
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 your shares in **China Sunshine Paper Holdings Company Limited**, you should at once hand this circular together with the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker, the licensed securities dealer 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)**

**PROPOSED GRANT OF THE SHARE BUY-BACK MANDATE
AND
THE ISSUE MANDATE, RE-ELECTION OF RETIRING DIRECTORS,
AND
PROPOSED ADOPTION OF THE 2018 SHARE OPTION SCHEME
AND
DECLARATION OF FINAL DIVIDEND
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting (the “AGM”) of China Sunshine Paper Holdings Company Limited (the “Company”) to be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on 31 May 2018 at 10:00 a.m. is set out on pages 33 to 37 of this circular. Resolutions will be proposed at the AGM to consider and, if thought fit, to approve, among other matters, the grant of the Share Buy-back Mandate and Issue Mandate, the re-election of retiring Directors, the declaration of final dividend and the adoption of the 2018 Share Option Scheme.

A proxy form is enclosed with this circular. Whether or not you are intending to attend and vote at the AGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed on such form to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong, Investor Services Limited, at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the AGM or any adjournment of such meeting. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the AGM in person or any adjourned meeting, as the case may be, should you so desire.

* For identification purposes only

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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.

DEFINITIONS

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

“2007 Share Option Scheme”	the share option scheme conditionally approved by a resolution of all the Shareholders passed on 19 November 2007, the principal terms of which are summarized under Appendix VII of the prospectus of the Company dated 29 November 2007, which has expired as at the Latest Practicable Date
“2017 Annual Report”	the annual report of the Company for the financial year ended 31 December 2017
“2018 Share Option Scheme”	the share option scheme proposed to be adopted by the Shareholders at the AGM
“Adoption Date”	31 May 2018, being the date of adoption of the 2018 Share Option Scheme by the Shareholders, subject to the 2018 Share Option Scheme being unconditional
“AGM”	the annual general meeting of the Company to be convened and held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China, on 31 May 2018 at 10:00 a.m. or any adjournment, the notice of which is set out on pages 33 to 37 of this circular
“AGM Notice”	a notice dated 27 April 2018 convening the AGM as set out on pages 33 to 37 of this circular
“Allotment Date”	the date on which Shares are allotted to a grantee (or his legal representatives) pursuant to the Option granted and exercised under the 2018 Share Option Scheme
“Articles”	the articles of association of the Company
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“CG Code”	the Corporate Governance Code set out in appendix 14 to the Listing Rules
“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

DEFINITIONS

“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 certain Directors, namely, 王東興 (Mr. Wang Dongxing), 施衛新 (Mr. Shi Weixin), 張增國 (Mr. Zhang Zengguo) and 王長海 (Mr. Wang Changhai), and a member of the senior management of the Group, namely, 陳效雋 (Mr. Chen Xiaojun)
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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
“Concert Parties Agreement”	an agreement entered into between the members of the Controlling Shareholders Group on 16 June 2006 and as amended by a supplemental agreement entered into by the same parties on 19 November 2007
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Controlling Shareholders Group”	a group of 18 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), 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), 張增國 (Mr. Zhang Zengguo) and 王長海 (Mr. Wang Changhai)
“Director(s)”	the director(s) of the Company

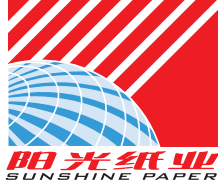
DEFINITIONS

“Eligible Person”	means any of the following persons: (a) an Executive or an Employee; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the foregoing persons; and (h) any person involved in the business affairs of the Company whom the Board determines to be appropriate to participate in the 2018 Share Option Scheme
“Executive”	any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group
“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
“Issue Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue and deal with new Shares during the period as set out in Ordinary Resolution 9 of the AGM Notice of not exceeding 20% of the total number of shares of the Company in issue as at the date of passing of the ordinary resolution approving the same
“Latest Practicable Date”	19 April 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Memorandum”	the memorandum of association of the Company
“Option”	an option to subscribe for Shares granted pursuant to the 2018 Share Option Scheme and for the time being subsisting

DEFINITIONS

“Option Period”	in respect of any particular Option, the period commencing immediately after the Business Day on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by the Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the 2018 Share Option Scheme
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the AGM Notice
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Share Buy-back Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to buy back the fully paid up Shares during the period as set out in Ordinary Resolution 8 of the AGM Notice of up to 10% of the total number of shares of the Company in issue as at the date of passing of that resolution
“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
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs in Hong Kong
“Target Entities”	China Sunshine, China Sunrise and any members of the Group
“%”	per cent

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 (*Vice Chairman*)
Mr. Wang Changhai (*General Manager*)
Mr. Zhang Zengguo (*Deputy General Manager*)

Non-executive Directors:

Mr. Xu Leihua
Mr. Li Hengwen

Independent non-executive Directors:

Ms. Shan Xueyan
Mr. Wang Zefeng
Ms. Jiao Jie

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:

17/F
Winsan Tower
98 Thomson Road
Wan Chai
Hong Kong

27 April 2018

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

Dear Sir or Madam,

**PROPOSED GRANT OF THE SHARE BUY-BACK MANDATE
AND
THE ISSUE MANDATE, RE-ELECTION OF RETIRING DIRECTORS,
AND
PROPOSED ADOPTION OF THE 2018 SHARE OPTION SCHEME
AND
DECLARATION OF FINAL DIVIDEND
AND
NOTICE OF ANNUAL GENERAL MEETING**

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LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with information regarding certain resolutions to be proposed at the AGM to enable you to make an informed decision on whether to vote for or against those resolutions.

At the AGM, resolutions will be proposed for the Shareholders to approve, among other matters, (i) the grant of the Share Buy-back Mandate to the Directors; (ii) the grant of the Issue Mandate to the Directors and the extension of the Issue Mandate as set out in the AGM Notice; (iii) the re-election of retiring Directors; (iv) the declaration of final dividend; and (v) the adoption of the 2018 Share Option Scheme.

SHARE BUY-BACK MANDATE

At the last annual general meeting of the Company held on 19 May 2017, a general mandate was granted to the Directors to exercise the powers of the Company to buy-back Shares. Such mandate will lapse at the conclusion of the AGM. Ordinary Resolution 8 will be proposed at the AGM to grant the Share Buy-back Mandate to the Directors. As at the Latest Practicable Date, the Company had an issued share capital of HK\$81,936,200 divided into 819,362,000 Shares with par value of HK\$0.10 each. Subject to the passing of Ordinary Resolution 8 approving the Share Buy-back Mandate and no further Shares will be allotted or issued by the Company prior to the AGM, exercise of the Share Buy-back Mandate in full would result in up to a maximum of 81,936,200 Shares, representing 10% of the total number of Shares in issue and a share capital of HK\$8,193,620, to be bought back by the Company. An explanatory statement as required under the Listing Rules to provide the requisite information of the Share Buy-back Mandate is set out in Appendix I to this circular.

ISSUE MANDATE

At the AGM, an ordinary resolution will be proposed that the Directors be granted the Issue Mandate in order to provide flexibility and discretion to the Directors to exercise the power of the Company to issue new Shares. As at the Latest Practicable Date, the Company had an issued share capital of HK\$81,936,200 divided into 819,362,000 Shares with par value of HK\$0.10 each. Subject to the passing of Ordinary Resolution 9 approving the Issue Mandate and on the basis that no further Shares will be issued or allotted by the Company prior to the AGM, the exercise of the Issue Mandate in full would result in up to a maximum of 163,872,400 Shares, representing 20% of the total number of Shares in issue and a share capital of HK\$16,387,240, being issued by the Company. The Issue Mandate will lapse on the earlier of (i) the conclusion of the next annual general meeting of the Company, (ii) the date by which the next annual general meeting of the Company is required to be held by law or the Articles, or (iii) the date upon which the Issue Mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company. In addition, Ordinary Resolution 10 will also be proposed to extend the Issue Mandate by adding to it the number of such Shares bought back under the Share Buy-back Mandate.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the executive Directors were Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai; the non-executive Directors were Mr. Xu Leihua and Mr. Li Hengwen and the independent non-executive Directors were Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie.

Pursuant to Articles 87(1) and (2) of the Articles, Mr. Shi Weixin, Mr. Wang Dongxing and Mr. Wang Changhai shall retire from office by rotation and being eligible, will offer themselves for re-election at the AGM.

Particulars of the retiring Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular.

FINAL DIVIDEND

As stated in the announcement of the Company dated 27 March 2018 relating to the annual results of the Group for the year ended 31 December 2017, the Board proposed the payment of a final dividend of HK7.0 cents per ordinary share for the year ended 31 December 2017, subject to approval of the Shareholders of the Company at the AGM.

Shareholders whose names appear on the Company's register of members on 8 June 2018 will qualify for the proposed final dividend. The register of members of our Company will be closed from 7 June 2018 to 8 June 2018, for the purpose of determining entitlement to the proposed final dividend, during which no transfer of shares of our Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 June 2018. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is payable on or about 20 June 2018 to the Shareholders whose names appear on the register of members of the Company on 8 June 2018.

PROPOSAL FOR ADOPTION OF THE 2018 SHARE OPTION SCHEME

Since the 2017 Share Option Scheme has expired on 18 November 2017, the Board proposes to adopt the 2018 Share Option Scheme. As such, at the AGM, an ordinary resolution will be proposed for the Company to approve and adopt the 2018 Share Option Scheme, subject to the Stock Exchange granting approval for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the 2018 Share Option Scheme.

The purpose of the 2018 Share Option Scheme is to motivate Eligible Persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the number of issued share capital of the Company is 819,362,000 Shares. Assuming that there is no further change in the number of issued shares of the Company between the period from the Latest Practicable Date to the Adoption Date, the number of Shares which may be issued pursuant to the 2018 Share Option Scheme on the Adoption Date will be 81,936,200 Shares, representing 10% of the issued share capital of the Company as at the Adoption Date.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the 2018 Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, exercise period, lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful to Shareholders.

None of the Directors is trustee of the 2018 Share Option Scheme or has a direct or indirect interest in the trustee.

With respect to the operation of the 2018 Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

Conditions precedent of the Share Option Scheme

The Share Option Scheme is conditional upon:

- (a) the approval and adoption of the 2018 Share Option Scheme by the Shareholders; and
- (b) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the 2018 Share Option Scheme

If the above conditions are not satisfied within two calendar months after the Adoption Date, (i) the 2018 Share Option Scheme will forthwith terminate; (ii) any Option granted or agreed to be granted pursuant to the 2018 Share Option Scheme and any offer of such a grant shall be of no effect; and (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the 2018 Share Option Scheme or any Option.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the 2018 Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the 2018 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10 per cent. of the Shares in issue as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10 per cent. limit on the basis that the maximum number of

LETTER FROM THE BOARD

Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2018 Scheme Option Scheme and any other schemes of the Company shall not exceed 30 per cent, of the Shares in issue from time to time.

A summary of the principal terms of the 2018 Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM as set out in the Appendix III to this circular. A copy of the rules of the 2018 Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at 17/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong during normal business hours from the date hereof up to and including the date of the AGM.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the 81,936,200 Shares, which may be issued pursuant to the exercise of the Options granted under the 2018 Share Option Scheme.

AGM

A notice convening the AGM to be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on 31 May 2018 at 10:00 a.m., is set out on pages 33 to 37 of this circular.

ACTIONS TO BE TAKEN

A proxy form for use by the Shareholders at the AGM is enclosed with this circular. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed on such form and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the AGM or any adjourned meeting. Such proxy form for use at the AGM is also published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.sunshinepaper.com.cn. Completion and return of the proxy form will not preclude you from attending and voting at the AGM in person or any adjourned meeting, as the case may be, should you so desire.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolution regarding the proposed adoption of the 2018 Share Option Scheme at the AGM.

LETTER FROM THE BOARD

VOTING BY POLL AT THE AGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll except where, the chairman, in good faith decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands. The chairman of the meeting will demand a poll for all resolutions put to the vote at the AGM pursuant to Article 66 of the Articles. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

At the AGM, resolutions will be proposed for the Shareholders to approve, among other matters, (i) the grant of the Share Buy-back Mandate to the Directors; (ii) the grant of the Issue Mandate to the Directors and the extension of the Issue Mandate as set out in the AGM Notice; (iii) the re-election of retiring Directors; (iv) the declaration of final dividend and (v) the adoption of the 2018 Share Option Scheme.

The Directors consider that (i) the grant of the Share Buy-back Mandate to the Directors; (ii) the grant of the Issue Mandate to the Directors and the extension of the Issue Mandate as set out in the AGM Notice; (iii) the re-election of retiring Directors; (iv) the declaration of final dividend and (v) the adoption of the 2018 Share Option Scheme, are in the best interests of the Company, the Group and the Shareholders as a whole and accordingly recommend all Shareholders to vote in favour of the corresponding resolutions to be proposed at the AGM respectively.

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 and including the date of the AGM:

- (i) the Memorandum and the Articles;
- (ii) this circular; and
- (iii) the 2018 Share Option Scheme.

GENERAL

In case of any discrepancies between the Chinese and English versions of this circular, the English version shall prevail.

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

This appendix serves as an explanatory statement as required under the Listing Rules to provide the requisite information to you for consideration of the Share Buy-back Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had 819,362,000 Shares in issue or an issued share capital of HK\$81,936,200.

Subject to the passing of the proposed Ordinary Resolution 9 approving the Share Buy-back Mandate and on the basis that none of the outstanding share options is exercised and no further Shares is issued, allotted or repurchased by the Company prior to the AGM, the exercise of the Share Buy-back Mandate in full would result in up to a maximum of 81,936,200 Shares, representing 10% of the total number of Shares in issue and a share capital of HK\$8,193,620 to be bought back by the Company. The Share Buy-back Mandate will lapse during the period ending on the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the date by which the next annual general meeting of the Company is required to be held by law or the Articles; or
- (iii) the date upon which the Share Buy-back Mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company.

REASONS FOR SHARE BUY-BACK

Although the Directors have no present intention of exercising the Share Buy-back Mandate, they believe that the flexibility afforded by the Share Buy-back Mandate would be beneficial to the Company and the Shareholders as a whole. At any time in the future when the Shares are trading at a discount to their underlying value, the ability of the Company to buy back the Shares will be beneficial to the Shareholders who retain their investment in the Company as their percentage interest in the assets of the Company would increase in proportion to the number of Shares bought back by the Company from time to time and thereby resulting in an increase in net assets and/or earnings per share of the Company. Such share buy-back will only be made when the Directors believe that such exercises will benefit the Company and the Shareholders as a whole.

FUNDING OF SHARE BUY-BACK

The Directors propose that the buy back of Shares under the Share Buy-back Mandate would be financed from internal resources of the Company.

In buying back the Shares, the Company may only apply funds legally available for such purposes in accordance with the Memorandum, the Articles and the applicable laws of the Cayman Islands. Under the laws of the Cayman Islands, share buy-back by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose, or, if so authorised by the Articles and subject to the

provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be bought back must be provided for out of the profits or share premium account of the Company, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of the capital of the Company.

The exercise of the Share Buy-back Mandate in full will not have a material adverse impact on the working capital or the gearing level of the Company, as compared with the position disclosed in the latest published audited consolidated financial statements of the Group contained in the 2017 Annual Report.

The Directors do not propose to exercise the Share Buy-back Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital or the gearing level of the Company, as compared with the position disclosed in the latest published audited consolidated financial statements of the Group contained in the 2017 Annual Report, which in the opinion of the Directors are from time to time appropriate for the Company. The number of the Shares to be repurchased on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time having regard to the then pertaining circumstances.

SHARE PRICES

The highest and lowest prices, to the nearest cents, at which the Shares have been traded on the Stock Exchange during each of the twelve months up to the Latest Practicable Date, were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2017		
April	1.51	1.40
May	1.68	1.43
June	1.74	1.55
July	2.11	1.81
August	2.16	1.93
September	3.44	2.16
October	2.95	2.29
November	2.40	1.97
December	2.02	1.79
2018		
January	2.49	2.06
February	2.55	2.08
March	2.57	2.26
April (up to the Latest Practicable Date)	2.43	2.29

Disclosure of interests

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention, in the event that the Share Buy-back Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)).

No core connected person has notified the Company that he or she has a present intention to sell any Shares to the Company nor has undertaken not to sell any of the Shares held by him or her to the Company in the event that the Share Buy-back Mandate is approved by the Shareholders.

Takeovers Code

If a Shareholder's proportionate interest in the voting rights of the Company increases when the Company exercises its powers to buy back Shares pursuant to the Share Buy-back Mandate, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code.

As at the Latest Practicable Date, as far as the Directors are aware, substantial Shareholders of the Company having an interest of 5% or more in the issued share capital of the Company are as follows:

Name	<i>Notes</i>	Number of Shares interested	Nature of interest	Total number of Shares	Percentage of the Company's issued share capital
China Sunrise		321,687,052	Beneficial Owner	321,687,052	39.26
China Sunshine	1	321,687,052	Interest of a controlled corporation	321,687,052	39.26
Controlling Shareholders Group	2	321,687,052	Interests of a party to an agreement to acquire interests in the Company		
	2	22,265,500	Interest of a party to an agreement to acquire interests in the Company apart from such agreement	343,952,552	41.98

Name	Notes	Number of Shares interested	Nature of interest	Total number of Shares	Percentage of the Company's issued share capital
Wang Dongxing		18,425,500	Beneficial Owner		
	2	321,687,052	Interests of a party to an agreement to acquire interests in the Company		
	3	3,840,000	Interest of a party to an agreement to acquire interests in the Company apart from such agreement	343,952,552	41.98
Wang Changhai		3,840,000	Beneficial Owner		
	2	321,687,052	Interests of a party to an agreement to acquire interests in the Company		
	4	18,425,500	Interest of a party to an agreement to acquire interests in the Company apart from such agreement	343,952,552	41.98

Notes:

1. As China Sunshine owns the entire interest in China Sunrise, China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise.
2. 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 matters, 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 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, Mr. Zhang Zengguo and Mr. Wang Changhai, is deemed to be interested in the same 321,687,052 Shares held by China Sunrise. Further, Mr. Wang Dongxing is interested in 18,425,500 Shares and Mr. Wang Changhai is interested in 3,840,000 Shares as beneficial owners.

Other members of the Controlling Shareholders Group, being parties to the Concert Parties Agreement, are deemed to be interested in such shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the SFO.

3. Mr. Wang Dongxing is deemed to be interested in the 3,840,000 Shares held by Mr. Wang Changhai under section 318 of the SFO, being party to the Concert Parties Agreement.
4. Mr. Wang Changhai is deemed to be interested in the 18,425,500 Shares held by Mr. Wang Dongxing under section 318 of the SFO, being party to the Concert Parties Agreement.

In the event that the Directors should exercise the Share Buy-back Mandate in full to buy back the Shares, the aggregate shareholding of the Controlling Shareholders Group will be increased to approximately 46.64% of the issued share capital of the Company, resulting in an obligation on the part of the Controlling Shareholders Group to make a general offer under the Takeovers Code. However, the Directors have no present intention to exercise the Share Buy-back Mandate to the extent that the obligation to make a general offer on the part of the above-mentioned substantial Shareholders will be triggered.

Assuming that there is no further issue of Shares between the Latest Practicable Date and the date of share buy-backs, the exercise of the Share Buy-back Mandate in full will not result in less than 25% of the issued share capital of the Company being held by the public as required by Rule 8.08 of the Listing Rules. In any event, the Directors have no present intention to exercise the Share Buy-back Mandate to the extent that less than 25% of the issued share capital of the Company will be held by the public.

SHARES BOUGHT BACK BY THE COMPANY

The Company had not bought back any of its Shares, whether on the Stock Exchange or otherwise, during the previous six months preceding the Latest Practicable Date.

RETIRING DIRECTORS SUBJECT TO RE-ELECTION OR RE-APPOINTMENT**Mr. Shi Weixin**

Mr. Shi Weixin, aged 61, is an executive Director and the vice chairman of our Board. Mr. Shi was appointed as a Director on 19 November 2007. With over 20 years of experience in electrical automation control, Mr. Shi is responsible for the management of the automation system. Mr. Shi has been with our Group since the establishment of Changle Sunshine in 2000. Mr. Shi is also a director of China Sunshine and China Sunrise, controlling shareholders of our Company. He graduated from China Textile University in 1986, with a major in industrial electrical automation. Mr. Shi used to be a director of Shanghai Paper Manufacturing Machinery General Factory from 1981 to 1992 and was responsible for the design of the automation control system for paper-making equipments. During 1984 to 1992, he has been named as an “Excellent Technician” twice. In 1993, Mr. Shi founded Shanghai Paper Mechanical Electric Control Technology Institute (“Shanghai Institute”), and has been its chairman and general manager since 1993. Mr. Shi was primarily responsible for management and operation in Shanghai Institute. He was also a member of the Shanghai Hongkou District Committee of Political Consultative Conference, a member of the executive committee of Shanghai Hongkou Federation of Industry and Commerce and a director of Hongkou Association of Entrepreneurs Association. Mr. Shi won the “Shanghai City Technological Achievement” award in 2000.

Length of service

Pursuant to the existing service agreement between Mr. Shi and the Company, the appointment of Mr. Shi was for a fixed term of three years commencing on 19 November 2016.

Relationship with other Directors, senior management, substantial or controlling Shareholders of the Company

Mr. Shi is a member of the Controlling Shareholders Group. Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group confirmed that, among other matters, 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.

Except as disclosed above, Mr. Shi does not have any relationship with any Director, senior management, substantial or controlling Shareholders of the Company.

Interests in shares

Mr. Shi is a member of the Controlling Shareholders Group and is acting in concert (for the purpose of the Takeovers Code) with other members of such group. Hence, under the SFO, Mr. Shi is deemed to be interested in the 321,687,052 Shares held by China Sunrise, 18,425,500 Shares held by Mr. Wang Dongxing and 3,840,000 Shares held by Mr. Wang Changhai as at the Latest Practicable Date.

Amount of emoluments

The current emolument payable to Mr. Shi comprises director's fees of RMB50,000 per year and annual bonus and allowance, and may, subject to the discretion of the Directors, be reviewed from time to time.

Other information

Save as disclosed above, Mr. Shi has no information to be disclosed pursuant to Rules 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Wang Dongxing

Mr. Wang Dongxing, aged 55, is an executive Director and the chairman of our Board. Mr. Wang was appointed as a Director on 22 August 2007. Mr. Wang is also a member of the remuneration committee and a member of the nomination committee of our Board. With over 20 years of experience in the paper manufacturing industry, Mr. Wang is responsible for the overall management and strategy of our Group. Mr. Wang has been with our Group since the establishment of Changle Century Sunshine Paper Industry Co., Ltd. ("Changle Sunshine") in 2000 and was previously the general manager of Century Sunshine. Mr. Wang is also a director of China Sunshine Paper Investments Limited ("China Sunshine") and China Sunrise Paper Holdings Limited ("China Sunrise"), controlling shareholders of our Company. He graduated from 山東輕工業學院 (Shandong Institute of Light Industry) with a Bachelor of Engineering degree in 1983, with a major in pulp and paper making. He served as a director and deputy general manager of Shandong Chenming Paper Holdings Limited ("Shandong Chenming"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1812), which was mainly engaged in the business of production of machine-made paper, paper plate, paper materials and paper-making related machineries from 1985 to 1999. He was mainly responsible for the daily operation and management in Shandong Chenming. He served as a factory manager of Shandong Chenming Paper Industry Group Qihe Cardboard Co., Ltd ("Qihe Cardboard") from 1995 to 1996. During his tenure in office in Qihe Cardboard, Mr. Wang obtained the Qihe County's Economic Special Achievement Golden award. He also served as a factory manager of Shandong Chenming No. 2 Factory from 1997 to 1998, and was the general manager of Wuhan Shuailun Paper Industry Co., Ltd. from 1999 to 2000.

Length of service

Pursuant to the existing service agreement between Mr. Wang and the Company, the appointment of Mr. Wang was for a fixed term of three years commencing on 19 November 2016.

Relationship with other Directors, senior management, substantial or controlling Shareholders of the Company

Mr. Wang is a member of the Controlling Shareholders Group. Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group confirmed that, among other matters, 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.

Except as disclosed above, Mr. Wang does not have any relationship with any Director, senior management, substantial or controlling Shareholders of the Company.

Interests in shares

As at the Latest Practicable Date, Mr. Wang is interested in 343,952,552 Shares, of which 18,425,500 Shares are held by Mr. Wang as beneficial owner. Mr. Wang is a member of the Controlling Shareholders Group and is acting in concert (for the purpose of the Takeovers Code) with the other members of such group. Hence, under the SFO, Mr. Wang is deemed to be interested in the 321,687,052 Shares held by China Sunrise and 3,840,000 Shares held by Mr. Wang Changhai.

Amount of emoluments

The current emolument payable to Mr. Wang comprises director's fees of RMB50,000 per year and annual bonus and allowance, and may, subject to the discretion of the Directors, be reviewed from time to time.

Other information

Save as disclosed above, Mr. Wang has no information to be disclosed pursuant to Rules 13.51 of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Wang Changhai

Mr. Wang Changhai, aged 47, is an executive Director and the general manager of our Group. He has been appointed as a Director on 29 February 2016. Mr. Wang joined our Group in 2001 and he has 17 years of experience in the paper products industry and is very familiar with the operations of the Group. Mr. Wang is currently a General Manager of the Group and is responsible for the overall management of the Group. He had been a manager and an assistant manager of the Group prior to the promotion to the deputy general manager of domestic sales in 2003.

Length of service

Pursuant to the existing service agreement between Mr. Wang and the Company, the appointment of Mr. Wang was for a fixed term of three years commencing on 29 February 2016.

Relationship with other Directors, senior management, substantial or controlling Shareholders of the Company

Mr. Wang is a member of the Controlling Shareholders Group. Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group confirmed that, among other matters, 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.

Except as disclosed above, Mr. Wang does not have any relationship with any Director, senior management, substantial or controlling Shareholders of the Company.

Interests in shares

As at the Latest Practicable Date, Mr. Wang is interested in 343,952,552 Shares, of which 3,840,000 Shares are held by Mr. Wang as beneficial owner. Mr. Wang is a member of the Controlling Shareholders Group and is acting in concert (for the purpose of the Takeovers Code) with the other members of such group. Hence, under the SFO, Mr. Wang is deemed to be interested in the 321,687,052 Shares held by China Sunrise and 18,425,500 Shares held by Mr. Wang Dongxing.

Amount of emoluments

The current emolument payable to Mr. Wang comprises director's fees of RMB50,000 per year and annual bonus and allowance, and may, subject to the discretion of the Directors, be reviewed from time to time.

Other information

Save as disclosed above, Mr. Wang has no information to be disclosed pursuant to Rules 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

The following is a summary of the principal terms of the 2018 Share Option Scheme proposed to be approved at the AGM:

1. PURPOSE

The purpose of the 2018 Share Option Scheme is to give the Eligible Persons an opportunity to have a personal stake in our Company and help motivate Eligible Persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executive, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. CONDITIONS OF THE 2018 SHARE OPTION SCHEME

The 2018 Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) the approval of the Shareholders for the adoption of the 2018 Share Option Scheme; and
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 81,936,200 Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the 2018 Share Option Scheme.

If the above conditions are not satisfied within two calendar months after the Adoption Date, (i) the 2018 Share Option Scheme will forthwith terminate; (ii) any Option granted or agreed to be granted pursuant to the Scheme and any offer of such a grant shall be of no effect; and (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the 2018 Share Option Scheme or any Option.

Application has been made to the Stock Exchange for the listing of 81,936,200 Shares which may be issued pursuant to the exercise of options under the 2018 Share Option Scheme.

3. WHO MAY JOIN

The Board may, at its absolute discretion, offer Options to subscribe for such number of Shares in accordance with the terms set out in the 2018 Share Option Scheme to the Eligible Persons.

4. MAXIMUM NUMBER OF SHARES

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2018 Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 81,936,200 Shares (representing approximately 10% of the total number of Shares in issue as at the Adoption Date) (the “Scheme Mandate Limit”) provided that:

- (a) The Company may at any time as the Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where the Scheme Mandate Limit is refreshed;
- (b) The Company may seek separate approval from the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to its shareholders containing the details and information required under the Listing Rules; and
- (c) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2018 Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of the Shares in issue from time to time. No options may be granted under the 2018 Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

5. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting.

6. OFFER AND GRANT OF OPTIONS

Subject to the terms of the 2018 Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the 2018 Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2018 Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Option Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of this Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

7. GRANTING OPTIONS TO CONNECTED PERSONS

Subject to the terms in the 2018 Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of the Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of the Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders. The Company shall send a circular to the shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

Approval from the shareholders of the Company is required for any change in the terms of options granted to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

8. RESTRICTION ON THE TIME OF GRANT OF OPTIONS

The Board shall not grant any Option under the 2018 Share Option Scheme after inside information has come to the Company's knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Options shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

9. MINIMUM HOLDING PERIOD, VESTING AND PERFORMANCE TARGET

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2018 Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) and there is no minimum period for which an Option must be held before it can be exercised and there is no performance target which need to be achieved by the grantee before the Option can be exercised.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the acceptance Date, it will be deemed to have been irrevocably declined.

10. AMOUNT PAYABLE FOR OPTIONS AND OFFER PERIOD

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the 2018 Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of Board Lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out above. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

11. EXERCISE PRICE

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

12. EXERCISE OF OPTION

- (a) An Option shall be exercised in whole or in part (but if in part only, in respect of, a board lot or any integral multiple thereof) within the Option Period in the manner as set out in the 2018 Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from the auditors pursuant to the 2018 Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

- (c) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the grantee at any time during the Option Period, provided that:
- (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantees entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (ii) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to the Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of the Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
 - (iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholders of the Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;

- (iv) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
- 1) the Option Period;
 - 2) the period of two months from the date of such notice; or
 - 3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option.
- (v) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

13. LIFE OF 2018 SHARE OPTION SCHEME

Subject to the terms of the 2018 Share Option Scheme, the 2018 Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be granted or offered but the provisions of the 2018 Share Option Scheme shall remain in full force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the 2018 Share Option Scheme.

14. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (c) subject to the period mentioned in paragraph 12 of “Exercise of Option” above, the date of the commencement of the winding-up of the Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the 2018 Share Option Scheme; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

15. ADJUSTMENT

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of the Company, then, in any such case (other than any made on a capitalization issue) the Company shall instruct the auditor of the Company or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (a) the number of Shares subject to options already granted and to the 2018 Share Option Scheme; and/or
- (b) the exercise price of each outstanding option.

and an adjustment as so certified by the auditor of the Company or such independent financial adviser shall be made, provided that:

- (a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalisation issue, the Auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (d) any such adjustments shall be made in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange; and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

16. CANCELLATION OF OPTIONS NOT EXERCISED

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the Allotment Date or, (ii) if the Allotment Date falls on a day when the register of members of the Company is closed, the first date of the reopening of the register of members.

Accordingly it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the Allotment Date or, (ii) if that Allotment Date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Allotment Date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

18. TERMINATION

The Company may by resolution in general meeting at any time terminate the operation of the 2018 Share Option Scheme. Upon termination of the 2018 Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the 2018 Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the 2018 Share Option Scheme.

19. TRANSFERABILITY

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the 2018 Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

20. AMENDMENT

- a) The 2018 Share Option Scheme may be altered from time to time in any respect by a resolution of the Directors, including provisions relating to the “Offer and Grant of Options” under paragraph 6 of this Appendix, the “Restriction on the Time of Grant of Options” under paragraph 8 of this Appendix, the “Minimum Holding Period, Vesting and Performance Target” under paragraph 9 of this Appendix, and the “Exercise of Option” under paragraph 12 of this Appendix, provided that any such alteration to the provisions of the 2018 Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of participants shall require the prior sanction of a resolution of the Shareholders in general meeting (with all grantees, prospective grantees and their associates abstaining from voting and the votes taken by poll).
- b) Any alterations to the terms and conditions of this 2018 Share Option Scheme which are of a material nature or any change to the terms of any Options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the 2018 Share Option Scheme.
- c) Any change to the authority of the Directors or the administrators of the 2018 Share Option Scheme in relation to any alteration to the terms of the 2018 Share Option Scheme must be approved by the Shareholders in general meeting.
- d) The terms of the 2018 Share Option Scheme and/or any Options amended pursuant to this paragraph 20 must comply with the applicable requirements of the Listing Rules.

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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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual 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 31 May 2018 at 10:00 a.m. for the following purposes:

As ordinary business

ORDINARY RESOLUTIONS

1. To receive and consider the audited financial statements and the reports of the directors of the Company (the “Directors”) and the auditors of the Company (the “Auditors”) for the year ended 31 December 2017.
2. To declare a final dividend of HK\$7 cents per share of the Company for the year ended 31 December 2017.
3. To re-elect Mr. Shi Weixin as an executive director of the Company (the “Director”).
4. To re-elect Mr. Wang Dongxing as an executive Director.
5. To re-elect Mr. Wang Changhai as an executive Director.

* For identification purposes only

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6. To authorise the board of directors of the Company (the “Board”) to fix the remuneration of the Directors.
7. To re-appoint Grant Thornton Hong Kong Limited as the Auditors and to authorise the Board to fix their remuneration.

As special business

ORDINARY RESOLUTIONS

8. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back issued shares with par value of HK\$0.10 each in the share capital of the Company subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) or of any other stock exchange as amended from time to time and the manner of any such buy-back be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as defined below) to procure the Company to buy back its shares at a price determined by the Directors;
- (c) the total number of shares of the Company which are authorised to be bought back by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by laws or the articles of association of the Company to be held; or

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(iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting of the Company.”

9. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as defined below) to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company from time to time, shall not exceed 20% of the total number of issued shares of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” shall have the same meaning as ascribed to it under resolution no. 8 as set out in the notice convening the Meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

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10. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of resolutions nos. 8 and 9 as set out in the notice convening the Meeting, the general mandate granted to the Directors pursuant to resolution no. 9 as set out in the notice convening the Meeting be and is hereby extended by the addition of an amount representing the total number of shares of the Company bought back by the Company under the authority granted pursuant to resolution no. 8 as set out in the notice convening the Meeting, provided that such amount shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of this resolution.”

11. To consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution of the Company:

“**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares (the “Shares”) in the capital of the Company falling to be issued pursuant to the 2018 share option scheme (the “2018 Share Option Scheme”), the terms of which are set out in the full version of the Share Option Scheme which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the 2018 Share Option Scheme be and are hereby approved and adopted and the Directors of the Company be and are hereby authorized to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the 2018 Share Option Scheme.”

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

Weifang, China, 27 April 2018

Notes:

1. The register of members of the Company will be closed from 28 May 2018 to 31 May 2018, 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, Wanchai, Hong Kong, no later than 4:30 pm on 25 May 2018.

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2. Shareholders whose names appear on the Company's register of members on 8 June 2018 will qualify for the proposed final dividend. The register of members of the Company will be closed from 7 June 2018 to 8 June 2018, for the purpose of determining entitlement to the proposed final dividend, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 June 2018.
3. 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.
4. 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.
5. 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 Shop 1712-16, 17th 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.
6. Please refer to Appendix II to the circular of the Company dated 27 April 2018 for the details of the retiring Directors subject to re-election or re-appointment at the Meeting.
7. Please refer to Appendix III to the circular of the Company dated 27 April 2018 for principal terms of the 2018 Share Option Scheme.

As at the date of this notice, the Directors are:

Executive Directors: Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai

Non-executive Directors: Mr. Xu Leihua and Mr. Li Hengwen

Independent non-executive Directors: Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie