

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

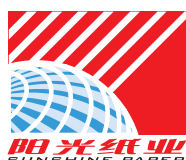
This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares of China Sunshine Paper Holdings Company Limited.

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

**If you have sold or transferred** all your shares in China Sunshine Paper Holdings Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED**

**中國陽光紙業控股有限公司\***

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

(Stock Code: 2002)

**CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



---

A letter from the Independent Board Committee (as defined in this circular) containing its advice to the Independent Shareholders (as defined in this circular) is set out on page 12 of this circular. A letter from Evolution Watterson Securities Limited setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 19 of this circular.

A notice convening the extraordinary general meeting (the "EGM") of the Company to be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang 262400, Shandong, China on 10 December 2009 at 10:00 a.m. is set out on pages 25 to 26 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Room 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

17 November 2009

\* For identification purposes only

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from Evolution Watterson Securities Limited</b> .....	13
<b>Appendix — General Information</b> .....	20
<b>Notice of the Extraordinary General Meeting</b> .....	25

---

## DEFINITIONS

---

*In this circular, the following expressions have the meanings set out below unless the context requires otherwise.*

“Agreement(s)”	the Steam Supply Agreement and the Electricity Supply Agreement
“Announcement”	the announcement of the Company dated 27 October 2009
“Associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Cap Amounts”	the Steam Supply Annual Cap and the Electricity Supply Annual Cap
“Changle Sunshine”	昌樂世紀陽光紙業有限公司 (Changle Century Sunshine Paper Industry Co., Ltd.), a company established under the laws of the PRC with limited liability and an indirect subsidiary of the Company. It is engaged in the business of production and sales of high-grade paper boards and the principal operating subsidiary in the Group
“Company”	China Sunshine Paper Holdings Company Limited (中國陽光紙業 控股有限公司), an exempt company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Current Electricity Supply Agreement”	an electricity supply agreement dated 19 November 2007 and entered into between Shengshi Thermoelectricity and Shengtai Medicine pursuant to which Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine
“Current Steam Supply Agreement”	a steam supply agreement dated 19 November 2007 and entered into between Shengshi Thermoelectricity and Shengtai Medicine pursuant to which Shengshi Thermoelectricity agreed to supply steam to Shengtai Medicine
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for, among other things, considering, and if thought fit, approving the Non-exempt Continuing Connected Transactions Agreements and the relevant Cap Amounts
“Electricity Supply Agreement”	an electricity supply agreement dated 27 October 2009 and entered into between Shengshi Thermoelectricity and Shengtai Medicine renewing the Current Electricity Supply Agreement, pursuant to which Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine
“Electricity Supply Annual Cap”	the proposed cap amount for transactions under the Electricity Supply Agreement for each of the three years ending 31 December 2012 as referred to in the sub-paragraph headed “Proposed Annual Caps” under sub-section B, section II, Part 2 of this circular
“Group”	the Company and its subsidiaries and associates

---

## DEFINITIONS

---

“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders who have no interests in the relevant Agreement(s) and who are not required to abstain from voting on a resolution to approve the Non-exempt Continuing Connected Transaction Agreement(s), the Non-exempt Continuing Connected Transactions and the relevant Cap Amount(s) at the EGM pursuant to the Listing Rules
“Independent Third Party/ies”	third party/ies and their ultimate beneficial owner(s) which is/are independent of the Company and their respective Connected Persons
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under each of the Non-exempt Continuing Connected Transactions Agreements
“Non-exempt Continuing Connected Transactions Agreements”	the Steam Supply Agreement and the Electricity Supply Agreement
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Cap.571, Laws of Hong Kong
“Share(s)”	Ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Shareholders”	Holders of the Shares
“Shengshi Thermoelectricity”	昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.), a company established under the laws of the PRC with limited liability on 17 October 2003 and an indirect subsidiary of the Company with effect from 29 June 2007. It is held as to 80% by Changle Sunshine and 20% by Shengtai Medicine. Prior to 29 June 2007, it was held as to 20% by the Company. It is principally engaged in the supply of electricity (exclusively to its shareholders) and steam
“Shengtai Medicine”	濰坊盛泰藥業有限公司 (Weifang Shengtai Medicine Co., Ltd.), a company established under the laws of the PRC with limited liability on 10 February 2004. It has a 20% equity interest in Shengshi Thermoelectricity. It is principally engaged in the business of production of pharmaceutical products
“Steam Supply Agreement”	a steam supply agreement dated 27 October 2009 and entered into between Shengshi Thermoelectricity and Shengtai Medicine, renewing the Current Steam Supply Agreement pursuant to which Shengshi Thermoelectricity agreed to supply steam to Shengtai Medicine

---

## DEFINITIONS

---

“Steam Supply Annual Cap”	the proposed cap amount for transactions under the Steam Supply Agreement for each of the three years ending 31 December 2012 as referred to in the sub-paragraph headed “Proposed Annual Caps” under sub-section B, section I, Part 2 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules

*Unless otherwise defined, an exchange rate of HK\$ 1.00 = RMB 0.881 is adopted in this circular, for illustration purposes only.*

---

## LETTER FROM THE BOARD

---



### CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

### 中國陽光紙業控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2002)

*Executive Directors:*

Mr. Wang Dongxing (*Chairman*)

Mr. Shi Weixin

Mr. Zhang Zengguo

Mr. Wang Yilong

*Non-executive Directors:*

Mr. Xu Fang

Mr. Wang Junfeng

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal*

*place of business in the PRC:*

Changle Economic Development Zone

Weifang 262400

Shandong

China

*Independent non-executive Directors:*

Ms. Wong Wing Yee, Jessie

Mr. Wang Zefeng

Mr. Xu Ye

*Principal place of business in Hong Kong:*

Room 2202, 22/F.

489 Hennessy Road

Causeway Bay Plaza I

Causeway Bay

Hong Kong

17 November 2009

*To the Shareholders,*

Dear Sir / Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### 1. INTRODUCTION

Reference is made to the Announcement.

