to adjustment as mentioned below, which shall be paid by the Purchaser to the Vendors at Completion in cash. The Consideration is composed of two portions: (i) consideration for the Sale Capital, which is equal to the face value of registered capital of the Target Company as at the Completion Date; and (ii) the consideration for the Sale Debts, which shall be an amount equal to the face value of the Sale Debts as at the Completion Date. The Consideration shall be subject to adjustment by reference to the face value of the shareholder's loans of the Target Company, which would be used to settle the Commitment, as at the Completion Date.

Upon comparison, we note that the Consideration for the Acquisition of RMB30 million (about HK$34 million) is equivalent to the aggregate of the face value of registered capital of the Target Company of RMB20 million (about HK$22.7 million) and the face value of the Sale Debts as at 30 September 2009 of approximately RMB10 million (about HK$11.3 million).

As set out in the Letter from the Board, the Target Company has not borrowed from any banking or financial institutions or any other third-party, except from the Vendors for financing the construction of the Wind Farm. The registered capital of the Target Company and the loans provided by the shareholder of the Target Company have been applied to pay the construction and investment costs for the Wind Farm and will be applied to the payment of contract sums payable under the Existing Business Agreements. In addition, the Target Company has entered into a total of 34 Existing Business Agreements, the total contract sums of which amounted to approximately RMB559.1 million (about HK$634.4 million). Of the 34 Existing Business Agreements, (i) 30 were made with Independent Third Parties and the total contract sums for these 30 supply agreements amounted to about RMB35.9 million (about HK$40.7 million) and (ii) 4 are the EES Supply Contracts. The total contract sums under the EES Supply Contracts amounted to RMB523.2 million (about HK$593.6 million). As at 30 September 2009, the total contract sums payable by the Target Company under the EES Supply Contracts amounted to RMB221.0 million (about HK$250.8 million).

Under the Existing Business Agreements, the total contract sums amounted to approximately RMB559.1 million (about HK$634.4 million), i.e. the Commitment. It is expected that up to the Longstop Date, accumulated operating expenses of the Target Company (excluding the amounts paid or payable under the Existing Business Agreements) amounted to approximately RMB4.4 million (about HK$5.0 million) since establishment. Accordingly, the Consideration in any event would not exceed RMB563.5 million (about HK$639.4 million) (being the sum of the said total contract sums plus the said operating expenses). In other words, the Consideration as at Completion will be equivalent to the aggregate of (i) the Commitment paid up to the Completion Date, and (ii) the Target Company's operating expenses paid up to the Completion Date. The balance of the contract sums payable under the Existing Business Agreements subsequent to the Completion Date and the Target Company's operating expenses payable subsequent to the Completion Date will be borne by the Target Company.

We note that the adjustment in the Consideration was determined generally on a cost basis and represents the increase in the Sale Debts arising from the Commitment paid by the Target Company up to the Completion Date and the Target Company's operating expenses paid up to the Completion Date.

Based on the above analysis, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Mode of settlement of the Consideration

Pursuant to the Acquisition Agreement, the Consideration is initially RMB30 million (about HK$34 million) (subject to adjustment, but in any event shall not exceed RMB563.5 million (about HK$639.4 million), which shall be paid by the Purchaser to the Vendors at Completion in cash.

According to the 2009 Interim Report, the Group had cash and cash equivalent of approximately RMB1,227.3 million as at 30 June 2009 and we note that the Group has been profit making and generating net cash inflow from operation since 2004.

Accordingly, we consider that the Company has sufficient financial resources to settle the Consideration by way of cash. Also, we are of the view that the mode of settlement by cash will not cause dilution of shareholding interest of the Independent Shareholders as in the case of issuing consideration shares and/or convertible instruments.

Based on the above, we consider that the mode of settlement of the Consideration by way of cash is on normal commercial terms, fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

3. EES Supply Contracts

As set out in the Letter from the Board, the Target Company has entered into a total of 34 Existing Business Agreements, 4 of which are the EES Supply Contracts, pursuant to which the Target Company has agreed to purchase (i) the Equipment, (ii) installation and testing services for the Equipment; (iii) construction services of infrastructure facilities including the main building and control centre substation; and (iv) engineering services of control systems for its Wind Power Generation Business.

