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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 RESUMPTION OF TRADING**

The Board is pleased to announce that on 1 July 2013, Century Sunshine has entered into the New JV Agreement with Oji F-Tex in relation to Sunshine Oji.

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 principal activities of Sunshine Oji include the manufacture and sales of speciality paper, in particular, decorative paper, medical wrapping paper and cheque paper, in the PRC.

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 of 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 materialized, will constitute a deemed disposal of assets by the Company and a discloseable transaction of 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.

It is currently expected that a circular setting out further information in relation to the Sunshine Acquisition and details of the EGM will be despatched on or before 12 August 2013.

**As the Sunshine Acquisition is conditional upon obtaining the approval of the Shareholders at the EGM, the Sunshine Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 2 July 2013 and became suspended from 9:00 a.m. on 4 July 2013, pending the release of this announcement.

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 July 2013.

## **FORMATION OF SUNSHINE OJI**

Reference is made to the Previous Circular published on 28 December 2012 in relation to the formation of a joint venture, Sunshine Oji. Pursuant to the First JV Agreement, Sunshine Oji was established in Shouguang City, Shandong Province, the PRC and was held as to 51% by Century Sunshine, 29% by Oji Paper and 20% Dragon Chariot.

## **THE ACQUISITIONS**

On 1 July 2013, Century Sunshine has entered into the New JV Agreement with Oji F-Tex in relation to Sunshine Oji, pursuant to which: (i) Century Sunshine will acquire an additional 9% equity interest in Sunshine Oji by agreeing to contribute an additional 9% registered capital of Sunshine Oji that Dragon Chariot has previously agreed to contribute under that First JV Agreement, being the Sunshine Acquisition; and (ii) Oji F-Tex, a wholly owned subsidiary of Oji Paper, will replace Oji Paper as a joint venture partner and will contribute the 29% registered capital to be contributed by Oji Paper under the First JV Agreement, and Oji F-Tex will acquire an additional 11% equity interest in Sunshine Oji by agreeing to contribute an additional 11% registered capital of Sunshine Oji that Dragon Chariot has previously agreed to contribute under the First JV Agreement, being the Oji Acquisitions. The additional registered capital that each of Century Sunshine and Oji F-Tex has committed to contribute in place of Dragon Chariot has been determined after arm's length negotiations between Century Sunshine and Oji F-Tex. Each of Century Sunshine and Oji F-Tex has confirmed that, as at the date of this announcement, each of them does not have any present intention to further adjust the shareholding proportion in Sunshine Oji save as disclosed in this announcement. To the best knowledge, information and belief of the Directors, it is the independent commercial decision of Dragon Chariot to not to proceed with its investment in Sunshine Oji.

Sunshine Oji was established in Shouguang City, Shandong Province, the PRC on 15 November 2012. Shortly after the establishment of Sunshine Oji, Century Sunshine, Oji Paper and Dragon Chariot have been in discussion regarding a possible change of shareholdings in Sunshine Oji. It was the consensus between the parties that before a final agreement on the revised shareholding structure of Sunshine Oji is reached, none of Century Sunshine, Oji Paper and Dragon Chariot shall make any contribution to the registered capital of Sunshine Oji. Further, as at the date of the announcement, Sunshine Oji is yet to commence operations.

Upon completion of the Acquisitions, Sunshine Oji will be owned as to 60% by Century Sunshine and 40% by Oji F-Tex, and each of Oji Paper and Dragon Chariot will cease to be a joint venture partner in Sunshine Oji.

## THE NEW JV AGREEMENT

### Date

1 July 2013

### Parties

1. Century Sunshine, a non-wholly owned subsidiary of the Company
2. Oji F-Tex as a joint venture partner and a wholly owned subsidiary of Oil Paper

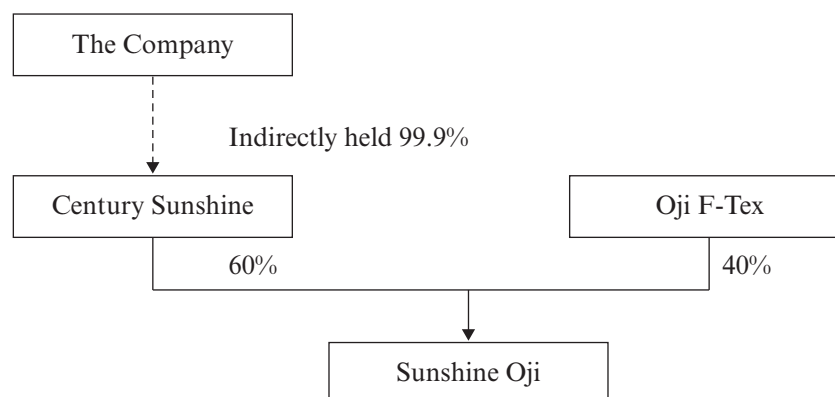
### Principal terms

#### *Purpose of the formation of Sunshine Oji*

Century Sunshine and Oji F-Tex have agreed to set up Sunshine Oji in Shouguang City, Shandong Province, the PRC with principal activities to manufacture and sell speciality 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, respectively).

Century Sunshine will contribute to the registered capital of Sunshine Oji by a combination of Assets and cash, totaling 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 negotiation among them, and Century Sunshine will then make a cash contribution to the registered capital of Sunshine Oji of RMB18.27 million. An independent professional valuer will be engaged to confirm the value of the Assets for the sole purpose of registered capital contribution. In the event that the valuation of the Assets as assessed by the independent professional valuer is below RMB103.53 million, Century Sunshine will make up the shortfall between RMB103.53 million and the value of the Assets by way of cash contribution.

On the other hand, Oji F-Tex will contribute to the registered capital of Sunshine Oji totaling 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 date of this announcement, 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 Sunshine Oji as disclosed in this announcement.

#### *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 F-Tex 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 Sunshine Oji) and Oji F-Tex shall be entitled to nominate two directors (including the vice-chairman of the board of the 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.

#### *Contribution schedule*

Each of Century Sunshine and Oji F-Tex will contribute the registered capital of Sunshine Oji within six months from the date of issue of the new business license of Sunshine Oji.

#### **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.

### **Conditions**

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

### **REASON FOR AND BENEFITS OF THE FORMATION OF THE 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 speciality paper, the Directors believe 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, and expanding its products portfolio to include specialty paper. The Directors consider the terms of the New JV Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

### **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 of 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 Shine and Oji F-Tex as at the date of this announcement, 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 of the Company under the Listing Rules and is therefore subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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 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 a 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 of the Company under the Listing Rules. Accordingly, the Shareholders are asked to assess the Sunshine Acquisition on the basis of the maximum financial commitment which Century Sunshine may need to undertake due to 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 published an announcement, and will comply with the applicable requirements of the Listing Rules as and when required.

The transaction under 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 Sunshine Acquisition. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders has a material interest in the Sunshine Acquisition. As such, none of the Shareholders would be required to abstain from voting on the proposed resolutions in connection with the Sunshine Acquisition in the EGM. 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 materialized, will constitute a deemed disposal of assets by the Company and a discloseable transaction of 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).

It is currently expected that a circular setting out further information in relation to the Sunshine Acquisition and details of the EGM will be despatched on or before 12 August 2013.

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.

## **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, lightcoated linerboard, core board and specialised paper products.

**As the Sunshine Acquisition is conditional upon obtaining the approval of the Shareholders at the EGM, the Sunshine Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 2 July 2013 and became suspended from 9:00 a.m. on 4 July 2013, pending the release of this announcement.

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 July 2013.

## **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 announcement at the following rate:

RMB0.79655: HK\$1.00

## **DEFINITIONS**

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

“Acquisitions”                      the Oji Acquisitions and the Sunshine Acquisition

“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 ascribed to it under the Listing Rules
“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
“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 of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“Dragon Chariot”	Dragon Chariot Limited, a limited liability incorporated in Hong Kong, the beneficial owners of which and their respective associates are independent third parties and not persons connected with the Company, the Directors, the substantial Shareholders and their respective associates of the Company
“EGM”	an extraordinary general meeting of the Company, if applicable, to be convened by the Company to consider and, if appropriate, approve the Sunshine Acquisition
“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 Sunshine Oji
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New JV Agreement”	the joint venture agreement entered into between Century Sunshine and Oji F-Tex in relation to Sunshine Oji dated 1 July 2013
“Oji Acquisitions”	the replacement of Oji F-Tex to contribute the 29% registered capital of Sunshine Oji 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 Holdings Corporation (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 whose shares are listed on the Tokyo Stock Exchange Group, Inc. (stock code: 38610) and Osaka Securities Exchange (stock code: 3861) in Japan
“PRC”	The People’s Republic of China and for the purpose of this Announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Circular”	the circular of the Company published on 28 December 2012 in relation to the formation of Sunshine Oji
“RMB”	Renminbi, the lawful currency of the PRC
“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
“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 to be established in Shouguang City, Shandong Province, PRC for the purpose of the Joint Venture
“%”	per cent

\* for identification purposes only.

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

Hong Kong, 11 July 2013

*As at the date of this announcement, the Directors are:*

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

*Non-executive Directors:* **Mr. Xu Fang and Mr. Wang Junfeng**

*Independent non-executive Directors:* **Mr. Leung Ping Shing, Mr. Wang Zefeng and Mr. Xu Ye**