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**Kanstar Environmental Paper Products Holdings Limited**

**建星環保紙品控股有限公司 \***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8011)**

## **High concentration of shareholding**

This announcement is made at the request of the Stock Exchange. The Board has recently been informed by the Stock Exchange on the basis of the information provided by the SFC, that there was a concentration of Shares in the hands of a relative small number of shareholders as at 12 September 2006. In view of the high concentration of shareholding in a small number of shareholders, holders of the securities of the Company and potential investors should be aware that the price of the Shares could fluctuate substantially even with a small number of the Shares traded. **Holders of the securities of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### **Shareholdings and movements in prices of shares in the Company**

The board (the “**Board**”) of directors (the “**Directors**”) of Kanstar Environmental Paper Products Holdings Limited (the “**Company**”) has recently been informed by the Stock Exchange that on the basis of the information provided by the Securities and Futures Commission (the “**SFC**”), the Company’s two substantial shareholders, namely Siko Venture Limited (beneficially owned by Chim Kim Kiu, Jacky (an executive Director)) (“**Siko Venture**”) and Silver Star Enterprises Holdings Inc. (“**Silver Star**”), held 2,793,350,000 shares of HK\$0.002 each (the “**Shares**”) and 800,000,000 Shares (representing approximately 58.19% and 16.67% of the total issued share capital of the Company as at 12 September 2006) The two substantial shareholders, together with one executive director and 20 other entities, held an aggregate of 4,583,420,000 Shares (representing approximately 95.49% of the total issued share capital of the Company as at 12 September 2006). As such, the Shares held by other investors only accounted for approximately 4.51% of the total issued share capital of the Company as at 12 September 2006.

According to the information provided by the SFC (which information is a matter of public record), during the first seven months from January 2006 to July 2006, the closing prices of the Shares moved between HK\$0.285 and HK\$0.375 off a high of HK\$0.490 on 19 June 2006. On 11 August 2006, it was announced that the Company recorded a profit of HK\$276,925 for the first six months ended 30 June 2006 and no interim dividend was declared. Following that, the prices in the Shares began to rise and ended up 113.3% to HK\$0.80 on 24 August 2006.

## Announcement and circular made by the Company regarding acquisition

As disclosed by the Company in its announcement and circular made in June 2006, the Company entered into an agreement in June 2006 for acquiring 20% interest in Polyard International Energy Limited from Mr Lam Nam, in consideration of which the Company issued 800,000,000 Shares to Silver Star as nominated by Mr Lam Nam. The acquisition was completed in mid-September 2006. Apart from the above acquisition as disclosed by the Company, the Directors are not aware of any matters which were or might be of a price sensitive nature during the period from January to August 2006.

## Public float and general matters

The Directors wish to clarify that as the above information is provided by the SFC, the Company is not in a position to verify or comment on the accuracy of such information except in connection with the above acquisition as contemplated by the acquisition agreement made by the Company in June 2006, and the shareholdings owned by Siko Venture and Silver Star based on the register of interests in shares and short positions maintained by the Company.

The Company has also reviewed the list of the shareholders of the Company provided by the Company's registrar, Standard Registrars Limited, and the CCASS Participants Shareholding Report generated by Hong Kong Securities Clearing Company Limited. The following table shows the registered shareholding structure of the Company as at 18 September 2006:

		<b>No. of Shares</b>	<b>Approximate percentage of the Company's issued share capital</b>
Controlling shareholder	Siko Venture (beneficial owner of 2,793,350,000 Shares – see Note 1)	2,550,000,000	53.13%
Substantial shareholder	Silver Star (Note 2)	800,000,000	16.67%
Other shareholders	HKSCC Nominees Limited (Note 3)	1,349,970,000	28.12%
	four registered shareholders (Note 4)	<u>100,030,000</u>	<u>2.08%</u>
		<u>4,800,000,000</u>	<u>100.00%</u>

- Notes:
1. Siko Venture is solely owned by Mr Chim Kim Kiu, Jacky, an executive Director. According to the last notification received by the Company in respect of the disclosure of interests in Shares required under SFO (as defined below), Siko Venture was the beneficial owner of 2,793,350,000 Shares (representing approximately 58.19% of the total issued share capital of the Company as at 18 September 2006). So far as the Company is aware, as at 18 September 2006, (i) 2,550,000,000 Shares were registered in Siko Venture's own name and (ii) 243,350,000 Shares were deposited with a broker house as CCASS participant and registered under the name of HKSCC Nominees Limited.
  2. Silver Star is solely owned by Mr Lam Nam. All these 800,000,000 Shares were registered in Silver Star's own name.
  3. According to the CCASS Participants Shareholding Report generated by Hong Kong Securities Clearing Company Limited as at 18 September 2006, an aggregate of 1,337,970,000 Shares were held by 173 CCASS participants. Based on the list of shareholders of the Company provided by the Company's registrar, Standard Registrars Limited, 1,349,970,000 Shares were registered in the name of HKSCC Nominees Limited. The difference of 12,000,000 Shares between the list of shareholders of the Company provided by the branch registrar of the Company in Hong Kong, Standard Registrars Limited, and the CCASS Participants Shareholding Report generated by Hong Kong Securities Clearing Company Limited is due to

the different updating process handled by these two organisations.