As further set out in the Letter from the Board, the contract price for the Equipment and the service fees for the engineering services under the EES Supply Contracts were agreed between the Target Company and the Equipment Company and determined with reference to (i) the required level of technology for the Equipment and the engineering services; and (ii) the prevailing market prices of such equipment and services.

We have obtained and reviewed quotations from other independent suppliers in the PRC as provided by the Company in relation to the supply of comparable products and services of equipment for the Wind Power Generation Business. Upon comparison, we note that the price of the equipment provided by the Equipment Company is within the range of those offered by independent suppliers. In addition, we note that the Equipment Company is within close proximity to the Wind Farm as compared to those independent suppliers and is willing to provide one-stop services for a fee including on-site installation, long term maintenance services which include a three-year free warranty, undertaking the construction work of infrastructure facilities and control systems and tuning and testing of the equipment and its networking with the infrastructure facilities and control systems whereas only some of the independent suppliers would provide on-site installation services and maintenance services at extra cost. Upon comparison, we note that the price for on-site installation services and maintenance services offered by the Equipment Company has price advantage and is within the range of those provided by those independent suppliers.

We were advised by the Company that it is more reasonable for the Equipment Company to undertake the construction works of infrastructure facilities and the engineering of control systems of the Wind Farm to ensure compatibility with the Equipment. Thus, the Target Company did not obtain quotations from independent contractors for the construction of the main building and control centre, substation, circuit network and installation services for the turbines. Accordingly, there were no comparable transactions available for our comparison. However, we note that the construction works of infrastructure facilities and the engineering of control systems are crucial to the operation of the Wind Farm and the aggregate contract sum only represents approximately 3.7% of the total cost of the Equipment which is of accepted level.

Based on the above, we consider that the terms of the EES Supply Contracts are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

4. Financial effects of the Acquisition Agreement on the Group

(i) Earnings

Upon completion of the Acquisition, the Target Company will become an indirect wholly owned subsidiary of the Company and the Group will consolidate the financial results of the Target Company in full. As set out in the Letter from the Board, the Wind Farm is still in construction stage and the Target Company has not yet generated any turnover so far. The Target Company has recorded neither profit nor loss since its date of incorporation (i.e. 2 November 2007) up to the Latest Practicable Date.

As advised by the Directors, it is expected that the Wind Farm will commence its operation before second half of 2010. The Directors believe that the Target Company will contribute to the revenue stream and earnings base of the Group upon commencement of formal operation but the quantitative impact will depend upon the business and financial performance of the Target Company.

(ii) Cashflow

Based on the 2009 Interim Report, the Group had cash and cash equivalent of approximately RMB1,227.3 million as at 30 June 2009. Given that the Consideration will be settled by cash, there will be negative impact on the cashflow of the Group upon completion of the Acquisition and the extent of the impact will depend on the adjustment on the consideration of the Acquisition upon completion. Nevertheless, as set out in the Letter from the Board, the Consideration and the balance of the contract sums payable under the Existing Business Agreements subsequent to the Completion Date together with the Target Company's operating expenses payable subsequent to the Completion Date (subject to and after Completion) will be funded by the Group's internally generated funds. Proceeds arising from the initial public offerings carried out by the Company in October 2007 will not be applied to the Consideration and payments under the Existing Business Agreements, i.e. outstanding Commitments after Completion. We note from the 2009 Interim Report that the balances of the proceeds amounted to approximately RMB560.2 million as at 30 June 2009. Notwithstanding that the Acquisition will have a negative impact on the cashflow of the Group, we understand from the Directors that the negative impact on the cashflow of the Group will not materially affect the operation of the existing business of the Group, namely the production and sale of decorative base paper products and printing paper product in the PRC, and the cash resources earmarked by the Company for satisfying the Consideration will not be conflict with the original use of proceeds cited in the prospectus of the Company for its listing on the Main Board of the Stock Exchange.

(iii) Net Asset Value

According to the 2009 Interim Report, the unaudited consolidated net assets attributable to equity holders of the Company were approximately RMB2,307.4 million as at 30 June 2009. Upon completion of the Acquisition, the Group will consolidate the financial assets and liabilities of Target Company in full. According to the Letter from the Board, the net asset value of the Target Company was approximately RMB20 million as at 31 August 2009 and the face value of the Sale Debts, which is shareholder's loan in nature, as at 30 September 2009 was approximately RMB10 million, the aggregate of which is equivalent to the Consideration. Meanwhile, the Purchase Price shall be subject to adjustment by reference to the face value of the shareholder's loans of the Target Company as at the Completion Date. The adjustment of the Consideration with reference to the face value of the Sale Debts as at Completion Date should not have any impact on the net asset position of the Group immediately upon completion.

