
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all of your shares in the Company, you should at once hand this circular to the purchaser or the 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.

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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)

**VERY SUBSTANTIAL ACQUISITION
AND DISCLOSEABLE TRANSACTION
ACQUISITION OF FURTHER
INTEREST IN SUNSHINE OJI
AND
NOTICE OF EGM**

A letter from the Board is set out on pages 5 to 14 of this circular. A notice convening the EGM to be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on 1 November 2013 at 10:00 a.m. is set out on pages 31 to 32 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are intending 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 on such form to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment of such meeting. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM in person or any adjourned meeting, as the case may be, should you so desire.

* For identification purposes only

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DEFINITIONS

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

| | |
|------------------------------|---|
| “Acquisitions” | the Oji Acquisitions and the Sunshine Acquisition |
| “Agreed Valuation” | the valuation of the Assets of approximately RMB103.53 million as agreed between the Parties based on arm’s length negotiations among them prior to the execution of the New JV Agreement |
| “Articles” | the articles of association of the Company |
| “Assets” | a piece of land located at the west side of Wen Chang Road and the south side of Jian Xin Street, Shouguang City, Shandong Province, the PRC with a total gross floor area of approximately 171,500 square metres, together with production and auxiliary facilities which will be contributed by Century Sunshine towards the registered capital of Sunshine Oji |
| “associate(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Century Sunshine” | Shandong Century Sunshine Paper Group Co., Ltd* (山東世紀陽光紙業集團有限公司), a company established in the PRC with limited liability and a subsidiary of the Company |
| “China Sunrise” | China Sunrise Paper Holdings Limited (formerly known as China Sunshine Paper Holdings Limited), a company established under the laws of the Cayman Islands with limited liability on 3 April 2006, which is a wholly-owned subsidiary of China Sunshine and a controlling shareholder of the Company |
| “China Sunshine” | China Sunshine Paper Investments Limited (中國陽光紙業投資有限公司), a company established under the laws of the British Virgin Islands with limited liability on 14 March 2006 and which is wholly-owned by the Controlling Shareholders Group that includes, among others, certain Directors, namely, 王東興 (Mr. Wang Dongxing), 施衛新 (Mr. Shi Weixin) and 張增國 (Mr. Zhang Zengguo) |
| “Company” | China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 August 2007, the shares of which are listed on the Main Board of the Stock Exchange |
| “controlling shareholder(s)” | has the meaning ascribed to it under the Listing Rules |

DEFINITIONS

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|----------------------------------|---|
| “Controlling Shareholders Group” | a group of 20 individuals comprising 王東興 (Mr. Wang Dongxing), 施衛新 (Mr. Shi Weixin), 王益瓏 (Mr. Wang Yilong), 吳蓉 (Ms. Wu Rong), 汪峰 (Mr. Wang Feng), 桑自謙 (Mr. Sang Ziqian), 桑永華 (Mr. Sang Yonghua), 王永慶 (Mr. Wang Yongqing), 陳效雋 (Mr. Chen Xiaojun), 鄭法聖 (Mr. Zheng Fasheng), 左希偉 (Mr. Zuo Xiwei), 馬愛平 (Mr. Ma Aiping), 李仲翥 (Mr. Li Zhongzhu), 李華 (Ms. Li Hua), 郭建林 (Mr. Guo Jianlin), 孫清濤 (Mr. Sun Qingtao), 陸雨杰 (Mr. Lu Yujie), 胡剛 (Mr. Hu Gang), 張增國 (Mr. Zhang Zengguo) and 王長海 (Mr. Wang Changhai) |
| “Director(s)” | the director(s) of the Company |
| “Dragon Chariot” | Dragon Chariot Limited, a company incorporated in Hong Kong with limited liability, the beneficial owners of which and their respective associates are Independent Third Parties |
| “EGM” | an extraordinary general meeting of the Company to be convened on 1 November 2013 to consider and, if appropriate, approve the New JV Agreement |
| “First Joint Venture” | the joint venture formed under the First JV Agreement for the manufacture and sales of decorative paper in the PRC |
| “First JV Agreement” | the joint venture agreement entered into between Century Sunshine, Oji Paper and Dragon Chariot dated 3 July 2012 in relation to the formation of the First Joint Venture |
| “Good Rise” | Good Rise Holdings Limited (好晉控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 16 July 2007, which is wholly-owned by LC Fund III, L.P. |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | a person(s) or company(ies) that is not connected with any member of the Group, or any of the directors, chief executive and the substantial shareholders of the Company or its subsidiaries and their respective associates |
| “Latest Practicable Date” | 8 October 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |

DEFINITIONS

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|--------------------------|---|
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules |
| “New Joint Venture” | the joint venture formed under the New JV Agreement for the manufacture and sales of decorative paper in the PRC |
| “New JV Agreement” | the new joint venture agreement entered into between the Parties dated 1 July 2013 in relation to the formation of the New Joint Venture |
| “Oji Acquisitions” | the replacement of Oji F-Tex to contribute the 29% registered capital of Sunshine Oji, which was to be contributed by Oji Paper under the First JV Agreement, and the acquisition by Oji F-Tex of an additional 11% equity interest in Sunshine Oji from Dragon Chariot by entering into the New JV Agreement |
| “Oji F-Tex” | Oji F-Tex Co. Ltd. (王子艾富特株式会社), a company incorporated in Japan and a wholly-owned subsidiary of Oji Paper |
| “Oji Paper” | Oji Paper Co. Ltd (王子控股株式会社), formerly known as Oji Paper Co. Ltd (王子制紙株式会社) a company incorporated in Japan with limited liability, whose shares are listed on the Tokyo Stock Exchange Group, Inc. (stock code: 38610) and Osaka Securities Exchange (stock code: 3861) in Japan |
| “Parties” | parties to the New JV Agreement, being Century Sunshine and Oji F-Tex |
| “PRC” | the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Previous Circular” | the circular of the Company to the shareholders dated 28 December 2012 in relation to the formation of the First Joint Venture |
| “Professional Valuation” | the valuation of the Assets of approximately RMB105.19 million according to the valuation report prepared by Castores Magi (Hong Kong) Limited, the text of which is set out in Appendix II to this circular |
| “RMB” | Renminbi, the lawful currency of the PRC |

DEFINITIONS

| | |
|------------------------------|--|
| “Seabright” | Seabright SOF (I) Paper Limited, a company incorporated in the British Virgin Islands with limited liability on 30 May 2006 and a wholly-owned subsidiary of Seabright China Special Opportunities (I) Limited |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Sunshine Acquisition” | the acquisition by Century Sunshine of an additional 9% equity interest in Sunshine Oji from Dragon Chariot by entering into the New JV Agreement |
| “Sunshine Oji” | 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd.*), a joint venture company established in Shouguang City, Shandong Province, the PRC on 15 November 2012 pursuant to the First Joint Venture and the New Joint Venture |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers, as amended and supplemented from time to time |
| “%” | per cent |

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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 (*Vice Chairman*)
Mr. Ci Xiaolei (*General Manager*)
Mr. Zhang Zengguo (*Deputy General Manager*)

Non-executive Directors:

Mr. Zhang Licong
Mr. Wang Junfeng

Independent non-executive Directors:

Mr. Leung Ping Shing
Mr. Wang Zefeng
Mr. Xu Ye

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

Principal place of business in Hong Kong:

Suite 1627, 16/F., Ocean Centre
Harbour City, 5 Canton Road
Kowloon
Hong Kong

15 October 2013

*To the Shareholders and, for information only,
the holders of share options of the Company,*

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
AND DISCLOSEABLE TRANSACTION
ACQUISITION OF FURTHER
INTEREST IN SUNSHINE OJI**

INTRODUCTION

References are made to the announcements of the Company dated 3 July 2012, 11 July 2013, 12 August 2013 and 9 September 2013, and the Previous Circular.

* For identification purposes only

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 3 July 2012 and the Previous Circular, Century Sunshine has entered into the First JV Agreement with Oji Paper and Dragon Chariot for the formation of the First Joint Venture. Pursuant to the First JV Agreement, Sunshine Oji, as the joint venture company to be established, will be owned as to 51% by Century Sunshine, 29% by Oji Paper and 20% by Dragon Chariot. The principal activities of Sunshine Oji include the manufacture and sales of specialty paper, in particular, decorative paper, medical wrapping paper and cheque paper, in the PRC.

As disclosed in the announcement of the Company dated 11 July 2013, pursuant to the New JV Agreement, upon completion of the Acquisitions, Sunshine Oji will be owned as to 60% by Century Sunshine and 40% by Oji F-Tex. As one or more of the applicable percentage ratios in respect of the Sunshine Acquisition, after aggregating the transaction for the formation of Sunshine Oji which took place in the last 12 months or is otherwise related, is 100% or more, the Sunshine Acquisition constitutes a very substantial acquisition transaction for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, it is expected that the injection of Assets as part of the capital contribution by Century Sunshine in Sunshine Oji pursuant to the New JV Agreement, when materialised, will constitute a deemed disposal of assets by the Company and a discloseable transaction for the Company, subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The transaction under the Sunshine Acquisition will be conditional upon obtaining the approval of the Shareholders at the EGM.

This circular provides you with, among other things, (i) further information regarding the Sunshine Acquisition, the New JV Agreement and the New Joint Venture; (ii) information on the Parties; and (iii) a notice of the EGM.

The material terms of the New JV Agreement are set out below.

THE NEW JV AGREEMENT

1. Date

1 July 2013

2. Parties

- (i) Century Sunshine, a non-wholly owned subsidiary of the Company
- (ii) Oji F-Tex, as a partner of the New Joint Venture and a wholly-owned subsidiary of Oji Paper

LETTER FROM THE BOARD

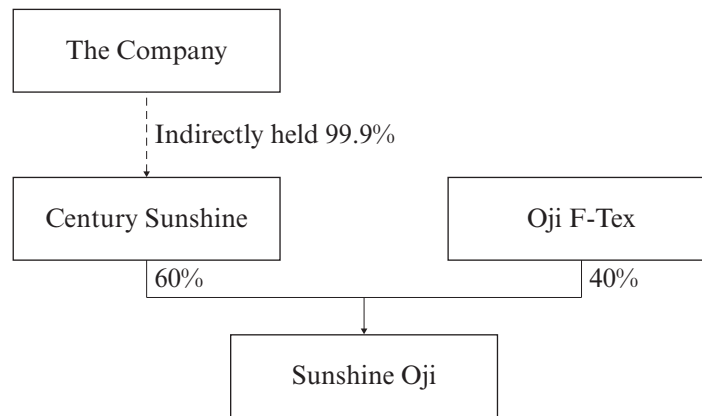
3. Principal terms

Purpose of the formation of Sunshine Oji

The Parties have agreed to set up Sunshine Oji in Shouguang City, Shandong Province, the PRC pursuant to the First JV Agreement with principal activities to manufacture and sell specialty paper, in particular, decorative paper, medical wrapping paper and cheque paper, in the PRC.

Ownership

Pursuant to the New JV Agreement, upon completion of the Acquisitions, Sunshine Oji will be owned as to 60% by Century Sunshine and 40% by Oji F-Tex. The following chart illustrates the shareholding structure of Sunshine Oji upon completion of the Acquisitions:



Total investment amount and registered capital

The maximum total investment of Sunshine Oji is RMB608 million (equivalent to approximately HK\$763.29 million), and its registered capital is RMB203 million (equivalent to approximately HK\$254.85 million).

The registered capital of RMB203 million (equivalent to approximately HK\$254.85 million) will be contributed by Century Sunshine and Oji F-Tex based on their respective interests in Sunshine Oji, being RMB121.8 million and RMB81.2 million, respectively (equivalent to approximately HK\$152.91 million and HK\$101.94 million, respectively). Century Sunshine will contribute to the registered capital of Sunshine Oji by a combination of the Assets and cash, totalling RMB121.80 million. The Assets, included a piece of land located at the west side of Wen Chang Road and the south side of Jian Xin Street, Shouguang City, Shandong Province, the PRC with a total gross floor area of approximately 171,500 square metres, and production and auxiliary facilities, are estimated to worth approximately RMB103.53 million as agreed between Century Sunshine and Oji F-Tex based on arm's length negotiations among them prior to the execution of the New JV Agreement, being the Agreed Valuation. Century Sunshine will then make a cash contribution to the registered capital of

LETTER FROM THE BOARD

Sunshine Oji of RMB18.27 million. An independent professional valuer has been engaged to confirm, and who has confirmed, the value of the Asset for the sole purpose of registered capital contribution. As the valuation of the Asset as assessed by the independent professional valuer is not less than RMB103.53 million, Century Sunshine is not required to make up any the shortfall between RMB103.53 million and the value of the Asset by way of cash contribution. Please also refer to the section headed “Valuation Report” in Appendix II to this Circular for the valuation of the Assets by Castores Magi (Hong Kong) Limited, professional valuer engaged for the valuation on the Assets as required under the Listing Rules.

