
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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Qunxing Paper Holdings Company Limited
群星紙業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3868)

PROPOSED APPOINTMENT OF AUDITORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held at the Company’s head office situated at San Li He, Chang Shang Town, Zouping Country, Shandong Province, the PRC on Monday, 1 August 2011, at 10:00 a.m. is set out on page 5 of this circular. Whether or not you are able to attend the EGM, you are advised to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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 but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“Board”	the board of Directors
“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
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Monday, 1 August 2011, at 10:00 a.m. at San Li He, Chang Shang Town, Zouping Country, Shandong Province, the PRC and any adjourned meeting for the purpose of, among other matters, considering and, if thought fit, approving the appointment of auditors
“Group”	the Company and its subsidiaries
“HLB”	Messrs. HLB Hodgson Impey Cheng, Certified Public Accountants
“KPMG”	Messrs. KPMG, Certified Public Accountants
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



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:*

Suite 1901A
Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong

18 July 2011

To the Shareholders,

Dear Sir or Madam,

PROPOSED APPOINTMENT OF AUDITORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 8 June 2011 and 7 July 2011 regarding, inter alia, the retirement of KPMG as auditors of the Company at the adjourned annual general meeting of the Company held on 8 June 2011 and the Board's proposed appointment of HLB as new auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders at the EGM.

LETTER FROM THE BOARD

At the EGM, an ordinary resolution will be proposed to the Shareholders to approve the appointment of HLB as the new auditors of the Company.

The purpose of this circular is to provide you with the details regarding the appointment of the new auditors and notice of the EGM.

PROPOSED APPOINTMENT OF AUDITORS

On 8 June 2011, the Board announced that KPMG retired and did not seek re-appointment as the Company's auditors upon their retirement at the conclusion of the adjourned annual general meeting of the Company held on 8 June 2011.

KPMG confirmed in their letter dated 8 June 2011 that other than the audit issues as detailed in the independent auditors' report dated 30 March 2011 as contained in the Company's 2010 annual report, which caused KPMG to issue a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2010, there were no other matters in connection with their retirement which they considered necessary to be brought to the attention of the Shareholders.

On 7 July 2011, the Board announced its proposed appointment of HLB as the new auditors of the Company until the conclusion of the next annual general meeting of the Company to fill the vacancy following the cessation of KPMG as auditors of the Company. The appointment of HLB as new auditors of the Company will be subject to the approval by the Shareholders at the EGM to be convened in accordance with the Articles of Association of the Company.

The Board and the Audit Committee of the Company also consider that there are no circumstances in respect of the appointment of the new auditors that need to be brought to the attention of the Shareholders.

Further announcement will be made once the appointment of HLB as new auditors of the Company has been approved by the Shareholders at the EGM.

EGM

The EGM will be held at San Li He, Chang Shang Town, Zouping Country, Shandong Province, the PRC on Monday, 1 August 2011, at 10:00 a.m. for the purpose of, among other matters, considering and, if thought fit, approving the appointment of HLB as new auditors of the Company. A notice of the EGM is set out on page 5 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same 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 but in any event not less than 48 hours before the time appointed for holding the EGM 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 should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the ordinary resolution to be proposed at the EGM shall be voted by poll.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 herein misleading.

RECOMMENDATION

The Directors consider that the ordinary resolution to be put before the EGM in relation to the appointment of HLB as new auditors of the Company is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
ZHU Yu Guo
Chairman

NOTICE OF THE EGM



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 IS HEREBY GIVEN that the extraordinary general meeting of Qunxing Paper Holdings Company Limited (the “**Company**”) will be held at the Company’s head office situated at San Li He, Chang Shang Town, Zouping Country, Shandong Province, the PRC on Monday, 1 August 2011, at 10:00 a.m. for the purpose of, among other matters, considering and, if thought fit, passing the following resolution as ordinary resolution:

“**THAT** HLB Hodgson Impey Cheng be and is hereby appointed as the auditors of the Company and to hold office until the conclusion of the next annual general meeting of the Company and the board of directors of the Company be and is hereby authorized to fix their remuneration.”

By Order of the Board

ZHU Yu Guo

Chairman

Shandong, the PRC, 18 July 2011

Registered Office:

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business

in Hong Kong:
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Kowloon Bay
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy needs not be a shareholder of the Company.
2. In case of the 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.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with 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 fixed for holding the Meeting.

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.