In addition, we note that the principal component of the total assets of the Target Company was construction-in-progress. As at 31 August 2009, the carrying value of the construction-in-progress amounted to approximately RMB222.3 million. According to the valuation report prepared by Savills Valuation and Professional Services Limited ("Savills"), the construction-in-progress was valued as at 24 September 2009 at approximately RMB227.1 million, which is slightly higher than the carrying value at as 31 August 2009. We note that Savills used replacement cost approach to prepare such valuation and we consider that the valuation methodology adopted by the Savills is in line with market practice of valuing fixed assets and/or construction-in-progress and accordingly is reasonable. As the carrying value is not less than the valuation, it is expected that no impairment will be recorded on the construction-in-progress upon completion of the Acquisition.

Based on the above, we consider that the transactions under the Acquisition Agreement are expected to have no effect on the Group's net asset position.

(iv) Gearing

According to the 2009 Interim Report, the gearing ratio of the Group as at 30 June 2009 was zero, on the basis that the Group had no interest-bearing liabilities of the Group as at 30 June 2009.

In view of the fact the borrowing of the Target Company is and will be shareholders' loans, which will be taken up in full by the Group, completion of the Acquisition will not increase the total interest-bearing liabilities of the Group due to other parties. In addition, given that the Acquisition is expected to have neutral impact on the Group's net asset position as analysed in paragraph (iii) above, it is expected that the gearing ratio will remain at zero immediately after completion of the Acquisition.

Based on the above, notwithstanding that the Acquisition is expected to have a negative effect on cashflow, the Acquisition is expected to have a neutral impact on the earnings, net assets and gearing of the Group. Accordingly, we are of the view that the Acquisition is, on balance, in the interests of the Company and the Shareholders as a whole.

5. Risk factors

(i) Risk associated with the successful operation of the Wind Farm

As set out in the Letter from the Board, the Target Company was incorporated in the PRC as a limited liability company on 2 November 2007. As at the Latest Practicable Date, the Wind Farm is still in construction stage and the Target Company has not yet generated any turnover so far. The short operating history of the Target Company makes evaluating its business relatively difficult. The Target Company's future operating results may be subject to fluctuations owing to a variety of factors, including its ability in implementing its business plans and strategies and the weather condition at the Wind Farm.

(ii) Risk associated with purchase of equipment from a single supplier

The main equipment and parts of the Wind Farm, namely turbines, gearbox and blades, were purchased from the Equipment Company. Late or interrupted deliveries of equipment or parts may cause delays in the commencement of operation or supply of power to the customer, namely the grid company, of the Target Company. This may result in delayed operation and production or additional time and costs to find alternative sources of supplies, which may in turn adversely affect the business, financial position and results of operations of the Target Company. As advised by the Directors, to their best knowledge, there are alternative supply sources for the equipment and component parts used by the Wind Farm and the prices charged by such alternative equipment and component supply sources are to a certain extent similar to the prices offered by the Equipment Company.

(iii) Risk associated with turnover to be derived from one customer

According to the letter of approval from the Municipal Development and Reform Commission of Inner Mongolia Autonomous Region, the PRC, the Wind Farm is expected to be connected with the North-east China national grid and the power generated by the Wind Farm will be sold to the grid company in accordance with the then prevailing on-grid tariff of the PRC from time to time. Power producers in the PRC are required to sell their electricity directly to the relevant provincial grid company at prices, the on-grid tariffs, determined by the relevant provincial government authorities. The final daily volume of power to be dispatched by the Wind Farm is expected to be determined by the grid company primarily based on the estimated supply and demand situation of electricity in the province and the actual versus planned utilization hours of the Wind Farm. As a result, the turnover of the Target Company is subject to the exclusive control by the PRC government and reductions in either the on-grid tariffs or the planned output may reduce the turnover of the Target Company and adversely affect its results of operations.

