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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all of your shares in **China Sunshine Paper Holdings Company Limited**, you should immediately forward this circular to the purchaser or transferee or to the bank, the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or 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)**

**MAJOR TRANSACTIONS  
FORMATION OF PARTNERSHIP  
AND  
INVESTMENT INTO KEMAI PULP**

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A letter from the board of directors of the Company is set out on pages 5 to 22 of this circular.

A notice convening the EGM of the Company to be held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on Monday, 28 December 2020 at 10:00 am is set out on pages EGM-1 to EGM-3 of this circular.

A proxy form for use in connection with the Extraordinary General Meeting is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Center, 183 Queen’s Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

\* *For identification purposes only*

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## DEFINITIONS

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

“Acting in Concert Agreement”	the agreement entered into between Shandong Xinjia and Changle Shengshi on 7 December 2020 pursuant to which the parties agreed to, among other things, cause their respective committee member to act jointly in the same manner with regard to voting at the Investment Committee
“Board”	the board of Directors
“Changle Baodu”	Changle Baodu State Owned Assets Investment Co., Ltd.* (昌樂縣寶都國有資產投資有限公司), a company established in the PRC in August 2017 and is a direct wholly-owned subsidiary of Changle County State-owned Assets Management Office* (昌樂縣國有資產管理辦公室)
“Changle Shengshi”	Changle Shengshi Thermoelectricity Power Co., Ltd.* (昌樂盛世熱電有限責任公司), a company established in the PRC in October 2013 and is held as to 80.00% by Shandong Sunshine
“CITIC”	China CITIC Bank Corporation Limited
“Company”	China Sunshine Paper Holdings Company Limited, an exempt company incorporated in the Cayman Islands in August 2007, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on Monday, 28 December 2020 at 10:00 a.m. or any adjournment, for the purpose of considering, and if thought fit, approving, among other things, the Limited Partnership Agreement and the Equity Investment Agreement
“Equity Investment Agreement”	the equity investment agreement entered into between the Partnership, Kemai Pulp and Shandong Sunshine on 29 September 2020 relating to the investment into Kemai Pulp
“Escrow Agreement”	the fund escrow agreement entered into by and among the Partnership and CITIC on 26 October 2020 regarding the establishment and use of, and certain authorization procedures placed on the Escrow Account set up by the Partnership at CITIC

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## DEFINITIONS

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“General Partner”	the general partner to the Partnership
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Part(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the Listing Rules)
“Investment”	the investment into Kemai Pulp by the Partnership pursuant to the Equity Investment Agreement
“Kemai Pulp” or the “Target Company”	Kemai Bio-mechanical Pulp Co., Ltd.* (山東科邁生物制漿有限公司), a company established in the PRC in December 2018 and was wholly owned by Shandong Sunshine immediately prior to the completion of the Investment
“Latest Practicable Date”	7 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Limited Partnership Agreement”	the limited partnership agreement relating to the formation of Partnership entered into by Shandong Xinjia, Shanghai Wangreat, Changle Shengshi, Weifang Hengxin and Changle Baodu on 25 September 2020
“Limited Partners”	the limited partners to the Partnership
“Listing Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Paid-in Capital Contribution Guarantee Agreement”	the agreement entered into between Shandong Sunshine and Weifang Hengxin on 29 September 2020 regarding Shandong Sunshine compensating for possible losses suffered by Weifang Hengxin upon liquidation or dissolution of the Partnership
“Partners”	the parties to the Partnership, including the General Partner and the Limited Partners

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## DEFINITIONS

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“Partnership”	Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership)* (濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC according to the Partnership Laws of the PRC in 25 September 2020
“Partnership Enterprise Law”	the Partnership Enterprise Law of the PRC (中華人民共和國合夥企業法), as enacted by the National People’s Congress on August 27, 2006 and effective on June 1, 2007, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“Shandong Sunshine”	Shandong Century Sunshine Paper Group Company Limited* (山東世紀陽光紙業集團有限公司) is a company established in the PRC in December 2000 and is held as to 99.90% by the Company and 0.10% by Changle Dongwei Paper Products Co., Ltd.* (昌樂東衛紙品有限公司), which is ultimately owned by Sun Qingtao (孫清濤)
“Shandong Xinjia”	Shandong Xinjia Investment Management Company (Limited Company)* (山東新嘉股權投資管理股份有限公司), an equity investment fund management and related consulting services company limited established in the PRC in July 2014
“Shanghai Wangreat”	Shanghai Wangreat Industrial Co., Ltd.* (上海王的實業有限公司), a company established in the PRC in December 2013 and is held as to 97.38% by Shandong Sunshine
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Supervision Agreement”	the supervision agreement of the special fund-raising and settlement account by a private equity fund entered into by and among the Partnership, the CITIC and Shandong Xinjia on 26 October 2020 regarding the establishment and use of, and certain authorization procedures placed on the Fund Contribution Account set up by the Partnership at CITIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Weifang Hengxin” Weifang Hengxin Capital Management Co., Ltd.\* (濰坊恆新資本管理有限公司), a company established in the PRC in July 2018 and is a direct wholly-owned subsidiary of Weifang Financial Holding Group Co., Ltd.\* (濰坊市金融控股集團有限公司)

“%” per cent.

