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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)

ANNOUNCEMENT

CONNECTED TRANSACTIONS

PROPOSED ISSUE OF NEW SHARES UNDER THE SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE

Reference is made to the announcement of the Company dated 27 June 2017 in relation to the adoption of the Scheme.

On 21 July 2017, the Board has resolved to grant a total of 16,774,000 Awarded Shares to three Selected Participants under the Scheme at par value, of which, (i) 15,972,000 Awarded Shares will be awarded to two executive Directors, being Wang Dongxing and Wang Changhai by way of allotment and issue of new Shares and (ii) 802,000 Awarded Shares will be awarded to one Independent Selected Participant by way of allotment and issue of new Shares.

As the executive Directors are connected persons (as defined under the Listing Rules) of the Company, the allotment and issue of the Connected Awarded Shares to them constitute connected transactions the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the Independent Shareholders.

The Company will seek a specific mandate at the EGM for the allotment and issue of the Awarded Shares to the Selected Participants. The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the Awarded Shares.

* For identification purposes only

A circular containing, among other things, (i) further details of the Awarded Shares and the specific mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Connected Awarded Shares; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Awarded Shares; and (iv) the notice convening the EGM, is currently expected to be despatched to the Shareholders on or around 11 August 2017.

Reference is made to the announcement of the Company dated 27 June 2017 in relation to the adoption of the Scheme.

PROPOSED ISSUE OF NEW SHARES UNDER THE SCHEME

On 21 July 2017, the Board has resolved to, subject to the approval of the Shareholders, grant a total of 16,774,000 Awarded Shares to three Selected Participants under the Scheme by way of allotment and issue of new Shares pursuant to the specific mandate which may be granted by the Shareholders at the EGM.

Among the 16,774,000 Awarded Shares:

- (i) 15,972,000 Awarded Shares will be awarded to two executive Directors, being Wang Dongxing and Wang Changhai; and
- (ii) 802,000 Awarded Shares will be awarded to one Independent Selected Participant.

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the Awarded Shares.

AWARD TO THE CONNECTED SELECTED PARTICIPANTS

Under the Scheme, Awards may be granted to Eligible Participants who are connected persons (as defined under the Listing Rules) of the Group, subject to compliance with the relevant requirements of the Listing Rules. The grant of an Award under the Scheme to any Director, chief executive or substantial shareholder of the company, or any of their respective associates shall also be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director to whom the grant of an Award is proposed to be made) at duly convened Board meetings. In addition to prior approval of the independent non-executive Directors, any Awards to connected persons of the Company will be subject to the independent Shareholders' approval in a general meeting as Awards to connected persons of the Company are not exempted under Rule 14A.92 of the Listing Rules. The Company will ensure such Awards to connected persons of the Company will comply with the requirements under Chapter 14A of the Listing Rules, including but not limited to, disclosures in announcements, circulars and annual reports, and independent Shareholders' approval.

As the executive Directors are connected persons (as defined under the Listing Rules) of the Company, the allotment and issue of the Connected Awarded Shares to the Connected Selected Participants constitute connected transactions the Company under Chapter 14A of the Listing Rules and shall be subject to the approval by the Independent Shareholders at the EGM. The Connected Awarded Shares will be issued under a specific mandate which may be granted by the independent Shareholders at the EGM.

The Connected Awarded Shares are proposed to be granted to the following connected persons of the Company:

Name of Connected Selected Participant	Relationship with the Company	Number of Connected Awarded Shares
Wang Dongxing	Executive Director, Chairman	12,762,000
Wang Changhai	Executive Director	3,210,000
Total:		15,972,000

Each of Mr. Wang Dongxing and Mr. Wang Changhai has abstained from approving the relevant board resolutions on the grant of the relevant Connected Awarded Shares to himself. All the other Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) have approved the grant of the Connected Awarded Shares to the Connected Selected Participants.

AWARD TO THE INDEPENDENT SELECTED PARTICIPANTS

The Independent Awarded Shares are proposed to be granted to one Independent Selected Participant, who is an employee of the Company but not a Director or chief executive of the Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Selected Participant is a third party independent of the Company and its connected persons.