(iv) Risk associated with possible change of current favourable government policies and various incentives available to the Wind Power Generation Business

As the Wind Power Generation Business is one of the encouraged industries by the PRC, the Target Company is expected to enjoy certain favourable government policies and various incentives, including certain tax benefits. There can be no assurance that the current favourable policies and various incentives available to Wind Power Generation Business will not be withdrawn or revoked by the PRC government or become less favourable. If the current favourable government policies and incentives are reduced or are no longer available in the future, the financial results of the Target Company in the future may be adversely affected.

Recommendation

We consider that the ultimate merits of the Acquisition should hinge on the business fundamentals of the Wind Power Generation Business and its potential contribution for the benefit of the Group. Having considered the principal factors and reasons as well as risk factors, we are of the opinion that the terms of the Acquisition Agreement and the EES Supply Contracts are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered that the Wind Power Generation Business is not related to the existing business of the Group, we are of the view that the Acquisition is not in the ordinary and usual course of business of the Group. Based on the above, we recommend the Independent Shareholders to, and we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Acquisition, the Acquisition Agreement and the EES Supply Contracts.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung
Managing Director

The following is the text of a letter and summary of values prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent plant and machinery valuer, in connection with their opinion of values of the machinery and equipment to be acquired by the Group as at 24 September 2009.

savills
第一太平戴維斯

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong
T: (852) 2801 6100
F: (852) 2530 0756
EA LICENCE: C-023750
savills.com

The Directors
Qunxing Paper Holdings Company Limited
Unit 3103-5
Enterprise Square Two
No. 3 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

15 October 2009

Dear Sirs,

RE: VALUATION OF MACHINERY AND EQUIPMENT

In accordance with your instructions, we have conducted a valuation of machinery and equipment exhibited to us as those held and/or to be held by Tongliao Changxing Wind Power Co., Ltd. ("the Target Company") and to be acquired by Qunxing Paper Holdings Company Limited ("the Company") and its subsidiaries (together referred to as "the Group"). We confirm that we have made relevant searches and enquiries and obtained further information for the purpose of providing you with an opinion of the market value for existing use of the machinery and equipment as at 24 September 2009.

Valuation Summary

As a result of our inspection and after making relevant enquiries, based on the valuation approach outlined in the following section, we are of the opinion that the market value for existing use of the machinery and equipment, as detailed in the attached schedule as at 24 September 2009 was as follows:

Market Value for Existing Use
as at 24 September 2009
RMB227,406,000

Total market value for existing use of machinery and equipment: Two Hundred Twenty-seven Million Four Hundred Six Thousand Renminbi.

This report letter forms part of a detailed valuation report dated 15 October 2009, which comprises:

- this report letter which identifies the assets valued, states the nature and extent of the investigation, and presents the opinion of value;
- a summary of values;
- assumptions and limiting conditions applicable to our assessment; and
- a schedule, with technical description of the machinery and equipment, showing for each item or group of items the market value for existing use of the machinery and equipment

Purpose of Valuation

We understand that the purpose of this valuation is to assess the value of the machinery and equipment for inclusion in a circular to Shareholders of the Group. It is assumed that the acquirer or the Group is to continue to operate the machinery at its current location and we have adopted the market value for existing use basis as being the most appropriate.

Background and Description of Assets

Assets under review comprise the construction in progress, office equipment and motor vehicles of the Target Company utilized in wind power generation business.

Established in 2007, the Target Company has a Wind Farm with a design capacity of 49.3MW by installing 58 units of 850kW wind turbines. At the time of our inspection on 8 October 2009, we found that 47 units of the wind turbines were already installed at the Wind Farm.

The construction in progress included in this valuation consists of the 26 units of wind turbines, transformer, HV/LV switchgears, current transformers, voltage transformers, lightning arresters, isolation switchgears, circuit breakers, wind test towers and fault recorders. Other associated equipment includes office equipment, computers and motor vehicles.

Major machinery and equipment was sourced from the PRC and USA. The machinery and equipment was inspected at Inner Mongolia Tongliao Keerqin District Molimiao Wind Farm, Eastern Inner Mongolia, Autonomous Region, the PRC.

Definition of Valuation

In arriving at our opinion of value we have followed the guidelines issued by the Royal Institute of Chartered Surveyors on the valuation of plant and machinery assets.

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Market value for existing use is further defined as the market value of an asset based on continuation of its existing use, assuming the asset could be sold in the open market for its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the asset.