On 27 October 2009, the Company announced that it has entered into, among others, the Non-exempt Continuing Connected Transactions Agreements in relation to its operations. A brief background of each of the Non-exempt Continuing Connected Transactions Agreements is set out as follows:

#### Steam Supply Agreement

As disclosed in the Announcement, pursuant to the Current Steam Supply Agreement dated 19 November 2007 entered into between Shengshi Thermoelectricity and Shengtai Medicine, Shengshi Thermoelectricity

\* For identification purposes only

---

## LETTER FROM THE BOARD

---

agreed to supply steam to Shengtai Medicine for a term of three years with retrospective effect from 1 January 2007 to 31 December 2009, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions). Since it is expected that the continuing connected transactions for supply of steam contemplated under such agreement will continue going forward, Shengshi Thermoelectricity entered into the Steam Supply Agreement with Shengtai Medicine on 27 October 2009 for a term of three years from 1 January 2010 to 31 December 2012 on substantially the same terms as the Current Steam Supply Agreement.

### **Electricity Supply Agreement**

As disclosed in the Announcement, pursuant to the Current Electricity Supply Agreement dated 19 November 2007 entered into between Shengshi Thermoelectricity and Shengtai Medicine, Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine for a term of three years with retrospective effect from 1 January 2007 to 31 December 2009, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions). Since it is expected that the continuing connected transactions for supply of electricity contemplated under such agreement will continue going forward, Shengshi Thermoelectricity entered into the Electricity Supply Agreement with Shengtai Medicine on 27 October 2009 for a term of three years from 1 January 2010 to 31 December 2012 on substantially the same terms as the Current Electricity Supply Agreement.

Further details of the Non-exempt Continuing Connected Transactions Agreements are set out below.

The Independent Board Committee, comprising Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye, has been formed to advise the Independent Shareholders and Evolution Watterson Securities Limited has been appointed as the independent financial adviser to advise both the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions Agreements and the transactions thereunder and the respective Cap Amounts.

The purpose of this circular is:

1. to provide you with the details of the Non-exempt Continuing Connected Transactions referred to in this circular;
2. to set out the advice of Evolution Watterson Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-exempt Continuing Connected Transactions Agreements and the transactions thereunder and the respective Cap Amounts;
3. to set out the recommendation of the Independent Board Committee in respect of item 2 above; and
4. to give you notice of the EGM at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Non-exempt Continuing Connected Transactions Agreements and the relevant Cap Amounts.

## **2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

### **I. Steam Supply Agreement**

#### **A. Relationship Between The Parties**

Shengshi Thermoelectricity is held as to 80% by Changle Sunshine and 20% by Shengtai Medicine. It is an indirect subsidiary of the Company.

---

## LETTER FROM THE BOARD

---

Shengtai Medicine is interested in the remaining 20% of the registered capital of Shengshi Thermoelectricity, an indirect 80% subsidiary of the Company. Accordingly, it is a connected person of the Company under the Listing Rules.

### B. Principal Terms

Date of agreement:	27 October 2009
Parties:	Shengshi Thermoelectricity as supplier  Shengtai Medicine as customer
Subject:	Pursuant to the Steam Supply Agreement, Shengshi Thermoelectricity has agreed to supply steam to Shengtai Medicine for a term of three years.
Term:	The Steam Supply Agreement will take effect from 1 January 2010 to 31 December 2012, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).
Price:	Pursuant to the Steam Supply Agreement, Shengshi Thermoelectricity will supply steam to Shengtai Medicine at RMB123.89 per ton (exclusive of tax and subject to adjustment in accordance with any significant increase in the price of raw materials, which will be determined by the board of directors of Shengshi Thermoelectricity).
Payment methods and payment terms:	Pursuant to the Steam Supply Agreement, the payment should be settled by cash or bills semi-monthly, not later than 18th of the current month and 3rd of the next month.
Historical figures:	The historical transaction amounts (exclusive of tax) for the three years ended 31 December 2008 and the first eight months ended 31 August 2009 are approximately RMB12.5 million, RMB29.7 million, RMB42.4 million and RMB37.4 million, respectively.
Proposed annual caps:	The maximum aggregate annual sales (exclusive of tax) by Shengshi Thermoelectricity to Shengtai Medicine under the Steam Supply Agreement is estimated not to exceed RMB122.2 million (equivalent to approximately HK\$138.7 million), RMB140.5 million (equivalent to approximately HK\$159.5 million) and RMB161.6 million (equivalent to approximately HK\$183.4 million) (each a “Steam Supply Annual Cap”) respectively for each of the three financial years ending 31 December 2012, which are determined by reference to the historical transaction amounts, the projected growth of business of and demand for steam by both Changle Sunshine and Shengtai Medicine, the expected price of coal, which is the major raw material for the generation of steam and the projected growth in the steam production capacity of Shengshi Thermoelectricity.

In addition, the Directors expect the proposed annual caps would increase for the three financial years ending 31 December 2012 after taking into account the following reasons: (1) the selling price of steam of Shengshi



---

## LETTER FROM THE BOARD

---

Thermoelectricity is, in general, affected by its average purchase price of coal, which is the major raw material for the generation of steam, and the Directors expect that there will be a significant increase in the price of coal compared to the current price of coal; and (2) the increase in units consumption driven by the projected growth of business of Shengtai Medicine. Specifically, the Directors expect that the construction of the new production lines and the increased utilization rate of the current production lines of Shengtai Medicine will consume additional steam of approximately 285,000 tonnes in 2010. Accordingly, the Directors expect that the units consumption of steam by Shengtai Medicine will be increased from an estimate of approximately 450,000 tonnes for the year ending 31 December 2009 to approximately 735,000 tonnes for the year ending 31 December 2010. In addition, the Directors also consider it prudent to allow a small buffer for unplanned organic growth in the business of Shengtai Medicine thus expect the total consumption of steam by Shengtai Medicine to reach approximately 765,000 tonnes for the year ending 31 December 2010.