The Company will seek a specific mandate at the EGM for the allotment and issue of the Independent Awarded Shares to the Independent Selected Participant.

CONDITIONS

The issue and allotment of the Connected Awarded Shares to the Connected Selected Participants shall be subject to:

- (i) the grant of the listing approval by the Stock Exchange in respect of the Connected Awarded Shares; and
- (ii) the approval by the Independent Shareholders at the EGM in respect of the specific mandate for the issue and allotment of the Connected Awarded Shares.

The issue and allotment of the Independent Awarded Shares to the Independent Selected Participant shall be subject to:

- (i) the grant of the listing approval by the Stock Exchange in respect of the Independent Awarded Shares; and
- (ii) the approval by the Shareholders at the EGM in respect of the specific mandate for the issue and allotment of the Independent Awarded Shares.

(collectively, the “**Conditions**”)

FURTHER DETAILS OF THE AWARDED SHARES

Further information in relation to the issue and allotment of the 16,774,000 Awarded Shares to the Selected Participants are set out below:

Securities to be issued:	An aggregate of 16,774,000 new Shares, comprising (i) 15,972,000 Awarded Shares to be issued and allotted to the Connected Selected Participants and (ii) 802,000 Awarded Shares to be issued and allotted to the Independent Selected Participant.
Percentage of Awarded Shares in the share capital of the Company:	The aggregate of 16,774,000 new Shares to be issued and allotted by the Company to the Selected Participants represent approximately 2.09% of the issued share capital of the Company as at the date of this announcement and approximately 2.05% of the issued share capital of Company as enlarged by the allotment and issue of the Awarded Shares.
Market value of Awarded Shares:	Based on the closing price of HK\$1.9 per Share as quoted on the Stock Exchange as at the date of this announcement, the market values of 15,972,000 Connected Awarded Shares and 802,000 Independent Awarded Shares are approximately HK\$30,346,800 and HK\$1,523,800, respectively.
Status of Awarded Shares:	The Awarded Shares shall rank <i>pari passu</i> in all respects with fully paid Shares in existence on the date of issue and allotment, which will be the vesting date of the Awarded Shares, or if that 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, with rights in respect of any Awarded Shares (including any income, dividends, other distributions or voting rights) on or after the date of allotment (i.e. the vesting date).
Funds to be raised:	The Selected Participants are not required to pay any consideration for the grant of Awarded Shares. No fund will be raised by the Company as a result of the issue and allotment of the Awarded Shares. The Awarded Shares will be allotted and issued by the Company on the vesting date at par value.
Market price of the Shares:	The closing price of the Shares on 21 July 2017, the date of this announcement, is HK\$1.9 per Share. The average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of this announcement is HK\$1.876 per Share.
Vesting:	All Awarded Shares shall vest immediately, subject to satisfaction of the Conditions disclosed above.
Fund raising activities in the past 12 months:	The Company has not engaged in any fund raising activities in the 12 months immediately preceding the date of this announcement.

REASONS FOR THE AWARD OF THE AWARDED SHARES

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

The Scheme forms part of the incentive schemes of the Group. The Board considers that the award of the Awarded Shares to the Selected Participants, which was determined with reference to, among other things, the contribution of the relevant Selected Participants to the Group, recognises the contributions of the Selected Participants and provides incentives to them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. It will also allow the Group to encourage the Selected Participants' continued commitment and support for the Group's development, aligning the interests of the Selected Participants to the Shareholders' through ownership of Shares.

Furthermore, there will not be any actual cash outflow by the Group for the award of the Awarded Shares to provide incentives to the Selected Participants.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) consider that the award of the Connected Awarded Shares to the Connected Selected Participants is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the award of the Independent Awarded Shares to the Independent Selected Participants is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EGM

The EGM will be convened and held to consider and, if thought fit, to approve the grant of specific mandate for issue of the Awarded Shares to the Selected Participants.

Mr. Wang Dongxing and Mr. Wang Changhai, the Connected Selected Participants, are members of a group of 18 individuals (the "**Controlling Shareholders Group**") who had entered into an agreement on 16 June 2006 and as amended by a supplemental agreement on 19 November 2007, pursuant to which each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in China Sunshine Paper Investments Limited ("**China Sunshine**"), China Sunrise Paper Holdings Limited ("**China Sunrise**") and any members of the Group (with China Sunshine and China Sunrise, collectively, the "**Target Entities**") and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Code on Takeovers and Mergers and Share Buy-backs in Hong Kong, the "**Takeovers Code**"), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities.

As China Sunrise, which is a Shareholder of the Company, 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 and Mr. Wang Changhai, is deemed to be interested in the 321,687,052 Shares held by China Sunrise as at the date of this

announcement. Further, each of Mr. Wang Dongxing and Mr. Wang Changhai, members of the Controlling Shareholders Group, is interested in 5,663,500 Shares and 630,000 Shares respectively as beneficial owner. Members of the Controlling Shareholders Group are deemed to be interested in such Shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the Securities and Futures Ordinance.

Accordingly, as at the date of this announcement, each of Mr. Wang Dongxing and Mr. Wang Changhai is interested in 327,980,552 Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), representing approximately 40.87% of the issued share capital of the Company.

Therefore, China Sunrise, Mr. Wang Dongxing and Mr. Wang Changhai will be required to abstain from voting on the resolutions in respect of the award of the Connected Awarded Shares to Mr. Wang Dongxing and Mr. Wang Changhai at the EGM.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, will be established by the Company to advise the Independent Shareholders as to whether the award of the Connected Awarded Shares to the Connected Selected Participants is fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the award of the Connected Awarded Shares to the Connected Selected Participants.

A circular containing, among other things, (i) further details of the Awarded Shares and the specific mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Connected Awarded Shares; (iii) the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Awarded Shares; and (iv) the notice convening the EGM, is currently expected to be despatched to the Shareholders on or around 11 August 2017.

DEFINITIONS

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

“Award(s)”	award of Shares by the Company to any Selected Participant(s) under the Scheme
“Awarded Share(s)”	in respect of any Selected Participant(s), such number of Shares subject to Award(s) as determined by the Board
“Board”	the board of directors of the Company
“Company”	China Sunshine Paper Holdings Company Limited, a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Stock Exchange
“Connected Awarded Shares”	an aggregate of 15,972,000 Awarded Shares which are proposed to be awarded to the Connected Selected Participants

“Connected Selected Participant(s)”	Selected Participant(s) who is a Director, or a director of subsidiary of the Company, being connected person of the Company
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve the allotment and issue of the Awarded Shares to the Selected Participants
“Eligible Participant(s)”	any Director (whether executive or non-executive), senior management and employee of the Company or its subsidiaries (including but not limited to office managers, regional directors, senior managers, office directors, general managers and chief executive officers), but excluding the following persons: (i) any seconded employee, part-time employee or non-full time employee of the Group; (ii) any employee of the Group who at the relevant time has given or been given notice terminating his office or directorship, as the case may be; and (iii) any other person that the Board may determine from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Awarded Shares”	an aggregate of 802,000 Awarded Shares which are proposed to be awarded to the Independent Selected Participant
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, to use established by the Company to advise the Independent Shareholders on the grant of the Connected Awarded Shares to the Connected Selected Participants
“Independent Selected Participant”	Selected Participant who is not a connected person of the Company
“Independent Shareholders”	the Shareholders who are independent of, and not connected with, the Connected Selected Participants and their respective associates and are not required to abstain from voting at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Scheme”	the share award scheme adopted by the Board on 27 June 2017
“Selected Participant(s)”	those Eligible Participants selected by the Board for participation in the Scheme
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Shandong, 21 July 2017

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. Wang Changhai</i>
<i>Non-executive Directors:</i>	<i>Mr. Li Hengwen and Mr. Xu Leihua</i>
<i>Independent non-executive Directors:</i>	<i>Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie</i>