Market value for existing use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

Valuation Methodology

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transport, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation, which encompasses condition, utility, age, wear and tear, functional and economic obsolescence.

The Transaction Approach

The transaction approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets which consists of all assets of a business enterprise including working capital and tangible and intangible assets.

General

In most valuations, all approaches to value must be considered, as one or more may be applicable to the subject assets. In some situations, elements of the three approaches may be combined to reach a value conclusion.

Analysis

In developing our opinion of the market value for existing use of the machinery and equipment, the income approach was considered and was excluded because no relevant financial information relating to the individual subject items is available. We have considered both the cost approach and the transaction approach in our assessment of the machinery and equipment. However, due to there being insufficient comparable transactions in the open market in the PRC upon which to base an opinion. We will put more emphasis on the cost approach in arriving at an opinion of value of the machinery and equipment.

In arriving at our assessment using the cost approach, we have firstly developed the replacement cost new. In arriving at replacement cost new we have conducted an inspection of the site, perused records, conducted interviews with senior engineering and accounting staff and obtained and reviewed detailed drawings and specifications relating to the plant and machinery.

Replacement costs were developed by reference to and indexing of historical cost information and by discussion with original suppliers regarding current costs for comparable equipment. We have made allowances for freight, installation and commissioning, finance charges, taxes, tariff, duties and other fees.

Having developed replacement cost new, we then deducted for the various elements of depreciation to arrive at a Depreciated Replacement Cost (DRC), which we take as to be market value for existing use. Physical deterioration, functional obsolescence and economic obsolescence were included in our assessment of the depreciation allowance.

We also conducted interviews with suppliers, second-hand machinery dealers and other relevant parties regarding the cost of comparable used equipment in operative condition. We made positive or negative adjustments to the market price of each asset to reflect the differences in age, condition and utility between the items under appraisal and the comparables.

General

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the assets, plus the value of any assets not included in the valuation, and adequate net working capital.

During our inspection, we have reviewed acquisition records and asset listings of machinery and equipment, equipment specifications and other documents supplied to us by the Group. We have relied considerably on such documents in arriving at our opinion of value.

We confirm that we have no present or contemplated future interest in the subject assets or any other interest that may prevent our having arrived at a fair and unbiased assessment of value.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, MSc, FRICS, FHKIS, MCIArb, RPS(GP), is a qualified valuer and has about 25 years' experience in the valuation of properties in Hong Kong and also has extensive experience in plant and machinery valuation projects in Hong Kong and the PRC.

Summary of Values

Description	**Market Value for existing use as at 24 September 2009 (RMB)**
The Target Company	
— Construction In Progress	227,104,000
— Office Equipment	71,000
— Motor Vehicles	231,000
total:	**227,406,000**

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of values of the properties to be acquired by the Group as at 24 September 2009.

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong
T: (852) 2801 6100
F: (852) 2530 0756
EA LICENCE: C-023750
savills.com

The Directors
Qunxing Paper Holdings Company Limited
Unit 3103-5, Enterprise Square Two
No. 3 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

15 October 2009

Dear Sirs,

In accordance with your instructions for us to value the properties held and/or to be held by Tongliao Changxing Wind Power Co., Ltd. (通遼長星風力發電有限公司) ("the Target Company") and to be acquired by Qunxing Paper Holdings Company Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China ("PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at 24 September 2009 ("date of valuation") for inclusion in a circular issued by the Company.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that transferable land use rights in respect of the properties in the PRC for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have also assumed that, unless otherwise stated, the grantees of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted.

In valuing the property in Group I, which is held and occupied by the Target Company, we have adopted the direct comparison approach to value this property by making reference to comparable market transactions as available with the benefit of vacant possession.

The property in Group II is held under development by the Target Company. We have assigned no commercial value to this property as the Target Company has not obtained any approval documents for the construction works from the relevant authorities.

In valuing the property in Group III, which is rented by the Target Company in the PRC, we have assigned no commercial value to the property, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rent.