On the other hand, Oji F-Tex will contribute to the registered capital of Sunshine Oji totalling RMB81.2 million by way of cash.

The shareholders of Sunshine Oji, namely, Century Sunshine and Oji F-Tex, considered that the registered capital of Sunshine Oji of RMB203 million is sufficient for its current business plan. As at the Latest Practicable Date, Century Sunshine and Oji F-Tex do not have any present intention to further inject capital into Sunshine Oji other than the registered capital of it as disclosed in this circular.

For ease of reference, the table below sets out the total investment amount of Sunshine Oji, its registered capital and the total investment amount yet to be agreed between the shareholders of Sunshine Oji:

| | RMB (million) |
|---|----------------------|
| Total investment amount of Sunshine Oji | 608 |
| Registered capital contribution of Sunshine Oji to be contributed by the Parties | <u>203</u> |
| Total investment amount yet to be agreed | <u><u>405</u></u> |

Maximum capital commitment of Century Sunshine

In addition, solely for the purpose of calculating the applicable percentage ratios under the Listing Rules, the maximum capital commitment of the Group in Sunshine Oji amounts to RMB526.8 million (equivalent to approximately HK\$661.35 million), which is calculated as follows:

| | RMB (million) |
|---|----------------------|
| Total investment amount yet to be agreed between the shareholders of Sunshine Oji thus deemed to be contributed by Century Sunshine | 405 |
| Portion of registered capital of Sunshine Oji to be contributed by Century Sunshine | <u>121.8</u> |
| Maximum capital commitment of Century Sunshine in Sunshine Oji | <u><u>526.8</u></u> |

LETTER FROM THE BOARD

Dividends declaration and payments

Dividends may be declared and paid by the board of directors of Sunshine Oji and the dividends shall be paid to each shareholder proportional to the registered capital contributed by the relevant shareholder to the total contributed registered capital. The declaration and payment of dividends may only be made after:

- (i) deductions of reserved fund, corporate development fund, staff bonus and benefits fund, the amount of which will be determined by the board of directors of Sunshine Oji in accordance with the relevant laws and regulations;
- (ii) deductions for prior years losses; and
- (iii) payment of all outstanding enterprise income tax.

Duties of Century Sunshine

Within one year from the date of establishment of Sunshine Oji, Century Sunshine shall, among other things, arrange to obtain the ownership certificates for the physical assets to be injected into Sunshine Oji, and to build certain construction and auxiliary facility depending on the needs of Sunshine Oji. Century Sunshine shall employ its sales network in China to enhance Sunshine Oji's operating results.

Duties of Oji F-Tex

Oji Paper shall, among other things, assist in the pre-production preparations, provide trainings to staff, second its staff to manage and provide technical support to Sunshine Oji.

Board of directors

The board of directors of Sunshine Oji shall consist of five directors. Century Sunshine shall be entitled to nominate three directors (including the chairman of the board of directors of Sunshine Oji), Oji Paper shall be entitled to nominate two directors (including the vice-chairman of the board of directors of Sunshine Oji).

Supervisors

Sunshine Oji shall consist of two supervisors whereby one supervisor shall be nominated by Oji F-Tex and one supervisor shall be nominated by Century Sunshine.

LETTER FROM THE BOARD

4. Consideration

As under the Sunshine Acquisition, Century Sunshine is not required to pay any additional consideration to Dragon Chariot for the acquisition of 9% equity interest in Sunshine Oji but only to contribute such registered capital in place of Dragon Chariot, the consideration for the Sunshine Acquisition is equivalent to the amount of additional registered capital that Century Sunshine will contribute in Sunshine Oji, being 9% of the total registered capital of RMB203 million, which amounts to RMB18.27 million (equivalent to approximately HK\$22.94 million).

Century Sunshine will contribute the registered capital either in cash by internally generated funds or by physical assets pursuant to the New JV Agreement.

5. Condition

The Sunshine Acquisition is conditional upon obtaining the approval of the Shareholders.

REASON FOR AND BENEFITS OF THE FORMATION OF THE NEW JOINT VENTURE

Oji F-Tex is a wholly-owned subsidiary of Oji Paper which is principally engaged in the production of specialty paper. With the expertise of Oji Paper, and in particular Oji F-Tex, in the production of specialty paper, the Directors believe that through the formation of the New Joint Venture, Oji F-Tex could contribute its strengths in Sunshine Oji thus provide the Company with a competitive advantage in enhancing the Company's technical knowhow in the production of specialty paper, expanding its products portfolio to include specialty paper and to enlarge the Group's revenue base.

In relation to the fairness and reasonableness of the terms of the New JV Agreement, as refer to in the paragraph headed "The New JV Agreement — 3. Principal terms — Total investment amount and registered capital", the Agreed Valuation was RMB103.53 million. The Directors noted that according to the valuation report prepared by Castores Magi (Hong Kong) Limited, the professional valuer engaged for the valuation of the Assets as required under the Listing Rules, the text of the which is set out in the Appendix II to this circular, the value of the Assets amounted to RMB105.19 million as at 31 July 2013, being the Professional Valuation. Given that (i) the difference between the Agreed Valuation of RMB103.53 million and the Professional Valuation of RMB105.19 million was only approximately 1.6%, which is insignificant; and (ii) the New JV Agreement does not contain provisions which entitle Century Sunshine to adjust the investment amount into the New Joint Venture based on the Professional Valuation, the Directors consider it may require substantial time and other resources to re-negotiate with Oji F-Tex before an agreement could be reached if Century Sunshine is to insist on adjusting the investment amount based on the Professional Valuation. In order not to cause further delay on the commencement of operations of Sunshine Oji, in the circumstances and taking into account of the terms of the New JV Agreement as a whole, the Directors are of the view that the terms of the New JV Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

LETTER FROM THE BOARD

DEVELOPMENT AND PRODUCTION PLANS OF SUNSHINE OJI

Based on the current development and production plan of Sunshine Oji, Sunshine Oji will principally be engaged in the manufacture and sale of decorative paper, being a specialty paper, in the PRC with a planned annual production capacity of 50,000 tons. The production facility for Sunshine Oji will be based in Shouguang City, Shandong Province, the PRC and, subject to approval of the New JV Agreement by the Shareholders, is expected to commence operations by late 2013.

IMPLICATIONS UNDER THE LISTING RULES

As disclosed in the Previous Circular published on 28 December 2012, the formation of Sunshine Oji is a major transaction for the Company under the Listing Rules, which took place within the last 12 months or is otherwise related. Under the Listing Rules, the transaction for the formation of Sunshine Oji will be aggregated with the Sunshine Acquisition for the purpose of calculating the applicable percentage ratios.

As the contribution of the total investment of Sunshine Oji, other than the registered capital, is yet to be agreed among Century Sunshine and Oji F-Tex as at the date of this circular, solely for the purpose of calculating the applicable percentage ratios, the difference between the total investment of RMB608 million (equivalent to approximately HK\$763.29 million) and the registered capital of Sunshine Oji to be contributed by Century Sunshine and Oji F-Tex of RMB203.00 million (equivalent to approximately HK\$254.85 million) shall be deemed to be contributed by Century Sunshine. Hence, solely for the purpose of calculating the applicable percentage ratios, the maximum capital commitment of the Group in Sunshine Oji amounts to RMB405 million (being the difference between the total investment of Sunshine Oji of RMB608 million and the registered capital of Sunshine Oji of RMB203 million) plus RMB121.80 million (being the registered capital of Sunshine Oji to be contributed by Century Sunshine and taking into consideration of the Sunshine Acquisition), for a total of RMB526.80 million (equivalent to approximately HK\$661.35 million). As such, one or more of the applicable percentage ratios in respect of the Sunshine Acquisition, after aggregating the transaction of the formation of Sunshine Oji which took place in the last 12 months or is otherwise related, is 100% or more, the Sunshine Acquisition constitutes a very substantial acquisition transaction for the Company under the Listing Rules and is therefore subject to notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

In view that the difference between the total investment amount and the registered capital amount of Sunshine Oji amounting to RMB405 million could be satisfied by various means, including, without limitation, further increasing its registered capital to be subscribed for by existing or new shareholders of Sunshine Oji, or loans to be provided by shareholders of Sunshine Oji or external financing such as bank borrowings, and that Sunshine Oji has not yet commenced operations, the shareholders of Sunshine Oji do not consider that it is necessary to agree on the timetable or proportion of contribution of any part of such RMB405 million at present. Further, the shareholders of Sunshine Oji consider that leaving the arrangement open will provide Sunshine Oji with greater flexibility to cater for its future financing needs (as and when it arises) and is appropriate at this stage. In addition, there is no commitment by Century Sunshine at this stage that all or any part of the RMB405 million will be contributed by it by way of cash, assets or combination of both. For the sole purpose of calculating the applicable percentage ratios, the difference of RMB405 million is deemed to be contributed by Century Sunshine, thus resulting in the Sunshine Acquisition constituting a very substantial acquisition for the Company under the Listing Rules. Accordingly, the Shareholders are requested to assess the Sunshine Acquisition on the basis of the maximum financial commitment which Century Sunshine may need to undertake due to the fact that contribution of RMB405 million is yet to be agreed among the shareholders of Sunshine Oji. The Directors consider that the current arrangement is in the interests of the Company and its Shareholders as a whole. In the future, when the shareholders of Sunshine Oji have agreed the timetable and proportion of contribution of RMB405 million, the Company will publish an announcement, and will comply with the applicable requirements of the Listing Rules as and when required.

The transaction under the New JV Agreement, including the Sunshine Acquisition, will be conditional upon obtaining the approval of the Shareholders at the EGM. An EGM shall be convened and held for the Shareholders to consider, if thought fit, to approve the proposed resolutions in connection with the New JV Agreement. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, as at the date of this circular, none of the Shareholders has a material interest in the New JV Agreement. As such, none of the Shareholders would be required to abstain from voting on the proposed resolutions in connection with the New JV Agreement in the EGM. In addition, it is expected that the injection of the Asset as part of the capital contribution by Century Sunshine in Sunshine Oji pursuant to the New JV Agreement, when materialised, will constitute a deemed disposal of assets by the Company and a discloseable transaction for the Company, subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The net book value of the Assets as at 30 June 2013 was approximately RMB104.07 million (equivalent to approximately HK\$130.65 million).

In the event that any further registered capital of Sunshine Oji will be contributed by assets by Century Sunshine or Oji F-Tex, the Company will comply with the applicable requirements of the Listing Rules as and when required.

LETTER FROM THE BOARD

INFORMATION ON OJI F-TEX AND OJI PAPER

Oji F-Tex is a wholly-owned subsidiary of Oji Paper which is principally engaged in the production of specialty paper. Oji Paper is a company incorporated in Japan with limited liability, whose shares are listed on the Tokyo Stock Exchange Group, Inc. (stock code: 38610) and Osaka Securities Exchange (stock code: 3861) in Japan.

Oji Paper is principally engaged in (i) the production, processing and sales of paper, including printing and writing papers, packaging and wrapping papers, carbonless papers, household products, containerboard and boxboard; (ii) production and sales of end-use products such as corrugated board and boxboard containers, paper board containers, plastics, thermal paper, self-adhesive paper and disposal paper diapers; (iii) production and sales of chemicals for paper making and packing equipment; and (iv) maintenance of the forests owned by Oji Paper.

To the best knowledge of the Directors, Oji F-Tex, its beneficial owners and their respective associates are independent third parties and not persons connected with the Company, the Directors, the substantial Shareholders and the respective associates of the Company.

INFORMATION ON CENTURY SUNSHINE

Century Sunshine is a subsidiary of the Group established in the PRC with limited liability. It is principally engaged in the production and sales of white top linerboard, light-coated linerboard and core board.

INFORMATION ON THE GROUP

The Group is one of the largest white top linerboard and light-coated linerboard manufacturers in terms of production volume in the PRC. The products of the Group include white top linerboard, light-coated linerboard, core board and specialised paper products.