\* For identification purpose only

*In this circular, unless the context otherwise requires, the terms “core connected person(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)” and “substantial shareholder(s)”, if used, shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*Unless otherwise specified in this circular, translations of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1.00 to HK \$1.14. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.*

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*Reference to the singular number includes references to the plural and vice versa and references to one gender include every gender.*

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LETTER FROM THE BOARD

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**CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED**

**中國陽光紙業控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2002)**

*Executive Directors:*

Mr. Wang Dongxing (*Chairman*)  
Mr. Shi Weixin (*Vice Chairman*)  
Mr. Wang Changhai (*General Manager*)  
Mr. Zhang Zengguo (*Deputy General Manager*)  
Mr. Ci Xiaolei (*Deputy General Manager*)

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Director:*

Ms. Wu Rong

*Principal Place of Business in*

*Hong Kong:*

17/F, Winsan Tower  
98 Thomson Road  
Wanchai  
Hong Kong

*Independent Non-executive Directors:*

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

10 December 2020

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTIONS  
FORMATION OF PARTNERSHIP  
AND  
INVESTMENT INTO KEMAI PULP**

**A. INTRODUCTION**

Reference is made to the announcement of the Company dated 29 September 2020 in relation to (i) the formation of Partnership and (ii) the investment into Kemai Pulp.

The purpose of this circular is to provide you with, among other things, further details of (i) the formation of Partnership and the investment into Kemai Pulp, and the transactions contemplated thereunder; (ii) financial information of the Group; and (iii) other information required under the Listing Rules.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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### B. FORMATION OF PARTNERSHIP

#### The Limited Partnership Agreement

The principal terms of the Limited Partnership Agreement are summarized as follows:

**Date** : 25 September 2020

**Name of the Partnership** : 濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業(有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership)\*), a limited partnership established in the PRC according to the Partnership Laws of the PRC on 25 September 2020

**Partners** : General Partner: Shandong Xinjia

Limited Partners:

- (1) Shanghai Wangreat
- (2) Changle Shengshi
- (3) Weifang Hengxin
- (4) Changle Baodu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Shandong Xinjia, Weifang Hengxin and Changle Baodu and their respective ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected persons as at the date of this circular.

**Purpose of the Partnership** : The sole purpose of the Partnership is to make investment into Kemai Pulp by way of subscription of its equity interest. Kemai Pulp is an indirect non wholly-owned subsidiary of the Company set up to supply pulp, which is a key raw material for producing paper products, manufactured through biodegradation of plant materials to replace pulp produced from imported waste paper after the completion of the Equity Investment Agreement.

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## LETTER FROM THE BOARD

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The purpose of the Limited Partnership Agreement can only be modified, amended, altered or supplemented, with the unanimous consent from all parties to the Limited Partnership Agreement (including the General Partner and the Limited Partners).

**Term of the Partnership** : The initial term of the Partnership shall be five (5) years commencing from the date of issue of the business licence of the Partnership. Such term may be extended by a period of one (1) year with unanimous consent of all the partners of the Partnership one (1) month prior to the expiration the initial term of the Partnership, (the “**Extension Period**”). The Partnership may be extended by no more than two (2) Extension Periods and in no case shall the Partnership be allowed to operate for more than seven (7) years.

The Partnership can also be terminated upon the occurrence of the following events of dissolution:

- (1) Weifang Hengxin and/or Changle Baodu fail to pay the capital contribution as agreed in the Limited Partnership Agreement;
- (2) expiry of the term of the Partnership;
- (3) consent to dissolve from Partners (which must include consent from Weifang Hengxin and Changle Baodu) who contributed, in aggregate, no less than two-thirds (2/3) of the paid-in capital of the Partnership having been obtained at a partners’ meeting;
- (4) no sufficient quorum of Partners for more than thirty (30) days;

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## LETTER FROM THE BOARD

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- (5) the objectives of the Partnership having been achieved or are unable to be achieved;
- (6) the business licence of the Partnership is revoked or the Partnership is ordered to be closed or dissolved according to law;
- (7) the Partnership having suffered substantial losses (reaching or exceeding 30% of the total paid-in capital of the Partnership) and is unable to continue its operation;
- (8) all investments made by the Partnership having been recovered prior to expiry of the term of the Partnership;
- (9) the General Partner withdraw or is removed from the Partnership and no new General Partner is accepted into the Partnership;
- (10) one or more Limited Partners having committed serious breach of the Limited Partnership Agreement which prevents the Partnership from continuing to operate;
- (11) the Partnership having committed major violations of laws and regulations and is ordered to be terminated by the relevant authority;
- (12) any other event of dissolution pursuant to the Limited Partnership Agreement; and
- (13) any legal or administrative reasons and orders to dissolve.