We have been provided by the Group with copies of extract of title documents relating to the properties in the PRC. However, we have not inspected the original documents to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its legal adviser on PRC laws, Jingtian & Gongcheng, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, total and outstanding construction costs, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We have also sought confirmation from the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all money amounts stated in this report are in Renminbi (RMB).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Mr. Charles C K Chan is a qualified surveyor and has about 25 years' experience in the valuation of properties in Hong Kong and about 20 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I — Property held and occupied by the Target Company in the PRC

No.	Property	Capital value in existing state as at 24 September 2009 RMB
1.	Inner Mongolia Tongliao Keerqin District Molimiao Wind Farm, Eastern Inner Mongolia Autonomous Region, PRC	RMB10,000,000
Sub-total:		*RMB10,000,000*

Group II — Property held under development by the Target Company in the PRC

2.	Various buildings within Inner Mongolia Tongliao Keerqin District Molimiao Wind Farm, Eastern Inner Mongolia Autonomous Region, PRC	No commercial value
Sub-total:		*Nil*

Group III — Property rented by the Target Company in the PRC

3.	Level 3, East section of Huolinhe Main Street, Tongliao, Eastern Inner Mongolia Autonomous Region, PRC	No commercial value
Sub-total:		*Nil*
Grand-total:		**RMB10,000,000**

VALUATION CERTIFICATE

Group I — Property held and occupied by the Target Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 24 September 2009
1.	Inner Mongolia Tongliao Keerqin District Molimiao Wind Farm, Eastern Inner Mongolia Autonomous Region, PRC	The property comprises a parcel of land with a site area of approximately 195,134.31 sq.m. (2,100,426 sq.ft.). The land use rights of the property will be granted for a term similar to that for industrial use.	The property is occupied by the Target Company for the construction of wind power generation and ancillary facilities.	RMB10,000,000

Notes:

1. Pursuant to the Agreement for the Land Use Conditions of the Molimiao Wind Farm Project of the Target Company entered into between the Municipal Government of Tongliao Keerqin District ("Municipal Government") and the Target Company on 6 November 2008, the Municipal Government has agreed to grant a parcel of land with a site area of 292.7 mu (approximately 195,134.31 sq.m.) to the Target Company for the construction of wind power generation and ancillary facilities at a land compensation fee for RMB6,778,543. The land use term will be granted to be the same as those for industrial use.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   i. the land compensation fee has been paid in full by the Target Company;

   ii. as advised by the State-owned Land Resources Bureau of Tongliao Keerqin District, the land transfer is in process. There is no legal impediment for the Target Company to obtain the land use rights certificate; and

   iii. upon obtaining the land use rights certificate, the Target Company is entitled to occupy, use, transfer, lease, mortgage or dispose of the land use rights of the property.

3. As per the property legal opinion provided by the Group's PRC legal adviser, there is no legal impediment for the Target Company to obtain the land use rights certificate. As such, we have prepared our valuation on the assumption that the Target Company has obtained the proper title to the property.

Group II — Property held under development by the Target Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 24 September 2009
2.	Various buildings within Inner Mongolia Tongliao Keerqin District Molimiao Wind Farm, Eastern Inner Mongolia Autonomous Region, PRC	The property comprises a 3-storey building and three single-storey buildings being constructed on a parcel of land with a site area of approximately 195,134.31 sq.m. (2,100,426 sq.ft.). Upon completion, the proposed buildings will have a total gross floor area of approximately 2,150 sq.m. (23,143 sq.ft.) and will be used as main control room, staff quarters, pump rooms and transformer room. The buildings are scheduled to be completed in 2009. The land use rights of the property will be granted for a term similar to that for industrial use.	The property is under construction.	No commercial value

Notes:

1. Pursuant to the Agreement for the Land Use Conditions of the Molimiao Wind Farm Project of the Target Company entered into between the Municipal Government of Tongliao Keerqin District ("Municipal Government") and the Target Company on 6 November 2008, the Municipal Government has agreed to grant a parcel of land with a site area of 292.7 mu (approximately 195,134.31 sq.m.) to the Target Company for the construction of wind power generation and ancillary facilities at a land compensation fee for RMB6,778,543. The land use term will be granted to be the same as those for industrial use.

2. Pursuant to a construction contract dated 6 March 2009 (as supplemented by a supplemental agreement dated 9 April 2009) entered into between the Target Company and Shandong Changxing Wind Power Technology Company Limited ("Contractor"), the total construction cost for the proposed development amounted to RMB8,000,000, which should be paid to the Contractor upon completion of such construction project.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   i. the land compensation fee has been paid in full by the Target Company;

   ii. as advised by the State-owned Land Resources Bureau of Tongliao Keerqin District, the land transfer is in process. There is no legal impediment for the Target Company to obtain the land use rights certificate;

iii. upon obtaining the land use rights certificate, the Target Company is entitled to occupy, use, transfer, lease, mortgage or dispose of the land use rights of the property;

iv. the Target Company has not obtained any approval documents for the construction works, but such works do not violate construction land planning and construction works planning of the PRC and Inner Mongolia Autommous Region as per the statement from the Construction Bureau of Tongliao Keerqin District; and

v. upon the submission of the relevant application for construction documents, construction works planning permit and construction works commencement permit will be issued by the Construction Bureau of Tongliao Keerqin District. The said bureau does not request the Target Company to stop the construction works and penalize the Target Company.

4. We have assigned no commercial value to the property as the Target Company has not obtained any approval documents for the aforesaid construction works. For reference purpose, the depreciated replacement cost of the buildings as at 24 September 2009 was RMB7,200,000.

5. The replacement cost of the buildings as if completed as at 24 September 2009 was RMB8,000,000. We have excluded the land portion in this valuation as it has been reflected in Property 1.

Group III — Property rented by the Target Company in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 24 September 2009
3.	Level 3, East section of Huolinhe Main Street, Tongliao, Eastern Inner Mongolia Autonomous Region, PRC	The property comprises Level 3 of a 4-storey office building completed in 1996. The lettable area of the property is approximately 600 sq.m. (6,458 sq.ft.). The property is leased from Zhang Faming, an independent third party, for a term commencing on 10 October 2008 and expiring on 10 October 2009 at an annual rental of RMB165,000. The said tenancy has been extended for a further term of one year at the same rental.	The property is occupied by the Target Company for office use.	No commercial value

Notes:

1. The property is leased to the Target Company.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:

    i. the tenancy agreement is legal and enforceable; and

    ii. the tenancy agreement has not been registered but it does not affect its validity.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests in shares of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:-

Long positions in shares

Name of Director	The Company / name of associated corporation	Nature of interest	Number of shares in the relevant company (Approximate percentage of shareholding)
Dr. Zhu *(Note a)*	The Company	Interest of controlled corporation	700,000,000 (67.78%)
	Boom Instant Limited ("**Boom Instant**")	Interest of controlled corporation	80 (80.00%)
	Addinsight Limited ("**Addinsight**")	Beneficial owner/ Interest of spouse	87.5 (87.50%)/ 12.5 (12.50%)
Ms. Sun *(Notes a and b)*	The Company	Interest of spouse	700,000,000 (67.78%)
	Boom Instant	Interest of spouse	80 (80.00%)
	Addinsight	Beneficial owner/ Interest of spouse	12.5 (12.50%)/ 87.5 (87.50%)
Mr. Zhu *(Note c)*	Boom Instant	Interest of controlled corporation	20 (20.00%)
	Be Broad Limited ("**Be Broad**")	Beneficial owner	100 (100.00%)

Notes:

(a) As at the Latest Practicable Date, 700,000,000 Shares were registered in the name of Boom Instant, 80% of its issued share capital was held by Addinsight, which in turn, was owned by Dr. Zhu as to 87.5% of its issued share capital. Under the SFO, Dr. Zhu was deemed to be interested in the said 700,000,000 Shares held by Boom Instant and in the 80 shares of Boom Instant held by Addinsight. Further, as Dr. Zhu is the spouse of Ms. Sun, under the SFO, he was deemed to be interested in 12.5 shares of Addinsight in which Ms. Sun was interested.

(b) As at the Latest Practicable Date, 12.5% of the issued share capital of Addinsight was owned by Ms. Sun. As Ms. Sun is the spouse of Dr. Zhu, under the SFO, she was deemed to be interested in the said 700,000,000 Shares, the 80 shares of Boom Instant and the 87.5 shares of Addinsight in which Dr. Zhu was interested.

(c) As at the Latest Practicable Date, the 20 shares of Boom Instant was held by Be Broad, the entire issue share capital of which was owned by Mr. Zhu. Under the SFO, Mr. Zhu was deemed to be interested in the 20 shares of Boom Instant held by Be Broad.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

As at the Latest Practicable Date, other than Dr. Zhu, Ms. Sun and Mr. Zhu who were the directors of Boom Instant, the substantial Shareholder holding 700,000,000 Shares, none of the Directors was a director or an employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group which would not expire or was not determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than the Group's businesses and/or those businesses to which the Directors and his/her respective associates were appointed to represent the interests of the Company and/or the Group.

DIRECTORS' INTEREST IN CONTRACTS

Other than the Acquisition Agreement and the EES Supply Contracts (subject to Completion) as disclosed herein, in which Dr. Zhu, Ms. Sun and Mr. Zhu were interested, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, other than the Acquisition Agreement and the EES Supply Contracts (subject to Completion) as disclosed herein, in which Dr. Zhu, Ms. Sun and Mr. Zhu were interested, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Group were made up.

QUALIFICATION AND CONSENT OF EXPERTS

The following set out the qualifications of the respective experts (the "**Experts**") who have given opinion or advice contained in this circular:

Name	Qualifications
Savills Valuation and Professional Services Limited	Professional Surveyors and Property Valuer
Partners Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports and/or valuation certificates (as the case may be) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the Experts had confirmed that it does not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts had confirmed that it does not have any direct or indirect interests in any assets which have been, since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is Unit 3103-5, Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon Bay, Hong Kong.

(c) The secretary of the Company is Ms. Sophie W.Y. Lam, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(d) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 3103-5, Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon Bay, Hong Kong from the date of this circular up to and including the date of the EGM:–

(a) the Acquisition Agreement;

(b) the EES Supply Contracts;

(c) the letter from the Independent Board Committee;

(d) the letter from Partners Capital;

(e) the valuation report on the equipment and machineries of the Target Company (including the letter, summary of values and valuation certificates) prepared by Savills Valuation and Professional Services Limited, the texts of which are set out in Appendix I to this circular;

(f) the valuation report on the property of the Target Company (including the letter, summary of values and valuation certificates) prepared by Savills Valuation and Professional Services Limited, the texts of which are set out in Appendix II to this circular;

(g) the written consents referred to in the section headed "Qualification and Consent of Experts" in this Appendix III to this circular; and

(h) this circular.

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**)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Qunxing Paper Holdings Company Limited (the "**Company**") will be held at Oasis Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 3 November 2009, at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

Ordinary Resolution

"**THAT**:

(1) the Acquisition Agreement (as defined in the Company's circular (the "**Circular**") dated 15 October 2009 of which this notice of EGM forms part) relating to the Acquisition (as defined in the Circular) by 山東群星紙業有限公司 (Shandong Qunxing Paper Limited*), an indirect wholly-owned subsidiary of the Company, of the entire registered capital of and shareholder loans to 通遼長星風力發電有限公司 (Tongliao Changxing Wind Power Co., Ltd.*) (the "**Target Company**"), a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved, confirmed and ratified;

(2) all the transactions contemplated under:

(a) the Acquisition Agreement; and

(b) subject to the completion of the Acquisition, the EES Supply Contracts (as defined in the Circular) relating to the supply of 58 sets of 850 KW wind turbines, other related equipment and certain engineering services by 山東長星風電科技有限公司 (Shandong Changxing Wind Power Technology Co., Ltd.*) to the Target Company for the construction of the Wind Farm (as defined in the Circular), copies of which have been produced to the meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification;

(collectively the "**Acquisition Transactions**") be and are hereby approved; and

(3) that any one director (the "**Director**") of the Company be and he is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents by hand and, where required, under the common seal of the Company together with such other Director or person authorized by the board of Directors, which in his or their opinion may be necessary desirable or expedient to carry into effect or to give effect to the Acquisition Agreement, the EES Supply Contracts and/or the Acquisition Transactions, including such changes, amendment or waiver thereto which are not fundamentally different from those as provided under the Acquisition Agreement and the EES Supply Contracts."

Yours faithfully,
By Order of the Board
ZHU Yu Guo
Chairman

Shandong, the PRC, 15 October 2009

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Notes:

1. The above resolution (which for clarity purpose has been presented in three parts, namely items (1) to (3)) shall be voted as a single resolution only.

2. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In case of joint registered holders of any shares, any one of such persons may vote at any meeting, either in person or by proxy; but if more than one of such joint holders be present at any meeting in person or by proxy, the said person whose name stands first on the register of members of the Company shall alone be entitled to vote in respect thereof.

4. To be valid, a form of proxy and the power of authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed holding the meeting or any adjourned meeting.

5. The English text of this notice shall prevail over the Chinese version.

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

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