Based on the above CCASS Participants Shareholding Report, the top 20 CCASS participants accounted for 1,260,120,000 Shares (representing approximately 26.25% of the Company's issued share capital as at 18 September 2006). So far as the Company is aware, 243,350,000 Shares were attributable to Siko Venture as mentioned above.

So far as the Directors are aware, 170 million Shares (representing approximately 3.54% of the Company's issued share capital as at 18 September 2006) are owned by Golden Mount Limited, a company which is solely owned by Mr Chim Pui Chung, the father of Mr Chim Kim Kiu, Jacky. So far as the Directors are aware, such Shares are held by two CCASS participants nominated by Golden Mount Limited (the above company solely owned by Mr Chim Pui Chung). The Directors confirm that Mr Chim Pui Chung and his wholly-owned company are neither (a) connected persons (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "**GEM Listing Rules**")) of the Company; (b) persons whose acquisition of Shares has been financed directly or indirectly by a connected person; nor (c) persons who are accustomed to taking instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of Shares registered in their respective name or otherwise held by them. For such reasons, the Shares held by Mr Chim Pui Chung through his wholly-owned company were regarded as being in public hands under Rule 11.23 of the GEM Listing Rules.

4. Based on the information contained in the shareholders' register as at 18 September 2006 provided by the Company's share registrar, approximately 2.08% of the issued share capital of the Company was held by four registered shareholders (other than HKSCC Nominees Limited, Siko Venture and Silver Star), the majority of whom held a small number of Shares in the issued share capital of the Company.

According to the last notifications received by the Company in respect of the disclosure of interests in Shares required under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and other information available to the Company, as at 18 September 2006:

- (a) Siko Venture as a beneficial owner had a long position of 2,793,350,000 Shares (representing approximately 58.19% of the Company's issued share capital). Siko Venture is solely owned by Mr Chim Kim Kiu, Jacky, an executive Director. As understood by the Company, as at 18 September 2006, of the 2,793,350,000 Shares owned by Siko Venture, (i) 2,550,000,000 Shares were registered in Siko Venture's own name and (ii) 243,350,000 Shares were deposited with a broker house as CCASS participant and registered under the name of HKSCC Nominees Limited.
- (b) Silver Star as a beneficial owner had a long position of 800,000,000 Shares (representing approximately 16.67% of the Company's issued share capital). Silver Star is solely owned by Mr Lam Nam. As understood by the Company, as at 18 September 2006, all the 800,000,000 Shares were registered in Silver Star's own name.

Save as disclosed above, and having made all reasonable enquiries of the directors and the chief executive of each of the Company and its subsidiaries, the Company is not aware of any of its connected persons (as defined in the GEM Listing Rules) having any interests in the issued share capital of the Company. So far as the Company is aware, the said top 20 CCASS participants are banks or brokers. The Company believes that otherwise as mentioned above, such banks and brokers held the Shares as custodians on behalf of their respective clients, and that save for the said 243,350,000 Shares being held on behalf of Siko Venture being a controlling shareholder (as defined under the GEM Listing Rules) of the Company and the said 170 million Shares (representing approximately 3.54% of the Company's issued share capital as at 18 September 2006) being held on behalf of Golden Mount Limited (the company solely owned by Mr Chim Pui Chung), the said top 20 CCASS participants shareholders are not related to or connected with any of the connected persons of the

Company as defined under the GEM Listing Rules. The Company does not have knowledge as to whether such 20 CCASS participants shareholders are related to or connected with each other.

In any event, the Directors confirm that to the best of their knowledge and belief on the information available to them, approximately 25% of the issued share capital of the Company is in public hands and the Company is able to comply with the public float requirement under the GEM Listing Rules.

The Company makes this announcement to keep the market informed at the request of the Stock Exchange. In view of the high concentration of shareholding in a small number of shareholders, holders of the securities of the Company and potential investors should be aware that the price of the Shares could fluctuate substantially even with a small number of the Shares traded. **Holders of the securities of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Kanstar Environmental Paper Products Holdings Limited**  
**Cheng Kwok Hing, Andy**  
Director

Hong Kong, 13 October 2006

As at the date of this announcement, Mr. Chim Kim Kiu, Jacky, Mr. Li Gang, Mr. Sun Tak Keung and Mr. Cheng Kwok Hing, Andy are executive Directors, Mr. Chan Chi Hung, Anthony, Mr. Wan Hon Keung and Mr. Wang Ai Guo are the independent non-executive Directors.

*This announcement, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*The announcement will remain on the "Latest Company Announcements" page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least seven days from its publication.*

*\* For identification only*