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## LETTER FROM THE BOARD

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**Committed capital contribution** : The total commitment of the Partners under the Limited Partnership Agreement is RMB500.0 million (equivalent to approximately HK\$570.0 million) (the “**Total Commitment**”). Capital contribution will be made in cash as follows:

<b>Party</b>	<b>Capital contribution (RMB'000)</b>	<b>% of equity interest in the Partnership</b>
<b>General partner</b>		
Shandong Xinjia	5,000	1.00%
<b>Limited partners</b>		
Changle Shengshi Shanghai	295,000	59.00%
Wangreat	100,000	20.00%
Weifang Hengxin	50,000	10.00%
Changle Baodu	50,000	10.00%

Pursuant to the terms of the Limited Partnership Agreement, the capital contribution of the Partners shall be made based on the actual investment needs of the Partnership in accordance with the capital contribution ratio above and at such times and in such amounts as Shandong Xinjia may specify in a notice to the partners.

The Total Commitment and the amount of capital contribution by each Partner are determined after arm's length negotiations among Shandong Xinjia, Changle Shengshi, Shanghai Wangreat, Weifang Hengxin and Changle Baodu having taken into account, among other things, (i) the proposed amount of investment into Kemai Pulp as agreed between the Partners and (ii) the reasons stated in the section titled “Reasons for and Benefits of Entering into the Limited Partnership Agreement and Investment into Kemai Pulp” herein.

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## LETTER FROM THE BOARD

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**Management of the Partnership** : Shandong Xinjia, as the General Partner and executive partner of the Partnership, is responsible for the day-to-day operation and management of the Partnership and will act on behalf of the Partnership externally.

All decisions regarding investment, post-investment management and exit of the Partnership shall be determined by an investment committee comprising three members (the “**Investment Committee**”). Each of Shandong Xinjia, Weifang Hengxin and Changle Shengshi is entitled to nominate one member to the Investment Committee (each a “**Committee Member**”). Save for certain investment decisions involving connected transactions whereby the Committee Member nominated by the connected party shall abstain from voting and certain policy-oriented investment decisions whereby the Committee Member nominated by Weifang Hengxin has veto rights, all decisions reserved for the Investment Committee shall be approved by two out of three Committee Members.

Except for matters which require unanimous decision by all the Partners as stipulated under the Limited Partnership Agreement and the Partnership Enterprise Law, all matters of the Partnership which require the approval of the partners’ meeting shall be approved only if (i) Weifang Hengxin and Changle Baodu; and (ii) Partners contributing not less than two-thirds of the actual paid-up capital to the Partnership in aggregate approve such matters.

The Limited Partners shall have, among other powers, the exclusive authority to monitor and oversee the actions of Shandong Xinjia, in its capacity as the General Partner.

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## LETTER FROM THE BOARD

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**Management Fees** : Pursuant to the Limited Partnership Agreement, the Partnership shall pay management fees in the amount equal to 0.4% of the actual capital contribution of the Partnership (the “**Management Fees**”) annually to the General Partner during the initial five-year term of the Partnership. No Management Fee shall be paid to the General Partner during the Extension Period(s).

Pursuant to the relevant terms of The Measures for the Management of Old-to-New Momentum Conversion Equity Investment Fund in Shandong Province (山東省新舊動能轉換專案基金管理辦法) (the “**Shandong Fund Management Measures**”) promulgated by the Shandong Provincial Department of Finance (山東省財政廳), to which the Partnership is subject to, subject to agreement by the parties to the investment fund to be established, the management fees for such investment fund generally should be in the range of 0.5% to 1.0% of the actual capital contribution received by the fund.

The level of Management Fees is the result of further discussions between the Group and other parties of the Partnership by reference to the management fee rate set out in the Shandong Fund Management Measures.

**Distribution of investment proceeds** : Pursuant to the terms of the Limited Partnership Agreement, the assets available for distribution after deducting management fees and other operating expenses incurred during the term of the Limited Partnership (the “**Distributable Assets**”), shall be distributed by the Partnership in the following order:

- (1) to all Limited Partners an amount equal to their respective actual paid-up capital contribution; and
- (2) to Shandong Xinjia an amount equal to its actual paid-up capital contribution.

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## LETTER FROM THE BOARD

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**Loss sharing** : Pursuant to the terms of the Limited Partnership Agreement, loss incurred by the Partnership shall first be borne by Shandong Xinjia, as the General Partner, up to the amount equal to its total capital commitment. If the amount borne by Shandong Xinjia is insufficient to cover such loss, all Limited Partners shall assume liability which shall be limited to their respective capital commitment. If the Total Commitment is insufficient to cover such loss, Shandong Xinjia, as the General Partner, shall assume all remaining loss incurred by the Partnership.

Pursuant to the Agreement of Paid-in Capital Contribution Guarantee signed between Shandong Sunshine and Weifang Hengxin, Shandong Sunshine and Weifang Hengxin agreed that if Weifang Hengxin withdraws from the Partnership due to the occurrence of liquidation or dissolution event, Shandong Sunshine shall make up for the difference between the Distributable Assets received by Weifang Hengxin and the amount of actual paid-up capital contribution of Weifang Hengxin to the Partnership. The exact amount of compensation to be paid by Shandong Sunshine to Weifang Hengxin shall be the difference between the amount of actual paid-up capital contribution contributed by Weifang Hengxin to the Partnership minus the Distributable Assets received by Weifang Hengxin upon the occurrence of liquidation or dissolution event.

**Restriction on sale** : Shandong Xinjia, as the General Manager, is generally not permitted to transfer all or any part of its interests unless all other Limited Partners consent to such proposed transfer.

Limited Partners are generally not permitted to transfer all or any part of its interests unless a 30 day prior notice is given to other Partners and such proposed transfer is approved at partners' meeting. Weifang Hengxin and Changle Baodu can transfer all or any part of its interests in the Partnership without the approval from other Partners if certain agreed upon events pursuant to the Limited Partnership Agreement occur.

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## LETTER FROM THE BOARD

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**Withdrawal of interest in the Partnership** : Subject to the provisions of the Limited Partnership Agreement, a Limited Partner may withdraw its interests from the Partnership only by giving the other Partners 30 days prior notice and only upon the occurrence of one of the following events: (i) event of withdrawal as stipulated under the Limited Partnership Agreement has occurred; (ii) all other Partners have consent to the withdrawal; (iii) certain event has occurred which prevent the withdrawing Partner from continuing to participate in the Partnership; or (iv) Other partners violate the obligations stipulated in the Limited Partnership Agreement.

### **Acting in Concert Agreement**

To ensure that the voting direction of our Company and its shareholders as a whole would be adequately represented in the Investment Committee, Shandong Xinjia and Changle Shengshi entered into the Acting in Concert Agreement on 7 December 2020. Pursuant to the Acting in Concert Agreement, Shandong Xinjia and Changle Shengshi have agreed (i) to cause their respective Committee Member to act jointly in the same manner with regard to voting at the Investment Committee and specifically, the Committee Member appointed by Shandong Xinjia shall follow the voting direction of the Committee Member appointed by Changle Shengshi; and (ii) for the RMB500 million raised by the Partnership, all such amount can only be invested into Kemai Pulp and shall not be invested for any other projects.

The Directors take the view that the Acting in Concert Agreement will not result in the Partnership being consolidated into the results of the Group as (i) the Acting in Concert Agreement will only concern voting by Committee Members at the Investment Committee in relation to decisions regarding investments into Kemai Pulp, and will not apply to the voting of the general meeting of the Partners or the Limited Partnership Agreement itself, and will not otherwise affect the structure of the Partnership generally; and (ii) on a see-through basis, the establishment of the Partnership and the investment in Kemai Pulp, taken together, is in substance a loan from Weifang Hengxin, Changle Baodu and Shandong Xinjia to the Group. As such, in accordance with the substance over form principle, the form of the Partnership does not have a determinative effect to the entire loan transaction, and the Directors do not consider the terms of the Acting in Concert Agreement will alter the terms of the loan in any material respect.

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## LETTER FROM THE BOARD

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### Enhanced Control Measures Regarding Security of the Funds

To protect the funds contributed by our Group through Changle Shengshi and Shanghai Wangreat from being abused or misappropriated and safeguard the interests of the Company and its shareholders, a two-tier funds supervision and authorization system is in place pursuant to the Supervision Agreement and the Escrow Agreement entered into by, among other parties, the Partnership and CITIC on 26 October 2020.

Pursuant to the Supervision Agreement, a fund contribution account is set up at and under the supervision of CITIC (the “**Fund Contribution Account**”) (募集帳戶) for the purpose of (i) holding the funds contributed by the Partners (the “**Funds**”), (ii) distributing the proceeds of the Investment to the Partners, (iii) returning any residue Funds to the Partners in the event of liquidation, dissolution, or unsuccessful subscription of the Partnership, and (iv) dispersing the Funds to an escrow account opened under the name of the Partnership at CITIC (the “**Escrow Account**”).

Pursuant to the Supervision Agreement, the Escrow Account will be set up and supervised by CITIC. The Escrow Account is to be mainly used to disperse funds for the actual investment into Kemai Pulp. To maintain control of the funds contributed by the Group, pursuant to the Supervision Agreement and the Escrow Agreement, three individuals from the Group were appointed as designated individuals whose collective prior written authorization is required whenever (i) the Funds held in the Fund Contribution Account are to be dispersed or transferred; and (ii) the funds held in the Escrow Account are to be dispersed or transferred for the investment into Kemai Pulp or for other uses (after such uses are approved by the unanimous consent from all Partners in a partners’ meeting).

### C. INVESTMENT INTO KEMAI PULP

#### Equity Investment Agreement

The principal terms of the Equity Investment Agreement are summarized as follows:

<b>Date</b>	:	29 September 2020
<b>Parties</b>	:	The Partnership as the purchaser Kemai Pulp as the Target Company Shandong Sunshine as the sole shareholder of the Target Company immediately prior to the Investment

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## LETTER FROM THE BOARD

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To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Partnership is a third party independent of the Company and its connected persons as defined under the Listing Rules. Shanghai Wangreat and Changle Shengshi, as the Limited Partners, have minimal influence on the day-to-day operation of the Partnership.

**Subject of the Deemed Disposal** : 47.37% of the equity interest in the Target Company.

**Consideration and Terms of Payment** : The total cash Consideration for the investment shall be RMB500.0 million (equivalent to approximately HK\$570.0 million) (the “**Consideration**”).

The Consideration for the Investment was determined by the parties to the Equity Investment Agreement following arm’s length negotiations on normal commercial terms by reference to and having taken into account of the anticipated capital requirements of the pulp manufacturing project and the reasons stated in the section titled “Reasons for and Benefits of Entering into the Limited Partnership Agreement and Investment into Kemai Pulp” herein.

**Conditions Precedent** : The completion of Investment is subject to the satisfaction, amongst others, of the following key conditions precedent (the “**Conditions Precedent**”, each a “**Condition Precedent**”):

- (1) Shandong Sunshine having agreed to give up its preemptive right of subscribing the Target Company’s newly registered capital in connection with the Investment;
- (2) the Target Company and Shandong Sunshine having guaranteed not to misappropriate the Consideration or alter the use of the Consideration;

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## LETTER FROM THE BOARD

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- (3) the Target Company having obtained all necessary internal approval and, if applicable, all the consents from relevant regulatory authorities and third parties that are necessary in connection with the execution and performance of the Equity Investment Agreement and the transaction contemplated thereunder;
- (4) the Target Company and Shandong Sunshine having guaranteed that the assets, liabilities, rights and interests, external guarantee and contingent liabilities of the Target Company and the information related to the Equity Investment Agreement disclosed to the Partnership are true; and
- (5) the Target Company and Shandong Sunshine having guaranteed that the Target Company is not facing any litigations or having other major business events that could have a significant impact on the Investment.

Pursuant to the terms of the Limited Partnership Agreement, none of the Conditions Precedent are waivable. The Company has confirmed that as of the Latest Practicable Date, all Conditions Precedent set out in the Equity Investment Agreement have been fulfilled except for the approval of the transactions set out in this circular, including the Equity Investment Agreement, at the EGM. The Company has also confirmed that no consent from relevant regulatory authorities or third parties is required for consummating the Investment.

### **Special Representation and Warranty of the Partnership**

The Partnership represents that the nature of the Investment is purely financial. As such, the Partnership guarantees that it will not

- (1) participate in the day-to-day operation of the Target Company;
- (2) participate in the decision-making process of major corporate matters of the Target Company;

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## LETTER FROM THE BOARD

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(3) appoint directors and supervisors to the Target Company; and

(4) receive dividends declared by the Target Company.

**Completion** : Within 15 business days of the signing date of the Equity Investment Agreement and subject to Kemai Pulp obtaining all relevant and necessary approvals and authorizations, the Partnership shall deposit the Consideration into a bank account designated by Kemai Pulp (the “**Purchaser’s Closing Obligation**”).

Kemai Pulp and Shandong Sunshine shall, within 25 business days of the completion of Purchaser’s Closing Obligation, update Kemai Pulp’s industry and trade registration information with and file the new articles of association of the Target Company to the relevant local authority (the “**Target Company’s Closing Obligations**”).

Subject to the fulfillment or waiver (as applicable) of the above conditions precedent, the completion of the Equity Investment Agreement (the “**Completion**”) shall take place upon the fulfillment of both Purchaser’s Closing Obligation and Target Company’s Closing Obligations.

### **D. FINANCIAL EFFECT OF THE FORMATION OF PARTNERSHIP AND INVESTMENT INTO KEMAI PULP**

Given that the Partnership’s financial results and financial position will not be consolidated into financial statements of the Group, the formation of Partnership will have no impact on the consolidated revenue of the Group; nor will there be any impact on the Group’s total assets and liabilities save that the working capital of the Group will be decreased by the payment of the Group’s capital contribution to the Partnership.

Upon the completion of Investment into Kemai Pulp, Kemai Pulp will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Company. As the Consideration will be paid exclusively into the registered capital and capital reserve of Kemai Pulp, the Group will record neither gain nor loss from the Investment.

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## LETTER FROM THE BOARD

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As a result of the Investment into Kemai Pulp, the consolidated total assets of the Company will increase by approximately RMB105.00 million (equivalent to approximately HK\$119.7 million) and the consolidated total liabilities of the Company will remain unchanged.

### E. INFORMATION ON THE GROUP AND THE COMPANY, THE PARTIES TO THE LIMITED PARTNERSHIP AGREEMENT AND THE TARGET COMPANY

#### The Group and the Company

As at the date of this circular, our Group is principally engaged in the manufacturing and sales of paper products in the PRC. Our Company is an exempt company incorporated in the Cayman Islands in August 2007.

#### Shandong Xinjia

Shandong Xinjia is an equity investment fund management and related consulting services company established in the PRC in July 2014 with a registered capital of RMB50.0 million. It is registered in Weifang City Comprehensive Bonded Zone, and registered as a fund manager with the Asset Management Association of China (中國證券投資基金業協會) (the “AMAC”).

Shandong Xinjia is held as to 50.00%, 28.00%, 10.00%, 6.00% and 6.00% by Shandong Xinjia Construction Engineering Co., Ltd.\* (山東新嘉建設工程有限公司) which is ultimately held by a total of 11 individual shareholders <sup>(Note)</sup>, Shandong Xinjia Landscape Engineering Co., Ltd.\* (山東新嘉園林綠化工程有限公司) which is ultimately held by Yi Guangxun (尹光勳) and Wei Mingdong (魏明東), Sui Chunyan (隋春燕), Zheng Fengli (鄭風利) and Zhao Shungui (趙順奎), respectively.

Shandong Xinjia is chosen as the General Partner for the following reasons:

Pursuant to relevant terms of The Measures for the Registration of Management Institutions of Privately Offered Investment Funds and the Recordation of Funds (for Trial Implementation) (私募投資基金管理人登記和基金備案辦法(試行)) (the “**Registration Measures**”) promulgated by the Asset Management Association of China (中國證券投資基金業協會) (the “AMAC”), to which the Partnership is subject, the fund manager of a privately offered fund established in the PRC shall register with the AMAC. Further, pursuant to the Measures for the Management of Old-to-New Momentum Conversion Equity Investment Fund in Weifang City (濰坊市新舊動能轉換專案基金管理辦法) (the “**Weifang Fund Management Measures**”), to which the Partnership is subject, any entity acting as the fund manager of an investment fund

*Note:* Shandong Xinjia Construction Engineering Co., Ltd.\* (山東新嘉建設工程有限公司) is held as to 69.85%, 5.40%, 5.40%, 2.65%, 2.65%, 2.65%, 2.65%, 2.65%, 2.65%, 2.65% and 0.80% by Yi Guangxun (尹光勳), Wang Shaobo (王少波), Chen Weitao (陳維濤), Zhai Haipo (翟海波), Ding Fenglian (丁鳳蓮), Fan Yongzheng (範永政), Cao Lubo (曹魯波), Zhao Tao (趙濤), Liu Zaiwei (劉在偉), Li Minghui (李明輝) and Dong Leijie (董磊傑), respectively.

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## LETTER FROM THE BOARD

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which is subject to the regulations of the Weifang Fund Management Measures (including the Partnership) must be registered with the AMAC. Shandong Xinjia is the only Partner in the Partnership that has registered as a fund manager with the AMAC.

In addition, Shandong Xinjia possess relevant experience managing old-to-new momentum conversion equity investment funds in Shandong Province. Apart from the Partnership, it is also currently serving as the general partner of Weihai City Compaks Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership)\* (威海市康派斯新舊動能轉換股權投資基金合夥企業(有限合夥)) which was established on 16 December 2019 and Weifang City Haoxinchangsheng Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership)\* (濰坊市浩信昌盛新舊動能轉換股權投資基金合夥企業(有限合夥)) which was established on 13 May 2020. In view of the above reasons, all Partners consider that appointing Shandong Xinjia as the General Partner is the most suitable arrangement in relation to the management of the Partnership.

### **Shanghai Wangreat**

Shanghai Wangreat is a company established in the PRC with limited liability in December 2013. Shanghai Wangreat is a packaging solution provider integrating papermaking, design, sales and service in PRC. Shanghai Wangreat is directly and indirectly held as to 97.38% by Shandong Sunshine, and 0.87%, 0.87% and 0.87% by Du Enmao (杜恩茂), Du Ping (杜平) and Du Bo (杜波), respectively.

### **Changle Shengshi**

Changle Shengshi is a company established in the PRC with limited liability in October 2013 and is a regional cogeneration company supplying heat, steam and electricity to both industrial and residential areas. Changle Shengshi is held as to 80.00% by Shandong Sunshine and 20.00% by Weifang Shengtai Pharmaceutical Co., Ltd.\* (濰坊盛泰藥業有限公司), which is ultimately owned by Liu Taiqing (劉清太).

### **Weifang Hengxin**

Weifang Hengxin is a company established in the PRC with limited liability in July 2018. It primarily engages in equity investment fund management and related consulting services. It is ultimately owned as to 75.56% and 24.44% by Weifang State-owned Assets Operation Management Center\* (濰坊市國有資產運營管理中心) and State-owned Assets Supervision and Administration Commission of Weifang City\* (濰坊市國有資產監督管理委員會), respectively.

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## LETTER FROM THE BOARD

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### **Changle Baodu**

Changle Baodu is a company established in the PRC with limited liability in August 2017 and is a direct wholly-owned subsidiary of Changle County State-owned Assets Management Office\* (昌樂縣國有資產管理辦公室).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save as disclosed above, each of Weifang Hengxin and Changle Baodu and their respective ultimate beneficial owners are Independent Third Parties.

### **Target Company**

The Target Company was established in the PRC in December 2018 as a limited liability company, which was wholly-owned by Shandong Sunshine prior to the completion of the Investment. Kemai Pulp is an indirect non wholly-owned subsidiary of the Company set up to supply pulp, a key raw material for producing paper products, manufactured through biodegradation of plant materials to replace pulp produced from imported waste paper after the completion of Equity Investment Agreement. As of the date of this circular, the Target Company has remained inoperative and has neither generated revenue nor incurred loss.

Based on the unaudited management accounts of the Target Company as at June 30, 2020, the unaudited net asset value of the Target Company amounted to approximately RMB100.0 million (equivalent to approximately HK\$114.0 million), the principal asset of which is construction-in-progress of approximately RMB341.1 million (equivalent to approximately HK\$388.9 million) and the principal liability of which is other payables of approximately RMB241.1 million (equivalent to approximately HK\$274.9 million).

Pursuant to the Equity Investment Agreement, the Partnership will contribute the Consideration in cash in exchange for 47.37% of the enlarged registered capital of Kemai Pulp post-Investment. As such, the excess of the Consideration over the net asset value of Kemai Pulp post-Investment will be approximately RMB215.4 million (equivalent to approximately HK\$245.6 million), being the difference between (i) the Consideration and (ii) 47.37% of the enlarged net asset value of Kemai Pulp post-Investment (i.e. RMB600.0 million (equivalent to approximately HK\$684.0 million)).

## **F. REASONS FOR AND BENEFIT OF ENTERING INTO THE LIMITED PARTNERSHIP AGREEMENT AND INVESTMENT INTO KEMAI PULP**

The core business of the Group is the manufacturing and sales of paper products in the PRC.

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## LETTER FROM THE BOARD

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With reference to the investment objective of the Partnership, the extensive experience and skills of Shandong Xinjia as the General Partner, and the infusion of additional private and state capital into the Kemai Pulp from the Investment, the Board believes that formation of the Partnership and the Investment will foster technological innovations and boost the Group's production capacity of pulp manufactured through biodegradation of plant materials, which in turn, benefit the Group. Also, the direct injection of interest-free state capital through the Investment can be effectively used to supplement the sources of funding of Kemai Pulp's pulp manufacturing project, so as to reduce the overall financial cost of the Group.

In view of the above, the Board considers that the terms of the Limited Partnership Agreement and the Equity Investment Agreement are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and its shareholders as a whole

### **G. USE OF CONSIDERATION**

The Consideration from the Equity Investment Agreement shall be applied towards Kemai Pulp's pulp manufacturing project and related operational activities.

### **H. LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in relation to exceed 25% but are all less than 100%, the formation of Partnership constitutes a major transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for the Investment by the Partnership into Kemai Pulp exceed 25% but are less than 75%, the Investment by the Partnership into Kemai Pulp constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the formation of Partnership and Investment by the Partnership into Kemai Pulp do not involve any acquisition of business or company by the Group, no accountant's report has been prepared in accordance with Chapter 4 of the Listing Rules for this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder has a material interest in the formation of Partnership or the Investment by the Partnership into Kemai Pulp and accordingly, no Shareholder is required to abstain from voting in the EGM for the approval of the Limited Partnership Agreement, the Equity Investment Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### I. EGM

The Company will convene the EGM at China Sunshine Paper Office Tower, Changle Economic Development Zone, Weifang, Shandong, China on Monday, 28 December 2020 at 10:00 am at which resolution will be proposed for the purpose of considering and if thought fit, approving, among others, the Limited Partnership Agreement, the Equity Investment Agreement and the transactions contemplated thereunder. The notice of the EGM is set out on pages EGM-1 to EGM –3 of this circular of the Company. A form of proxy for use in connection with the EGM is enclosed herewith.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's branch registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event by no later than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be by poll.

### J. RECOMMENDATIONS

In view of the above, the Board considers that the terms of the Limited Partnership Agreement and the Equity Investment Agreement are on normal commercial terms and are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to approve the Limited Partnership Agreement and the Equity Investment Agreement and transactions contemplated thereunder at the EGM.

### K. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board  
**China Sunshine Paper Holdings Company Limited**  
**Wang Dongxing**  
*Chairman and Executive Director*

**FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2017, 2018 and 2019 are disclosed in the following annual reports of the Company published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<https://www.sunshinepaper.com.cn>):

- the annual report of the Company for the year ended 31 December 2017 (pages 57 to 159): <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn20180427051.pdf>;
- the annual report of the Company for the year ended 31 December 2018 (pages 59 to 143): <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291908.pdf>; and
- the annual report of the Company for the year ended 31 December 2019 (pages 57 to 153): <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802260.pdf>.

**INDEBTEDNESS STATEMENT**

According to the updated financial information of the Group as at 31 October 2020, being the most recent practicable date for the purpose of this statement of indebtedness and contingent liabilities prior to the printing of this circular, the Group had unaudited outstanding interest-bearing debts of approximately RMB2,783.6 million (equivalent to approximately HK\$3,173.3 million), comprising outstanding bank and other borrowings of approximately RMB2,683.6 million (equivalent to approximately HK\$3,059.3 million), and outstanding corporate bonds of approximately RMB100.0 million (equivalent to approximately HK\$114.0 million).

For outstanding bank and other borrowings, as at 31 October 2020, the guaranteed borrowings amounted to approximately RMB1,339.0 million (equivalent to approximately HK\$1,526.5 million), the secured and pledged borrowings amounted to approximately RMB797.3 million (equivalent to approximately HK\$908.9 million), and the unsecured and unguaranteed borrowings amounted to approximately RMB547.3 million (equivalent to approximately HK\$623.9 million). As at 31 October 2020, for outstanding corporate bonds, the guaranteed bonds amounted to approximately RMB100.0 million (equivalent to approximately HK\$114.0 million). There was no secured and pledged bonds, nor was there unsecured, unpledged and unguaranteed bonds.

As at 31 October 2020, the Company had lease liabilities of approximately RMB295.0 million (equivalent to approximately HK\$336.3 million).

**Mortgages and Charges**

As at 31 October 2020, the carrying amount of the Group's assets of RMB2,954.5 million (equivalent to approximately HK\$3,368.1 million) and the fair value of our investment property of RMB88.4 million (equivalent to approximately HK\$100.8 million) were pledged as collateral or security for the Group's bank loans, lease liabilities and corporate bonds.

**Contingent Liabilities**

There was no contingent liabilities as at 31 October 2020.

**Corporate Guarantee**

As at 31 October 2020, the Company did not provide any corporate guarantee.

**Other Information**

Foreign currency amounts have been, for the purposes of this indebtedness statement, translated into Hong Kong dollars at the approximate rates of exchange applicable at the close of business on the Latest Practicable Date.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as at the close of business on the Latest Practicable Date, the Group did not have other debt securities issued and outstanding, and authorized or otherwise created but unissued, outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or material contingent liabilities.

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the indebtedness position of the Group since 31 October 2020.

**WORKING CAPITAL**

As at the Latest Practicable Date, having made careful enquiries and taking into account of the internal resources of and credit facilities available to the Group as well as the transactions contemplated under the Limited Partnership Agreement and the Equity Investment Agreement, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

**FINANCIAL AND OPERATING PROSPECTS**

The Group is principally engaged in the manufacturing and distribution of paper products including white top linerboard, coated white top linerboard, core board and corrugated paper.

In the first half of 2020, the unexpected COVID-19 pandemic aggravated the prolonged stagnation of the global economy, during which, the Group as a whole was exposed to enormous challenges against its productions and operations due to a large-scale suspension of work and production, decelerated logistics transportation, shrinking end-user demands, and other unfavorable factors. For the six months ended 30 June 2020, the Group's total revenue was RMB2,837.2 million (equivalent to approximately HK\$3,234.4 million), representing a decrease of 6.8% as compared to that of RMB3,044.1 million (equivalent to approximately HK\$3,470.3 million) for the six months ended 30 June 2019.

In the midst of such complicated and changing external economic conditions, the Group persisted its management philosophy of “quality and efficiency improvement” by adopting effective measures to continue with the consolidation of upstream and downstream resources, as well as the shift of growth drivers. Furthermore, the Group reinforced the foundation of lean management to advance forward against the trend, thereby maintaining a better profitability. Despite a decrease in overall sales, the Group managed to maintain a relatively good market share.

Subject to approval by the Shareholders of the Limited Partnership Agreement and the Equity Investment Agreement at the EGM, the Investment by the Partnership into Kemai Pulp will provide synergies to the Group’s overall business portfolio and strengthen the Group ability to withstand unexpected external adverse events such as COVID-19 pandemic and the resulting disruption on global supply chain, which in turn, will help enhance our comprehensive competitive strength in the market.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or Its Associated Corporations

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

Name of Director	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	39.26%
	Beneficial owner	18,425,500	2.25%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	3,840,000	0.47%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	39.26%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	22,265,500	2.72%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	39.26%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	22,265,500	2.72%

Name of Director	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Wang Changhai	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	39.26%
	Beneficial owner	3,840,000	0.47%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	18,425,500	2.25%
Mr. Ci Xiaolei	Beneficial owner	929,000	0.11%
Ms. Wu Rong	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	39.26%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	22,265,500	2.72%

*Notes:*

1. A group of 18 individuals comprising Mr. Chen Xiaojun, Mr. Guo Jianlin, Ms. Li Hua, Mr. Li Zhongzhu, Mr. Lu Yujie, Mr. Ma Aiping, Mr. Sang Ziqian, