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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)**

## MAJOR TRANSACTION FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 3 July 2012, Century Sunshine has entered into the JV Agreement with Oji Paper and Dragon Chariot for the formation of Joint Venture.

Pursuant to the JV Agreement, upon establishment, the JV Company will be owned as to 51% by Century Sunshine, 29% by Oji Paper and 20% by Dragon Chariot. The principal activities of the JV Company will 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 formation of the Joint Venture exceed 25% but all those applicable percentage ratios are less than 100%, the formation of the Joint Venture constitutes a major 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.

The JV Agreement is conditional upon obtaining the approval of the Shareholders. Further, the establishment of the JV Company is subject to the approvals from the relevant PRC authorities.

The Company will make a separate announcement to provide further information in relation to the expected date of dispatch of the circular and, where an EGM will be held to approve the formation of the Joint Venture, the details of the EGM, as soon as practicable.

**As the formation of the Joint Venture is conditional upon obtaining the approval of the Shareholders and the establishment of the JV Company is subject to the approvals of the relevant PRC authorities, the formation of the Joint Venture and the establishment of the JV Company may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

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# THE JV AGREEMENT

## Date

3 July 2012

## Parties

1. Century Sunshine, a non-wholly owned subsidiary of the Company
2. Oji Paper, as one of the JV Partners
3. Dragon Chariot, as one of the JV Partners

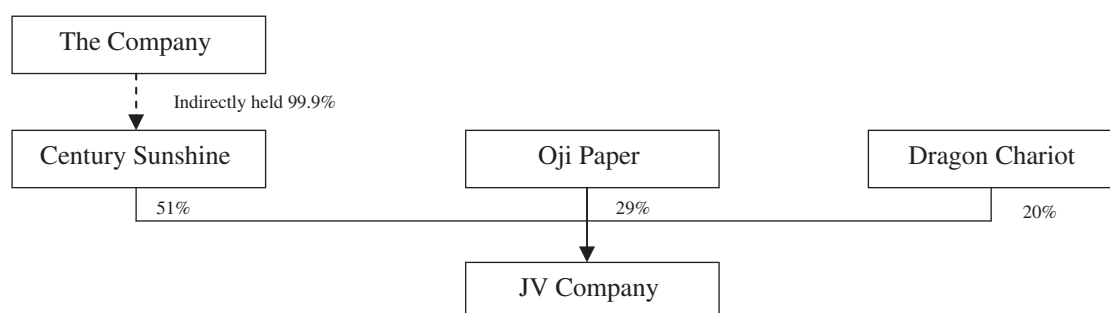
## Principal terms

### *Purpose of the formation of the Joint Venture*

The Parties have agreed to set up the JV Company in Shouguang City, Century 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 JV Agreement, upon establishment of the JV Company, the JV Company will be owned as to 51% by Century Sunshine, 29% by Oji Paper and 20% by Dragon Chariot. The following chart illustrates the shareholding structure of the JV Company upon establishment:



### *Total investment amount and registered capital*

The maximum total investment of the JV Company is RMB608 million (equivalent to approximately HK\$741.10 million), and its registered capital is RMB203 million (equivalent to approximately HK\$247.44 million).

The registered capital of RMB203 million (equivalent to approximately HK\$247.44 million) will be contributed by the Parties based on their respective interests in the JV Company by either cash or physical assets.

#### *Duties of Century Sunshine*

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

#### *Duties of Oji Paper*

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

#### *Duties of Dragon Chariot*

Dragon Chariot shall, among other things, provide technical support to the JV Company in relation to the manufacturing of decorative paper, medical wrapping paper and cheque paper.

#### *Board of directors*

The board of directors of the JV Company shall consist of seven directors. Century Sunshine shall be entitled to nominate four directors (including the chairman of the board of the JV Company), Oji Paper shall be entitled to nominate two directors (including the vice-chairman of the board of the JV Company) and Dragon Chariot shall be entitled to nominate one director.

#### *Supervisory committee*

The supervisory committee of the JV Company shall consist of three supervisors, including one chairman. One supervisor shall be nominated by the employees of the JV Company, one supervisor shall be nominated by Oji Paper and one supervisor shall be nominated by Dragon Chariot. The chairman of the supervisory committee shall be elected among the supervisors.

### *Potential further acquisition of assets from Century Sunshine*

Where Century Sunshine contributes physical assets as capital contribution towards the JV Company, an asset transfer agreement shall be executed by the JV Company and Century Sunshine within three days from the date of the first capital contribution by the Parties or as otherwise agreed by the Parties such that the JV Company will acquire additional production facilities for the manufacture of decorative paper from Century Sunshine. The Company will comply with the applicable requirements of the Listing Rules upon signing of the above-mentioned asset transfer agreement as and when required.

### **Conditions**

The formation of the Joint Venture is conditional upon obtaining the approval of the Shareholders of the Company and the establishment of the JV Company is subject to the approvals of the relevant PRC authorities.

## **REASON FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE**

With the expertise of Oji Paper and Dragon Chariot in the production of speciality paper, the Directors believe the JV Partners could contribute their respective strengths in the Joint Venture 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 Joint Venture and the JV Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the contribution of the total investment of the JV Company other than the registered capital is yet to be agreed among the Parties 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\$741.10 million) and the registered capital of the JV Company to be contributed by Century Sunshine of RMB103.53 million (equivalent to approximately HK\$126.19 million) shall be deemed to be contributed by Century Sunshine. Hence, solely for the purpose of calculating the applicable percentage ratios, the theoretical maximum total investment commitment of the Group in the Joint Venture amounts to RMB508.53 million (equivalent to approximately HK\$619.86 million). As such, one or more of the applicable percentage ratios in respect of the formation of the Joint Venture exceed 25% but all those applicable percentage ratios are less than 100%, the formation of the Joint Venture constitutes a major 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.

As the formation of the Joint Venture constitutes a major transaction of the Company, under the Listing Rules, an EGM shall be convened and held for the Shareholders to consider, if thought fit, to approve the proposed resolutions in connection with the formation of the Joint Venture. Alternatively, where the conditions set out in Rule 14.44 of the Listing Rules are satisfied, the formation of the Joint Venture could be approved by written Shareholders' approval. 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 formation of the Joint Venture. As such, none of the Shareholders would be required to abstain from voting on the proposed resolutions in connection with the formation of the Joint Venture in the EGM.

The Company will make a separate announcement to provide further information in relation to the expected date of dispatch of the circular and, where an EGM will be held to approve the formation of the Joint Venture, the date of the EGM, as soon as practicable.

## **INFORMATION ON OJI 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 Paper, 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 DRAGON CHARIOT**

To the best knowledge of the Directors, Dragon Chariot, 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 formation of the Joint Venture is conditional upon obtaining the approval of the Shareholders and the establishment of the JV Company is subject to the approvals of the relevant PRC authorities, the formation of the Joint Venture and the establishment of the JV Company may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

## 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:

RMB0.8204: HK\$1.00

## DEFINITIONS

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

“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 formation of the Joint Venture
“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
“Joint Venture”	the joint venture to be formed under the JV Agreement for the manufacture and sales of decorative paper in the PRC
“JV Agreement”	the joint venture agreement entered into between the Parties dated 3 July 2012 in relation to the formation of the Joint Venture
“JV Company”	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, Century Province, PRC for the purpose of the Joint Venture
“JV Partners”	Oji Paper and Dragon Chariot
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Oji Paper”	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
“Parties”	parties to the JV Agreement, being Century Sunshine, Oji Paper and Dragon Chariot
“PRC”	The People’s Republic of China and for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“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

“%”    per cent

\*    *for identification purposes only.*

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

Hong Kong, 3 July 2012

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

<i>Executive Directors:</i>	<i>Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Ci Xiaolei</i>
<i>Non-executive Directors:</i>	<i>Mr. Xu Fang and Mr. Wang Junfeng</i>
<i>Independent non-executive Directors:</i>	<i>Mr. Leung Ping Shing, Mr. Wang Zefeng and Mr. Xu Ye</i>