### **C. Reasons for and benefits of the Steam Supply Agreement**

Shengshi Thermoelectricity is principally engaged in the supply of electricity (exclusively to its shareholders) and steam. It is always the intention of both Changle Sunshine and Shengtai Medicine, the only shareholders of Shengshi Thermoelectricity, that the steam produced by Shengshi Thermoelectricity should, as a priority, satisfy the production needs of both parties. In addition, supplying steam to Shengtai Medicine has been generating a reasonable return and revenue to the Group in additional to its core business over the last several years. As such, the Directors consider that Shengshi Thermoelectricity should continue to supply steam to Shengtai Medicine.

The Board (excluding the independent non-executive Directors) considers that the terms of the Steam Supply Agreement are determined on an arm's length basis and in line with normal commercial terms, and that the terms of the Steam Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising of the independent non-executive Directors, having taking into account the advice and recommendation from Evolution Watterson Securities Limited, is of the view that the Steam Supply Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Steam Supply Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

## **II. Electricity Supply Agreement**

### **A. Relationship Between The Parties**

Shengshi Thermoelectricity is held as to 80% by Changle Sunshine and 20% by Shengtai Medicine. It is an indirect subsidiary of the Company.

Shengtai Medicine is interested in the remaining 20% of the registered capital of Shengshi Thermoelectricity, an indirect 80% subsidiary of the Company. Accordingly, it is a connected person of the Company under the Listing Rules.

---

## LETTER FROM THE BOARD

---

### B. Principal Terms

Date of agreement:	27 October 2009
Parties:	Shengshi Thermoelectricity as supplier  Shengtai Medicine as customer
Subject:	Pursuant to the Electricity Supply Agreement, Shengshi Thermoelectricity has agreed to supply electricity to Shengtai Medicine for a term of three years.
Term:	The Electricity Supply Agreement will take effect from 1 January 2010 to 31 December 2012, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).
Price:	Pursuant to the Electricity Supply Agreement, Shengshi Thermoelectricity will supply electricity to Shengtai Medicine at RMB0.474 per kilowatt-hour (exclusive of tax and subject to adjustment of any significant increase in the price of raw materials, which will be determined by the board of directors of Shengshi Thermoelectricity).
Payment methods and payment terms:	Pursuant to the Electricity Supply Agreement, the payment should be settled by cash or bills semi-monthly, not later than 18th of the current month and 3rd of the next month.
Historical figures:	The historical transaction amounts (exclusive of tax) for the three years ended 31 December 2008 and the first eight months ended 31 August 2009 are approximately RMB7.6 million, RMB20.4 million, RMB22.7 million and RMB16.9 million, respectively.
Proposed annual caps:	The maximum aggregate annual sales (exclusive of tax) by Shengshi Thermoelectricity to Shengtai Medicine under the Electricity Supply Agreement is estimated not to exceed RMB60.6 million (equivalent to approximately HK\$68.8 million), RMB69.7 million (equivalent to approximately HK\$79.1 million) and RMB80.2 million (equivalent to approximately HK\$91.0 million) (each an “Electricity Supply Annual Cap”) respectively for each of the three financial years ending 31 December 2012, which are determined by reference to the historical transaction amounts, the projected growth of business of and demand for electricity by both Changle Sunshine and Shengtai Medicine, the expected price of coal, which is the major raw material for the generation of electricity and the projected growth in the electricity production capacity of Shengshi Thermoelectricity.

---

## LETTER FROM THE BOARD

---

In addition, the Directors expect the proposed annual caps would increase for the three financial years ending 31 December 2012 after taking into account the following reasons: (1) the selling price of electricity of Shengshi Thermoelectricity is, in general, affected by its average purchase price of coal, which is the major raw material for the generation of electricity, and the Directors expect that there will be a significant increase in the price of coal compared to the current price of coal; and (2) the increase in units consumption driven by the projected growth of business of Shengtai Medicine. Specifically, the Directors expect that the construction of the new production lines and the increased utilization rate of the current production lines of Shengtai Medicine will consume additional electricity of approximately 38.2 million kilowatt-hour in 2010. Accordingly, the Directors expect that the units consumption of electricity by Shengtai Medicine will be increased from an estimate of approximately 53.0 million kilowatt-hour for the year ending 31 December 2009 to approximately 91.2 million kilowatt-hour for the year ending 31 December 2010. In addition, the Directors also consider it prudent to allow a small buffer for unplanned organic growth in the business of Shengtai Medicine thus expect the total consumption of electricity by Shengtai Medicine to reach approximately 98.3 million kilowatt-hour for the year ending 31 December 2010.

### **C. Reasons for and benefits of the Electricity Supply Agreement**

Shengshi Thermoelectricity is principally engaged in the supply of electricity (exclusively to its shareholders) and steam. It is always the intention of both Changle Sunshine and Shengtai Medicine, the only shareholders of Shengshi Thermoelectricity, that the electricity generated by Shengshi Thermoelectricity should satisfy the production needs of both parties. In addition, supplying electricity to Shengtai Medicine has been generating a reasonable return and revenue to the Group in addition to its core business over the last several years. As such, the Directors consider that Shengshi Thermoelectricity should continue to supply electricity to Shengtai Medicine.

The Board (excluding the independent non-executive Directors) considers that the terms of the Electricity Supply Agreement are determined on an arm's length basis and in line with normal commercial terms, and that the terms of the Electricity Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising of the independent non-executive Directors, having taking into account the advice and recommendation from Evolution Watterson Securities Limited, is of the view that the Electricity Supply Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Electricity Supply Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

### **3. IMPLICATIONS UNDER THE LISTING RULES**

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for each of the transactions under the Steam Supply Agreement and the Electricity Supply Agreement is expected to be higher

---

## LETTER FROM THE BOARD

---

than 2.5% on an annual basis, or where a relevant applicable percentage ratio is higher than 2.5% but less than 25% on an annual basis, it is expected to have an annual consideration of higher than HK\$10 million. Accordingly, the Non-exempt Continuing Connected Transactions Agreements and the transactions contemplated thereunder, including the relevant Cap Amounts, would be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the independent shareholders' approval requirements under the Listing Rules. Such transactions and the relevant Cap Amounts would be subject to the approval of Independent Shareholders at the EGM.

The Board (excluding the independent non-executive Directors) considers that the terms of the Non-exempt Continuing Connected Transactions Agreements and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising of the independent non-executive Directors, having taking into account the advice and recommendation from Evolution Watterson Securities Limited, is of the view that the Non-exempt Continuing Connected Transaction Agreements is in the interests of the Company and the Shareholders as a whole and the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

#### 4. CONDITIONS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Company on normal commercial terms and subject to the following conditions under the Listing Rules:

1. The total annual transaction amount in respect of each category of the Non-exempt Continuing Connected Transactions will not exceed the relevant Cap Amounts as follows:
  - (a) in relation to the transactions under the Steam Supply Agreement, the maximum aggregate sales of steam from Shengshi Thermoelectricity to Shengtai Medicine for each of the three financial years ending 31 December 2012 will not exceed RMB122.2 million (equivalent to approximately HK\$138.7 million), RMB140.5 million (equivalent to approximately HK\$159.5 million) and RMB161.6 million (equivalent to approximately HK\$183.4 million) respectively; and
  - (b) in relation to the transactions under the Electricity Supply Agreement, the maximum aggregate sales of electricity from Shengshi Thermoelectricity to Shengtai Medicine for each of the three financial years ending 31 December 2012 will not exceed RMB60.6 million (equivalent to approximately HK\$68.8 million), RMB69.7 million (equivalent to approximately HK\$79.1 million) and RMB80.2 million (equivalent to approximately HK\$91.0 million) respectively.
2. The Company will comply with Rules 14A.37 to 14A.40 in respect of the transactions contemplated under the Non-exempt Continuing Connected Transactions Agreements.

#### 5. EGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

The EGM will be convened as soon as practicable at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on 10 December 2009 at 10:00 a.m., in which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, approve each of the Non-exempt Continuing Connected Transactions and the relevant Cap Amounts. Voting at the EGM will be conducted by way of poll pursuant to the Listing Rules. As no Shareholder has any interest in connection with the Non-exempt Continuing Connected Transactions, no Shareholder is required to abstain from voting on the

---

## LETTER FROM THE BOARD

---

resolutions approving the Non-exempt Continuing Connected Transactions Agreements, the transactions contemplated thereunder and the relevant Cap Amounts at the EGM.

### 6. RECOMMENDATION

The Independent Board Committee, comprising Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye, has been formed to advise the Independent Shareholders and Evolution Watterson Securities Limited has been appointed as the independent financial adviser to advise both the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the respective Cap Amounts.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 12 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from Evolution Watterson Securities Limited as set out on pages 13 to 19 of this circular, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions Agreements.

The Independent Board Committee, having taken into account the advice and recommendation of Evolution Watterson Securities Limited, is of the view that the Non-exempt Continuing Connected Transactions Agreements are in the interests of the Company and the Shareholders as a whole and the terms of the Non-exempt Continuing Connected Transactions Agreements are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions Agreements and the respective Cap Amounts.

The Board is of the opinion that the terms contemplated under each of the Non-exempt Continuing Connected Transactions Agreements, which have been negotiated on an arm's length basis, are on normal commercial terms and are fair and reasonable so far as the interests of the Company and the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

### 7. GENERAL

The Company is principally engaged in the production and sale of white top linerboard, light-coated linerboard and core board.

Shengshi Thermoelectricity is principally engaged in the supply of electricity (exclusively to its shareholders) and steam.

Shengtai Medicine is principally engaged in the business of production of pharmaceutical products.

### 8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**China Sunshine Paper Holdings Company Limited**  
**Wang Dongxing**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



**CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED**

**中國陽光紙業控股有限公司\***

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

(Stock Code: 2002)

17 November 2009

*To the Independent Shareholders*

Dear Sir or Madam,

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to the circular dated 17 November 2009 (the “Circular”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as a Shareholder whether in the views of the Independent Board Committee the terms of the Non-exempt Continuing Connected Transactions Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on page 12 of the Circular and the letter from Evolution Watterson Securities Limited as set out on pages 13 to 19 of the Circular which contains, inter alia, its advice and recommendation to us regarding the terms of the Non-exempt Continuing Connected Transactions Agreements and the relevant Cap Amounts, with the principal factors and reasons for its advice and recommendation.

#### **RECOMMENDATION**

Having taken into account the advice and recommendation of Evolution Watterson Securities Limited, we are of the view that the Non-exempt Continuing Connected Transactions Agreements are in the interests of the Company and the Shareholders as a whole and the terms of the Non-exempt Continuing Connected Transactions Agreements and the relevant Cap Amounts are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions Agreements and the relevant Cap Amounts.

Yours faithfully,

For and on behalf of

**the Independent Board Committee of**

**China Sunshine Paper Holdings Company Limited**

**Wong Wing Yee, Jessie      Wang Zefeng      Xu Ye**

*Independent non-executive Directors*

*\* For identification purposes only*

---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

*The following is the full text of the letter of advice from Evolution Watterson Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Steam Supply Agreement and Electricity Supply Agreement.*



17 November 2009

*The Independent Board Committee and the Independent Shareholders*

**China Sunshine Paper Holdings Company Limited**

Room 2202, 22/F., Causeway Bay Plaza I,

489 Hennessy Road, Causeway Bay.

Hong Kong

Dear Sir / Madam,

### **CONTINUING CONNECTED TRANSACTION RELATING TO THE STEAM SUPPLY AGREEMENT AND ELECTRICITY SUPPLY AGREEMENT**

We refer to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the Steam Supply Agreement and Electricity Supply Agreement as described in the letter from the Board in the circular to Shareholders dated 17 November 2009 (the "Circular"). Our letter is made for incorporation into the Circular. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

Background and terms of the Steam Supply Agreement and Electricity Supply Agreement are set out in the letter from the Board in the Circular. Our role as independent financial adviser is to give our opinion as to whether the Steam Supply Agreement and Electricity Supply Agreement contained therein and the annual cap amount for each of the three years ending 31 December 2012 are in the interest of the Company and are on normal commercial terms, in the ordinary and usual course of business, are fair and reasonable insofar as the Independent Shareholders are concerned.

In putting forth our recommendation, we have relied on all relevant information, opinions and facts supplied and representation made to us by the Directors and representatives of the Company. We have assumed that all such information, opinions, facts and representations, which have been provided by the Directors or representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. The Directors have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation.

We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of the Group.



---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

#### 1. Steam Supply Agreement

In arriving at our opinion on the terms of the Steam Supply Agreement, we have taken into consideration the following factors and reasons:

##### Background of the Group

The Group is principally engaged in the production and sale of white top linerboard, lightcoated linerboard and core board.

##### Background of Shengshi Thermoelectricity

Shengshi Thermoelectricity, an indirect subsidiary of the Company held as to 80% by Changle Sunshine, is engaged in the supply of electricity (exclusively to its shareholders) and steam.

##### Background of Shengtai Medicine

Shengtai Medicine is principally engaged in the business of production of pharmaceutical products, and holds 20% equity interest in Shengshi Thermoelectricity.

##### Principal terms of the Steam Supply Agreement:

Date of the agreement	: 27 October 2009
Subject matter	: Pursuant to the Steam Supply Agreement, Shengshi Thermoelectricity has agreed to supply steam to Shengtai Medicine for a term of three years
Supplier of steam	: Shengshi Thermoelectricity
Customer of steam	: Shengtai Medicine
Terms	: 3 years, starting from 1 January 2010 and ending on 31 December 2012
Payment terms	: the payment should be settled by cash or bills semi-monthly, not later than 18th of the current month and 3rd of the next month

##### Pricing policy

As disclosed in the “Letter from the Board” in the Circular, the price of steam sold under the Steam Supply Agreement will be RMB123.89 per ton (exclusive of tax and subject to adjustment of any significant increase in the price of raw materials, which will be determined by the board of directors of Shengshi Thermoelectricity), which is the same as the price of steam sold by Shengshi Thermoelectricity to Changle Sunshine (the “Steam Price”).

In our view, the price of steam sold by Shengshi Thermoelectricity is determined based on the following factors:

##### (a) Availability of customers and piping infrastructure

The sale of steam to customers would require piping infrastructure to deliver the steam directly to the customers. As disclosed in the Company’s prospectus, Shengshi Thermoelectricity sells minimal amount of



---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

steam to local residents at a retail price that is higher than the Steam Price. However, as the demand by local residents is very limited and only during winter or colder months, Shengshi Thermoelectricity only has a limited opportunity to sell steam at such a retail price. As the principal business of the Group is not in the retailing of steam, the Directors do not believe it is productive to invest in additional steam piping infrastructure to obtain additional retail sales.

In view of such limited sales opportunity and lower investment cost, the Steam Price offered by Shengshi Thermoelectricity to Shengtai Medicine, which is approximately 17.6% lower than retail price to local residents is fair and reasonable.

*(b) Similar pricing to the Group*

The Steam Price offered by Shengshi Thermoelectricity to Shengtai Medicine will not be more favourable than the price offered to the Group, therefore ensuring the Group will always benefit from the sales of steam to Shengtai Medicine.

*(c) Profitable operation of Shengshi Thermoelectricity*

Although Shengshi Thermoelectricity is selling its steam at the Steam Price to Shengtai Medicine and the Group, Shengshi Thermoelectricity is still a profitable subsidiary within the Group registering a reportable segment profit of approximately RMB3.4 million and RMB13.7 million for financial year ended 31 December 2008 and six months ended 30 June 2009 respectively.

Based on the above, we are of the view that the pricing policy for the Steam Supply Agreement for the next three years ending 2012 is fair and reasonable.

### Annual caps and basis of determination

A summary of the continuing connected transaction under the Current Steam Supply Agreement and the historical annual amount sold to Shengtai Medicine for the three financial years ended 31 December 2008, the eight months ended 31 August 2009 and the proposed Steam Supply Annual Cap for each of the three years ending 31 December 2012 are set out in the table below:

(RMB million)	Historical annual amount				Proposed annual caps		
	2006	2007	2008	2009 Jan-Aug	2010	2011	2012
Total amount of steam sold by Shengshi Thermoelectricity to Shengtai Medicine	12.5	29.7	42.4	37.4	122.2	140.5	161.6

In our view, the Steam Supply Annual Cap is closely related to the price of thermal coal, the steam generation capacity and the demand for steam by Shengtai Medicine over the next three years. Therefore, to arrive at our view on the Steam Supply Annual Cap for the three years ahead to 2012, we have considered the following factors:

*(a) Price of thermal coal*

Based on monthly statistics provided by the International Monetary Fund, the Australian thermal coal was selling at around US\$55 per metric ton on January 2007 and rose to a peak of about US\$192 per metric ton in July 2008 and eventually fell back to the current level of about US\$70 per metric ton. The Company presented to us that the average selling price for steam for the first eight months in 2009 is approximately RMB125 per ton exclusive of tax. Based on the price used in calculating Steam Supply Annual Cap, the Company has used an average selling price of RMB160 per ton exclusive of tax, which is approximately 28% increase from 2009 average selling price, and an increase in the implied pricing of thermal coal from an average purchase price of

---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

RMB506 (approximately US\$74) per metric ton in the first eight months of 2009 to approximately RMB648 (approximately US\$95) per metric ton. In view of the recent fluctuations of energy prices, we believe this assumption of future energy raw materials is fair and reasonable.