RECOMMENDATION

The Board is of the view that the New JV Agreement, including the Sunshine Acquisition, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and the Directors recommend that the Shareholders vote in favour of the resolutions set out in the notice of EGM.

LETTER FROM THE BOARD

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into HK\$ (and vice versa) in this circular at the following rate:

RMB0.79655: HK\$1.00

OTHER INFORMATION

Your attention is also 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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

- (a) for the year ended 31 December 2010 is disclosed on pages 52 to 128 of the annual report of the Company for the year ended 31 December 2010 dated 28 March 2011;
- (b) for the year ended 31 December 2011 is disclosed on pages 49 to 126 of the annual report of the Company for the year ended 31 December 2011 dated 27 March 2012;
- (c) for the year ended 31 December 2012 is disclosed on pages 51 to 116 of the annual report of the Company for the year ended 31 December 2012 dated 27 March 2012; and
- (d) for the six months ended 30 June 2013 disclosed on pages 17 to 42 of the interim report of the Company for the six months ended 30 June 2013 dated 25 September 2013.

All these reports have been published on the website of the Stock Exchange at www.hkexnews.hk on the website of the Company at www.sunshinepaper.com.cn.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total debt of RMB5,064.8 million as set forth below:

| | RMB million |
|----------------------------------|-----------------------|
| Bank and other borrowings | 2,986.2 |
| Bills payable | 110.0 |
| Obligations under finance leases | 227.8 |
| Discounted bill financing | <u>1,740.8</u> |
| | <u><u>5,064.8</u></u> |

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 31 August 2013, the Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits (other than normal trade bills), guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that after taking into account projected operating cash flow of the Group, existing cash and bank balances as well as banking facilities available, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the production and sale of packaging papers in China. The Group currently operates five production lines with an aggregate annual designed production capacity of approximately 1,100,000 tons.

The Group has fully integrated manufacturing facilities supported by its own power and steam plant, waste water treatment, recovered paper collection points, transportation vehicles and an extensive sales network in China. The Group is able to supply quality products in a short period of time to capture the opportunities arising from the change in the market trend in packaging paper.

The Group and Oji F-Tex will form a senior management team to manage the operations of Sunshine Oji. Oji F-Tex possesses the professional knowledge in the production of specialty paper and the Group also has technical knowhow and experience in paper manufacturing in China. The Directors believe that Sunshine Oji is set to capture the vast business opportunities by taking advantage of the increasing demand of decorative paper in China.

The current assets of the Group are expected to decrease after the cash injection into Sunshine Oji but there is no significant change in the total assets of the Group. The Group may record insignificant losses in relation to the formation of Sunshine Oji during its establishment and the periods of its pre-operational tune-ups. However, the Directors believe it will further enhance the Group's operating result after Sunshine Oji commences commercial production.

The Directors believe that the formation of Sunshine Oji will bring an additional valuable source of revenue and profit to the Group.

The following is the text of a letter with the valuation certificate received from Castores Magi (Hong Kong) Limited prepared for the purpose of incorporation in this circular, in connection with their valuation as at 31st July, 2013 of the Assets (i.e. the property interest mentioned in the letter and valuation certificate below).

嘉漫(香港)有限公司

CASTORES MAGI (HONG KONG) LIMITED

REGISTERED PROFESSIONAL SURVEYORS (GENERAL PRACTICE)
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES



MAGI

Suite 211
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

15 October 2013

The Directors
China Sunshine Paper Holdings Company Limited
Suite 1627, 16th Floor
Ocean Centre, Harbour City
No. 5 Canton Road
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instruction to value the property held by Shandong Century Sunshine Paper Group Company Limited (山東世紀陽光紙業集團有限公司) (“Century Sunshine”) located in Shouguang City, Shandong Province, the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant property as at 31st July, 2013 (“valuation date”).

Our valuation of the property interest is our opinion of the Market Value which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.” Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

Our valuation of the property interest has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property.

The land use rights of the property has been valued on a market basis by reference to comparable market transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation of the buildings and structures of the property is based on the method of Depreciated Replacement Cost which is used for the valuation of specialized properties. It is an application (method) of the cost approach that may be used in arriving at the value of specialized properties for financial reporting purposes. Depreciation Replacement Cost may be the more applicable approach when comparable sales data is insufficient but sufficient market data exists concerning costs and accrued depreciation. As an application of the cost approach, it is based on the principle of substitution. Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current costs of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

The application of Depreciated Replacement Cost is subject to adequate potential profitability of the business paying due regards to the total assets employed. Besides, the market value of the buildings and structures derived by Depreciated Replacement Cost only applies to the buildings and structures as a unique interest, and no piecemeal transaction of the buildings and structures of the property is assumed.

In valuing the property interest, we have adopted the basis of valuation and have made the valuation assumptions in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The current status of the property interest regarding major approvals, consents and licences required in the PRC is set out as follows:

| Document/Approval | Status |
|---|---------------|
| State-owned Land Use Rights Certificate | Yes |
| Building Ownership Certificate | Yes |

We have relied to a considerable extent on the information provided by China Sunshine Paper Holdings Company Limited (the “Company”) and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the relevant property but have assumed that the site areas shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

The undersigned inspected the exterior and where possible, the interior of the property on 6th September, 2013, in respect of which we have been provided with such information as we have required for the purpose of our valuation. However, no structural survey, investigation or examination have been made. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

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

We have been shown copies of various documents relating to the property. However, we have not searched the original documents to verify any amendments which may not appear on the copies handed to us. Due to restrictions of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the property or any material encumbrances that might be attached to the property. However, we have made reference to the opinion given by the Company's legal advisers in the PRC, Commerce & Finance Law Offices (通商律師事務所) in respect of Century Sunshine's title to the property.

The scope of valuation has been determined with reference to the property list provided by the Company. The property on the list has been included in this valuation certificate.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated are in Renminbi.

The conclusion of value is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the valuation, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Company, Century Sunshine or the value reported.

Our valuation certificate is attached herewith.

Yours faithfully,

For and on behalf of

Castores Magi (Hong Kong) Limited

Ernest Cheung Wah Fu

Member of China Institute of Real Estate Appraisers and Agents

B.Sc. MRICS MHKIS RPS(GP) MCIArb

Director

Note: Ernest Cheung Wah Fu is a Registered Professional Surveyor (General Practice) who has over 20 years of experience in valuing properties in Hong Kong and the PRC. His name is included in the List of Property Valuer for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

VALUATION CERTIFICATE

Property interest held by Century Sunshine in the PRC

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st July, 2013 (RMB) |
|--|--|--|---|
| Various buildings and structures erected on a parcel of land located at No. 69 Wen Chang Road, Shouguang City, Shandong Province, The PRC. | <p>The property comprises a parcel of land with 9 blocks of buildings and various ancillary structures erected thereon. The buildings are 1 to 3- storeys in height and were completed between 2006 and 2008.</p> <p>The land on which the buildings and structures situated has a site area of 171,473 sq. m.</p> <p>The property has a total gross floor area of about 32,965.1 sq. m. (the 6 Building Ownership Certificates mentioned in Note 2 below covered a total gross floor area of 32,731.15 sq. m. and the remaining 233.95 sq. m. is not covered by any building ownership certificate).</p> <p>The property is held under a land use rights for a term up to 9th March, 2056 for industrial purpose.</p> | <p>We have been advised by the Company that the property was occupied by Century Sunshine as at the valuation date.</p> <p>The property is currently occupied by Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司), a 60% owned subsidiary of Century Sunshine.</p> | 105,190,000 |

- Pursuant to a State-Owned Land Use Rights Certificate — Shou Guo Yong (2012) No. 00360 (國有土地使用證 — 壽國用(2012)第00360號) dated 24th October, 2012 issued by the People's Government of Shouguang City (壽光市人民政府), Shandong Century Sunshine Paper Group Company Limited (山東世紀陽光紙業集團有限公司) was granted the land use rights having a site area of 171,473 sq. m. for a term up to 9th March, 2056 for industrial use.
- The property is subject to six Building Ownership Certificates — Shou Fang Quan Zheng Shou Guang Zi Nos. 2012151844, 2012151846, 2012151848, 2012151850, 2012151852 and 2012151868 (壽房權證壽光字第2012151844, 2012151846, 2012151848, 2012151850, 2012151852 及 2012151868號) all dated 27th September, 2012 and issued by Shouguang City Real Estate Administration Bureau (壽光市房地產管理局). According to these six certificates, the owner of six blocks of buildings is Shandong Century Sunshine Paper Group Company Limited (山東世紀陽光紙業集團有限公司). These six blocks of buildings have a total gross floor area of 32,731.15 sq. m.
- The property (together with production facilities and other assets) was acquired by Shandong Century Sunshine Paper Group Company Limited (山東世紀陽光紙業集團有限公司), a 99% owned subsidiary of the Company, through an auction held on 8th December, 2011. The successful bid price was RMB203 million.
- As at the valuation date (i.e. 31st July, 2013), the ownership of the six buildings was vested in Shandong Century Sunshine Paper Group Company Limited (山東世紀陽光紙業集團有限公司), a 99% owned subsidiary of the Company. Subsequently, six new building ownership certificates were issued on 21st August, 2013 to replace the six building ownership certificates mentioned in Note 2 above. These six new

building ownership certificates — Shou Fang Quan Zheng Shou Guang Zi Nos. 2013177594, 2013177596, 2013177598, 2013177600, 2013177602 and 2013177604 (壽房權證壽光字第2013177594, 2013177596, 2013177598, 2013177600, 2013177602及 2013177604號) were issued by Shouguang City Real Estate Administration Bureau (壽光市房地產管理局). According to these six new certificates, the owner of six blocks of buildings is Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司), a 60% owned subsidiary of Shandong Century Sunshine Paper Group Company Limited (山東世紀陽光紙業集團有限公司). These six blocks of buildings have a total gross floor area of 32,731.15 sq. m.

5. According to the new joint venture agreement dated 1st July, 2013 entered into between Century Sunshine and Oji F-Tex Co. Ltd. (王子艾富特株式會社) in relation to Century Sunshine's acquisition of an additional 9% equity interest in the joint venture company known as Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司) ("Sunshine Oji"), Century Sunshine shall, upon completion of this new joint venture agreement, inject the property as part of the capital contribution in Sunshine Oji pursuant to the new joint venture agreement.
6. It is stated in the legal opinion given by the Company's PRC legal advisers, Commerce & Finance Law Offices (通商律師事務所), inter alia, that:
 - (a) Century Sunshine currently possesses the land use rights of the parcel of land having a site area of 171,473 sq. m. for a term expiring on 9th March, 2056 for industrial use. Century Sunshine is the legal user of the land use rights;
 - (b) As at the issue date of the legal opinion, the land use rights was not subject to any pledge;
 - (c) Prior to the transfer of building ownership of the six buildings from Century Sunshine to Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司), Century Sunshine possessed the building ownership of the six buildings in accordance with the six building ownership certificate — Shou Fang Quan Zheng Shou Guang Zi Nos. 2012151844, 2012151846, 2012151848, 2012151850, 2012151852 and 2012151868 (壽房權證壽光字第2012151844, 2012151846, 2012151848, 2012151850, 2012151852 及 2012151868號);
 - (d) According to the six building ownership certificates dated 27th September, 2012, Century Sunshine is the legal owner of the six buildings. Century Sunshine possessed the right to transfer the six buildings to Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司). On 21st August, 2013, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司) obtained the building ownership right of the six buildings and became the legal owner of the six buildings and possesses the right to occupy, use, lease, mortgage and transfer the building ownership;
 - (e) As as the date of the legal opinion, the six buildings were not subject to any pledge.
7. A breakdown of our opinion of value is set out as follows:

| | |
|--------------------------|------------------------------|
| Land Use Rights | RMB48,980,000 |
| Buildings and Structures | <u>RMB56,210,000</u> |
| Total: | <u><u>RMB105,190,000</u></u> |

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each Mr. Wang Dongxing, Mr. Shi Weixin and Mr. Zhang Zengguo, has entered into a service contract dated 15 November 2010 with the Company for a term of three years commencing from 19 November 2010 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

Mr. Ci Xiaolei, an executive Director, has entered into a service contract dated 24 May 2012 with the Company for a term of three years commencing from 24 May 2012 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

Mr. Wang Junfeng has signed a letter of appointment dated 15 November 2010 with the Company under which he has agreed to act as a non-executive Director for a period of three years, commencing from 12 December 2010, unless terminated in accordance with the terms and conditions specified in such letter.

Mr. Zhang Licong has signed a letter of appointment dated 16 July 2013 with the Company under which he has agreed to act as a non-executive Director for a period of three years, commencing from 16 July 2013, unless terminated in accordance with the terms and conditions specified in such letter.

Each of Mr. Xu Ye and Mr. Wang Zefeng has signed a letter of appointment dated 15 November 2010 with the Company under which each of them has agreed to act as an independent non-executive Director for a period of three years, commencing from 12 December 2010, unless terminated in accordance with the terms and conditions specified in such letter.

Mr. Leung Ping Shing has signed a letter of appointment dated 16 November 2010 with the Company under which he has agreed to act as an independent non-executive Director for a period of three years, commencing from 25 November 2010, unless terminated in accordance with the terms and conditions specified in such letter.

Except as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

3. DISCLOSURE OF INTERESTS

(a) Directors' interest in securities

As at the Latest Practicable Date, the Directors listed below had the following interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the Shares

| Name of Director | Nature of interest | Total number of Shares | Approximate percentage of shareholding |
|-------------------|---|------------------------|--|
| Mr. Wang Dongxing | Interests of a party to an agreement to acquire interests in the Company ⁽¹⁾ | 325,387,052 | 40.54% |
| | Interest of a party to an agreement to acquire interest in the Company other than such agreement ⁽²⁾ | 630,000 | 0.08% |
| | Beneficial owner | 5,663,500 | 0.71% |
| Mr. Shi Weixin | Interests of a party to an agreement to acquire interests in the Company ⁽¹⁾ | 325,387,052 | 40.54% |
| | Interest of a party to an agreement to acquire interest in the Company other than such agreement ⁽³⁾ | 6,293,500 | 0.78% |
| Mr. Zhang Zengguo | Interests of a party to an agreement to acquire interests in the Company ⁽¹⁾ | 325,387,052 | 40.54% |
| | Interest of a party to an agreement to acquire interest in the Company other than such agreement ⁽³⁾ | 6,293,500 | 0.78% |
| Mr. Ci Xiaolei | Beneficial owner | 829,000 | 0.10% |

Note:

- (1) The members of the Controlling Shareholders Group entered into an agreement on 16 June 2006 and as amended by a supplemental agreement on 19 November 2007 (the “Concert Parties Agreement”), pursuant to which each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the China Sunshine, China Sunrise and any members of the Group (with China Sunshine and China Sunrise, collectively, the “Target Entities”) and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunrise is wholly-owned by China Sunshine, and China Sunshine is wholly-owned by the Controlling Shareholders Group, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code), including Mr. Wang Dongxing, Mr. Shi Weixin and Mr. Zhang Zengguo, is deemed to be interested in the 325,387,052 Shares held by China Sunrise.
- (2) Mr. Wang Dongxing, as party to the Concert Parties Agreement, is deemed to be interested in the 630,000 Shares held by Mr. Wang Changhai as a beneficial owner pursuant to section 318 of the SFO.
- (3) Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 5,663,500 Shares held by Mr. Wang Dongxing and the 630,000 Shares held by Mr. Wang Changhai as beneficial owners pursuant to section 318 of the SFO.

(b) Substantial shareholders’ interests and short positions in shares and underlying shares of the Company

So far as the Directors are aware, as at the Latest Practicable Date, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

| Name | Nature of interest | | Total number of Shares | Approximate percentage of shareholding |
|--|--------------------|--|------------------------|--|
| China Sunrise | Long | Beneficial interest | 325,387,052 | 40.54% |
| China Sunshine ⁽¹⁾ | Long | Interest of a controlled corporation | 325,387,052 | 40.54% |
| Controlling Shareholders Group ⁽²⁾ | Long | Interest of a party to an agreement to acquire interest in the Company | 325,387,052 | 40.54% |
| Controlling Shareholders Group (other than Wang Dongxing and Wang Changhai) ⁽²⁾ | | Interest of a party to an agreement to acquire interest in the Company apart from such agreement | 5,999,500 | 0.75% |

| Name | | Nature of interest | Total number of Shares | Approximate percentage of shareholding |
|---|------|---|------------------------|--|
| Wang Dongxing ⁽³⁾ | Long | Interest of a party to an agreement to acquire interest in the Company other than such agreement ⁽³⁾ | 630,000 | 0.08% |
| | | Beneficial owner | 5,663,500 | 0.71% |
| Wang Changhai ⁽⁴⁾ | Long | Interest of a party to an agreement to acquire interest in the Company other than such agreement ⁽⁴⁾ | 5,663,500 | 0.71% |
| | | Beneficial owner | 630,000 | 0.08% |
| Good Rise | Long | Beneficial interest | 73,547,674 | 9.16% |
| LC Fund III, L.P. ⁽⁵⁾ | Long | Interest of a controlled corporation | 73,547,674 | 9.16% |
| LC Fund III GP Limited ⁽⁶⁾ | Long | Interest of a controlled corporation | 73,547,674 | 9.16% |
| Right Lane Limited ⁽⁷⁾ | Long | Interest of a controlled corporation | 73,547,674 | 9.16% |
| Legend Holdings Limited ⁽⁸⁾ | Long | Interest of a controlled corporation | 73,547,674 | 9.16% |
| Wang Nengguang ⁽⁹⁾ | Long | Interest of a controlled corporation | 73,547,674 | 9.16% |
| Seabright | Long | Beneficial interest | 71,341,244 | 8.89% |
| Seabright China Special Opportunities (I) Limited ⁽¹⁰⁾ | Long | Interest of a controlled corporation | 71,341,244 | 8.89% |
| Seabright Asset Management Limited ⁽¹¹⁾ | Long | Interest of a controlled corporation | 71,341,244 | 8.89% |
| China Everbright Limited ⁽¹²⁾ | Long | Interest of a controlled corporation | 71,341,244 | 8.89% |
| Seagate Global Advisors, LLC ⁽¹²⁾ | Long | Interest of a controlled corporation | 71,341,244 | 8.89% |

Notes:

- (1) As China Sunshine owns the entire interest of China Sunrise, China Sunshine is deemed to be interested in the 325,387,052 Shares held by China Sunrise.
- (2) Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the Target Entities and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and

has been acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunshine owns the entire interest of China Sunrise, and the Controlling Shareholders Group owns the entire interest of China Sunshine, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code) is deemed to be interested in the 325,387,052 Shares held by China Sunrise.

Further, Mr. Wang Dongxing and Mr. Wang Changhai is interested in 5,663,500 Shares and 630,000 Shares, respectively, as beneficial owners. Other members of the Controlling Shareholders Group, being member of the Concert Parties Agreement, are deemed to be interested in such shares held by Mr. Wang Dongxing and Mr. Wang Changhai pursuant to section 318 of the SFO.

- (3) Mr. Wang Dongxing, as party to the Concert Parties Agreement, is deemed to be interested in the 630,000 Shares held by Mr. Wang Changhai as a beneficial owner pursuant to section 318 of the SFO.
- (4) Mr. Wang Changhai, as party to the Concert Parties Agreement, is deemed to be interested in the 5,663,500 Share held by Mr. Wang Dongxing as a beneficial owner pursuant to section 318 of the SFO.
- (5) As LC Fund III, L.P. owns the entire interest of Good Rise, LC Fund III, L.P. is deemed to be interested in the 73,547,674 Shares held by Good Rise.
- (6) As LC Fund III GP Limited is the general partner of LC Fund III, L.P., LC Fund III GP Limited is deemed to be interested in the 73,547,674 Shares held by Good Rise.
- (7) As Right Lane Limited controls more than one third of the voting rights of LC Fund III GP Limited, Right Lane Limited is deemed to be interested in the 73,547,674 Shares held by Good Rise.
- (8) As Legend Holdings Limited owns the entire interest of Right Lane Limited, Legend Holdings Limited is deemed to be interested in the 73,547,674 Shares held by Good Rise.
- (9) As Mr. Wang Nengguang controls Good Rise, Mr. Wang Nengguang is deemed to be interested in the 73,547,674 Shares held by Good Rise.
- (10) As Seabright China Special Opportunities (I) Limited owns the entire interest in Seabright, Seabright China Special Opportunities (I) Limited is deemed to be interested in the 71,341,244 Shares held by Seabright.
- (11) As Seabright Asset Management Limited controls more than one third of the voting rights of Seabright China Special Opportunities (I) Limited, Seabright Asset Management Limited is deemed to be interested in the 71,341,244 Shares held by Seabright.
- (12) Each of China Everbright Limited and Seagate Global Advisors, LLC controls more than one third of the voting rights of Seabright Asset Management Limited. Accordingly, each of China Everbright Limited and Seagate Global Advisors, LLC is deemed to be interested in the 71,341,244 Shares held by Seabright SOF (I) Paper Limited.

Except as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of the Company as at the Latest Practicable Date.

4. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

5. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates has any interest in a business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates has any direct or indirect interest in any assets which have been, since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting and which was significant in relation to the business of the Group taken as a whole.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group with the two years preceding the date of this circular and are or may be material:

- (i) an auction confirmation dated 8 December 2011 entered into between Century Sunshine and Linyi Zhengda Auction Co., Ltd.* (臨沂正大拍賣有限公司) in relation to Century Sunshine's participation in an auction;
- (ii) the First JV Agreement whereby Century Sunshine, Oji Paper and Dragon Chariot agreed to contribute 51%, 29% and 20%, respectively, of the registered capital of Sunshine Oji of RMB203 million, and the remaining of RMB405 million of the total investment of RMB608 million is yet to be agreed;

- (iii) an auction agreement entered into between Century Sunshine as the bidder and Linyi Zhengda Auction Co., Ltd.* (臨沂正大拍賣有限公司) as the auctioneer dated 7 December 2012 confirming the successful bid by Century Sunshine of RMB203 million; and
- (iv) the New JV Agreement whereby Century Sunshine and Oji F-Tex agreed to contribute 60% and 40%, respectively, of the registered capital of Sunshine Oji of RMB203 million, and the remaining RMB405 million to the total investment of RMB608 million is yet to be agreed.

8. OTHER INFORMATION

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Chan Yee Ping, Michael, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to 14 days thereafter:

- (a) the memorandum of association of the Company and the Articles;
- (b) the service contracts and letters of appointments entered into between the Company and the Directors referred to in the paragraph headed “2. Directors’ Service Contracts and Letters of Appointment” in this Appendix;
- (c) the material contracts referred to in the paragraph headed “7. Material Contracts” to this Appendix;
- (d) the letter and valuation certificate relating to the Assets prepared by Castors Magi (Hong Kong) Limited, the texts of which are set out in Appendix II to this circular;
- (e) the annual reports of the Company for the three years ended 31 December 2012;
- (f) the interim report of the Company for the six months ended 30 June 2013;

- (g) the circular of the Company dated 29 January 2013;
- (h) the circular of the Company dated 24 April 2013; and
- (i) this circular.

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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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“Meeting”) of China Sunshine Paper Holdings Company Limited (the “Company”) will be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on 1 November 2013 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

“**THAT:**

- (a) the New JV Agreement (as defined in the circular of the Company dated 15 October 2013) copy of which is tabled at the Meeting, marked “A” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder, including the Sunshine Acquisition (as defined in the circular of the Company dated 15 October 2013) be and are hereby approved, confirmed and ratified; and
- (b) any one director and/or company secretary of the Company be and are hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to give effect to and/or implement the terms of the New JV Agreement and the transactions contemplated thereunder.”

By order of the Board of
China Sunshine Paper Holdings Company Limited
Wang Dongxing
Chairman

Shandong, China, 15 October 2013

* *For identification purposes only*

Notes:

1. The register of members of the Company will be closed from 30 October 2013 to 1 November 2013, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, shareholders of the Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm on 29 October 2013.
2. Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his or her proxy to attend and vote on his or her behalf. A shareholder of the Company 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 of the Company.
3. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he or she was solely entitled to do so. However, if more than one of such joint holders be present at any Meeting personally or by proxy, the joint holder whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect of such joint holding.
4. In order to be valid, a proxy form 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 branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time fixed for holding the annual general meeting or any adjournment of such meeting.

As at the date of this announcement, the directors of the Company are:

Executive Directors:

*Mr. Wang Dongxing, Mr. Shi Weixin,
Mr. Ci Xiaolei and Mr. Zhang Zengguo*

Non-executive Directors:

Mr. Zhang Licong and Mr. Wang Junfeng

Independent non-executive Directors:

*Mr. Leung Ping Shing, Mr. Wang Zefeng and
Mr. Xu Ye*