*(b) Steam demand of Shengtai Medicine*

The Company has presented to us that Shengtai Medicine has installed additional production capacity in their factory and the said capacity is expected to begin production in 2010. Based on the installed capacity, which includes addition lines to produce starch, sugar, sodium and etc, the steam demand by Shengtai Medicine is expect to increase by approximately 70% from approximately 450,000 tons this year to approximately 765,000 tons in 2010, which includes approximately 5% buffer in the event of additional steam supply is demanded.

*(c) Steam generation capacity*

As presented by the Company, Shengshi Thermoelectricity current steam generation capacity is approximately 1.2 million tons per year. In calculating the Steam Supply Annual Cap, the Company assumed a total steam supply of 765,000 tons, 878,000 tons and 1,009,700 tons, for the three years ending 2012 respectively. Therefore, the assumed total steam supply is reasonable as it is within the steam generation capacity of the factory.

*(d) General growth in China's economy*

Although the financial crisis in September 2008 led to collapse of global economy, however we have begun to see signs of recovery in middle of 2009. Although Business Monitor International have revised their 2009 forecast of China's gross domestic product ("GDP") growth from 9.0% to 6.8%, they expect the Chinese GDP to grow at 7.6%, 8.4% and 7.7% for the next three years ending 2010, 2011 and 2012 respectively. Based on the calculation of Steam Supply Annual Cap, the Company has assumed a growth of 15% for Shengtai Medicine's demand in the years ending 2011 and 2012. Although the assumed 15% growth is higher than the GDP forecast, we believe the additional buffer above the forecasted GDP growth is fair and reasonable.

Based on the above basis, we are of the view that the Steam Supply Annual Cap for the next three years ending 2012 is fair and reasonable.

### **Reasons for the Steam Supply Agreement**

Shengshi Thermoelectricity has been supplying steam to the Group and Shengtai Medicine for the last few years. As the Group cannot consume all of Shengshi Thermoelectricity's steam, additional steam is sold to Shengtai Medicine and to local residents. However, as mentioned above, the Group's core business is not in steam generation, and thus the Group does not intend to invest in infrastructure and additional capacity to serve more residential clients. With a limited customer base, it is reasonable for Shengshi Thermoelectricity to sell excess steam to Shengtai Medicine as it can generate additional income for the Group.

---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

### 2. Electricity Supply Agreement

In arriving at our opinion on the terms of the Electricity Supply Agreement, we have taken into consideration the following factors and reasons:

#### Principal terms of the Electricity Supply Agreement:

Date of the agreement	: 27 October 2009
Subject matter	: Pursuant to the Electricity Supply Agreement, Shengshi Thermoelectricity has agreed to supply electricity to Shengtai Medicine for a term of three years
Supplier of electricity	: Shengshi Thermoelectricity
Customer of electricity	: Shengtai Medicine
Terms	: 3 years, starting from 1 January 2010 and ending on 31 December 2012
Payment terms	: the payment should be settled by cash or bills semi-monthly, not later than 18th of the current month and 3rd of the next month

#### Pricing policy

As disclosed in the “Letter from the Board” in the Circular, the price of electricity sold under the Electricity Supply Agreement will be RMB0.474 per kilowatt-hour (exclusive of tax and subject to adjustment of any significant increase in the price of raw materials, which will be determined by the board of directors of Shengshi Thermoelectricity), which is the same as the price of electricity sold by Shengshi Thermoelectricity to Changle Sunshine (the “Electricity Price”).

In our view, the price of electricity sold by Shengshi Thermoelectricity is determined based on the following factors:

##### *(a) Availability of customers and electricity infrastructure*

The sale of electricity to retail customers would require license that the Company does not possess. Furthermore, the Group’s core business is not in the retailing of electricity, and thus the Directors do not believe it is productive to invest in infrastructure required to distribute electricity to retail customers. Shengshi Thermoelectricity however has the option to sell electricity back to the Shandong province power grid at the price of approximately RMB0.285 per kilowatt-hour exclusive of tax, which is significantly lower than the Electricity Price.

##### *(b) Similar pricing to the Group*

The Electricity Price offered by Shengshi Thermoelectricity to Shengtai Medicine will not be more favourable than the price offered to the Group, and therefore ensuring the Group will always benefit from the sales of electricity to Shengtai Medicine.

Based on the above, we are of the view that the pricing policy for the Electricity Supply Agreement for the next three years ending 2012 is fair and reasonable.

#### Annual caps and basis of determination

A summary of the continuing connected transaction under the Current Electricity Supply Agreement and the historical annual amount sold to Shengtai Medicine for the three financial years ended 31 December 2008,

---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

the eight months ended 31 August 2009 and the proposed Electricity Supply Annual Cap for each of the three years ending 31 December 2012 are set out in the table below:

(RMB million)	Historical annual amount				Proposed annual caps		
	2006	2007	2008	2009 Jan-Aug	2010	2011	2012
Total amount of electricity sold by Shengshi Thermoelectricity to Shengtai Medicine	7.6	20.4	22.7	16.9	60.6	69.7	80.2

In our view, the Electricity Supply Annual Cap is closely related to the price of thermal coal, the electricity generation capacity and the demand for electricity by Shengtai Medicine over the next three years. Therefore, to arrive at our view on the Electricity Supply Annual Cap for the three years ahead to 2012, we have considered the following factors:

*(a) Price of thermal coal*

Based on the price used in calculating Electricity Supply Annual Cap, the Company has used an average selling price of RMB0.6167 per kilowatt-hour exclusive of tax, which is approximately 26% increase from 2009 average selling pricing of RMB0.49 per kilowatt-hour exclusive of tax. As mentioned above, 26% increase electricity pricing due thermal coal pricing fluctuations is acceptable.

*(b) Electricity demand of Shengtai Medicine*

As mentioned above, the Company has presented to us that Shengtai Medicine increased its demand for electricity due to its new production line, which is expected to increase electricity demand by approximately 85.5% from approximately 53.0 million kilowatt-hour this year to approximately 98.3 million kilowatt-hour in 2010, which includes a buffer for unplanned organic growth in the business of Shengtai Medicine.

*(c) Electricity generation capacity*

As presented by the Company, Shengshi Thermoelectricity current electricity generation capacity is 323.0 million kilowatt-hour per year. In calculating the Electricity Supply Annual Cap, the Company assumed a total electricity supply of 98.3 million kilowatt-hour, 113.0 million kilowatt-hour and 130.0 million kilowatt-hour, for the three years ending 2012 respectively. Therefore, the assumed total electricity supply is reasonable as it is within the electricity generation capacity of the factory.

*(d) General growth in China's economy*

Based on the calculation of the Electricity Supply Annual Cap, the Company has also assumed a growth of 15% for Shengtai Medicine's demand in the years ending 2011 and 2012. Although the assumed 15% growth is higher than the GDP forecast as disclosed above, we believe the additional buffer above the forecasted GDP growth is fair and reasonable.

Based on the above basis, we are of the view that the Electricity Supply Annual Cap for the next three years ending 2012 is fair and reasonable.

### Reasons for the Electricity Supply Agreement

Shengshi Thermoelectricity has been supplying electricity to the Group and Shengtai Medicine for the last few years. As the main purpose of the Group's and Shengtai Medicine investment in Shengshi Thermoelectricity is to ensure there is a constant supply of electricity, as well as lower electricity cost, therefore electricity generated by Shengshi Thermoelectricity will always be sold to the Group and Shengtai Medicine. However, as mentioned above, the Group's core business is not in electricity generation, and thus the Group does not intend to

---

## LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

---

invest in licensing requirement, infrastructure and additional capacity to serve retail clients. With a limited customer base, it is reasonable for Shengshi Thermoelectricity to sell excess electricity to Shengtai Medicine as it can generate additional income for the Group.

### Conclusion

Having taken into account the principal factors and reasons set out above, we are of the opinion that (i) it is in the Company's ordinary and usual course of business to enter into the Steam Supply Agreement and the Electricity Supply Agreement; (ii) the Steam Supply Agreement and the Electricity Supply Agreement would provide the Company with additional revenue and net profit; (iii) major terms of the Steam Supply Agreement and the Electricity Supply Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) the annual cap amount for the Steam Supply Agreement and the Electricity Supply Agreement for each of the three years ending 31 December 2012 are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the upcoming EGM to approve the Steam Supply Agreement and the Electricity Supply Agreement.

Yours faithfully,  
For and on behalf of  
**Evolution Watterson Securities Limited**  
**Edward Wu**  
*Executive Director*

**1. 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 that, having made all reasonable enquiries, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. DISCLOSURE OF INTERESTS****(i) Directors, Chief Executive and Supervisors of the Company**

As at the Latest Practicable Date, save as disclosed below, none of the Directors, the chief executive and the supervisors of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations, which, would have 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 are taken or deemed to have under such provisions of the SFO), or would be required, pursuant to section 352 of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), to be recorded in the register therein, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

<b>Name</b>	<b>Notes</b>	<b>Number of shares interested</b>	<b>Number of shares under equity derivatives</b>	<b>Nature of interest</b>	<b>Total number of shares</b>	<b>Percentage of the Company's issued share capital</b>
Wang Dongxing	1	172,643,526	—	Interests of a party to an agreement to acquire interests in the Company	172,643,526	43.04
Shi Weixin	1	172,643,526	—	Interests of a party to an agreement to acquire interests in the Company	172,643,526	43.04
Zhang Zhengguo	1	172,643,526	—	Interests of a party to an agreement to acquire interests in the Company	172,643,526	43.04
Wang Yilong	1	172,643,526	—	Interests of a party to an agreement to acquire interests in the Company	172,643,526	43.04

Note:

1. Wang Dongxing, Shi Weixin, Zhang Zhengguo and Wang Yilong are among a group of 20 individuals (collectively “the Controlling Shareholder Group”) who have entered into an agreement (“Concert Parties Agreement”) dated 16 June 2006 (as amended by a supplemental agreement dated 19 November 2007) pursuant to which, each of the members of the Controlling Shareholder Group confirmed, among other things, since he/she became interested in and possessed voting rights in China Sunshine Paper Investments Limited (“China Sunshine”), China Sunrise Paper Holdings Limited (“China Sunrise”) and any members of the Group (“Target Entities”) and participated in the management of the business of the Target Entities, and each of them has been actively cooperating with each other and was acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on all major affairs relating to the business of the Target Entities. In addition, each of them also agreed to keep the other group members informed of their direct or indirect interest in the Target Entities or changes thereof, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by shareholders. Each member in the Controlling Shareholder Group is interested in the same 172,643,526 Shares held by China Sunrise.

### 3. FURTHER INFORMATION CONCERNING DIRECTORS

#### A. Directors’ service agreements

Each of the executive Directors, namely Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Yilong, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 12 December 2007.

Each of the non-executive Directors, namely Mr. Xu Fang and Mr. Wang Junfeng, and each of the independent non-executive Directors, namely Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye, has entered into a letter of appointment with the Company. Except for Mr. Wang Junfeng, whose letter of appointment was for an initial term from 26 May 2009 to 11 December 2010, the initial term of appointment of all other non-executive Directors and independent non-executive Directors is for a fixed term of three years commencing from 12 December 2007. The director’s fee, annual bonus and allowance (other than discretionary bonus) or emolument of each of the Directors is set out in the table below:

Name of Director	Director's fee and / or emolument (RMB)	Annual bonus and/or allowance (other than discretionary bonus)	Total (RMB)
		(RMB)	
<i>Executive Directors</i>			
Mr. Wang Dongxing	120,000	2,210,000	2,330,000
Mr. Shi Weixin	50,000	100,000	150,000
Mr. Zhang Zengguo	79,200	280,000	359,200
Mr. Wang Yilong	30,000	30,000	60,000
<i>Non-executive Directors</i>			
Mr. Xu Fang	50,000	—	50,000
Mr. Wang Junfeng	50,000	—	50,000
<i>Independent non-executive Directors</i>			
Ms. Wong Wing Yee, Jessie	100,000	—	100,000
Mr. Wang Zefeng	50,000	—	50,000
Mr. Xu Ye	50,000	—	50,000

The above fees, bonus and allowance or emolument of each of the Directors may, subject to the discretion of the Directors, be reviewed.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**B. Competing interests**

None of the Directors and their respective associates (as defined in Listing Rules) has an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company.

**C. Directors interests in assets**

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Company or proposed to be so acquired, disposed of or leased since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

**D. Directors interests in contracts**

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Company.

**4. LITIGATION**

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

**5. MATERIAL ADVERSE CHANGE**

Save as disclosed in the announcement of the Company dated 27 October 2009, the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2008, the date to which the latest audited financial statements of the Company were made up.

Save as disclosed in this circular, the entry into by the Company of the continuing connected transactions agreements will not have any adverse effect on the operation, liquidity and financial resources, and capital structure of the Company.

**6. QUALIFICATIONS OF EXPERT**

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Evolution Watterson Securities Limited	licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

**7. CONSENTS OF EXPERT**

Evolution Watterson Securities Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.



**8. INTERESTS OF EXPERT**

As at the Latest Practicable Date, Evolution Watterson Securities Limited:

- (a) does not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

**9. VOTING BY POLL AT THE EGM**

Pursuant to the existing Article 66 of the Articles, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person or by a duly authorised corporate representative unless a poll is duly demanded or otherwise required by the rules of the Stock Exchange. A poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by:

- (a) the chairman of the meeting; or
- (b) at least 3 Shareholders present in person or, if the Shareholder is a corporation, by a duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person, if the Shareholder is a corporation, by a duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) any Shareholder or Shareholders present in person, if the Shareholder is a corporation, by a duly authorised representative or by proxy and holding the Shares in the Company conferring a right to vote at the meeting being the Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

However, since effective from 1 January 2009, pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at all general meeting of the Company must be taken by poll, the chairman of the EGM will demand a poll for every resolution put to the vote at the EGM.

**10. GENERAL**

- (a) The principal place of business of the Company in the PRC is located at Changle Economic Development Zone, Weifang, Shandong Province, the PRC and the principal place of business of the Company in Hong Kong is located at Room 2202, 22/F., Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong.
- (b) The Hong Kong Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited, located at Shops Room 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The joint company secretaries are Mr. Ng Cheuk Him (*CPA*) and Ms. Jiao Jie.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 2202, 22/F., Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong, up to and including 1 December 2009:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial year ended 31 December 2008;
- (c) the Non-exempt Continuing Connected Transaction Agreements;
- (d) the service agreements of the Directors of the Company referred to in paragraph 3 of this appendix;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (f) the letter of advice from Evolution Watterson Securities Limited, the text of which is set out on pages 13 to 19 of this circular; and
- (g) the written consent from Evolution Watterson Securities Limited referred in paragraph 7 of this appendix.

---

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

---



### CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

### 中國陽光紙業控股有限公司\*

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

(Stock Code: 2002)

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “EGM”) of China Sunshine Paper Holdings Company Limited (the “**Company**”) will be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong Province, the PRC on 10 December 2009 at 10:00 a.m. to consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTIONS

**1. “THAT:**

- (a) the **Steam Supply Agreement** dated 27 October 2009 entered into between Changle Shengshi Thermoelectricity Co., Ltd. (“**Shengshi Thermoelectricity**”) and Weifang Shengtai Medicine Co., Ltd. (“**Shengtai Medicine**”) and the non-exempt continuing connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”) contemplated thereunder be and are hereby approved;
- (b) the Steam Annual Cap (as defined in the circular of the Company dated 17 November 2009 (“**Circular**”)) for each of the three financial years ending 31 December 2012 be and are hereby approved; and
- (c) any director (“**Director**”) of the Company be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements and to take all steps necessary or expedient to implement and / or give effect to the Steam Supply Agreement.”

**2. “THAT:**

- (a) the **Electricity Supply Agreement** dated 27 October 2009 entered into between Shengshi Thermoelectricity and Shengtai Medicine and the non-exempt continuing connected transactions (as defined in the Listing Rules) contemplated thereunder be and are hereby approved;
- (b) the Electricity Supply Annual Cap (as defined in the Circular) for each of the three financial years ending 31 December 2012 be and are hereby approved; and
- (c) any Director of the Company be and is hereby authorised, for and on behalf of the Company, to execute all documents, instruments and agreements and to take all steps necessary or expedient to implement and / or give effect to the Electricity Supply Agreement.”

Yours faithfully,

For and on behalf of the Board of

**China Sunshine Paper Holdings Company Limited**

**Wang Dongxing**

*Chairman*

Weifang, the PRC, 17 November 2009

\* *For identification purposes only*

---

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

---

*Notes:*

1. *Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote on his behalf in accordance with the articles of the Company. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.*
2. *A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy 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 Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Room 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.*
3. *Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.*
4. *Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof if he/she so desires. If a Shareholder attends the EGM after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.*
5. *Voting of the ordinary resolutions as set out in this notice will be by poll.*
6. *Unless otherwise specified in this notice, all capitalised terms stated herein shall have the same meaning as such terms are defined in the Circular.*

*As at the date of this announcement, the executive Directors are Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Yilong, the non-executive Directors are Mr. Xu Fang and Mr. Wang Junfeng, and the independent non-executive Directors are Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye.*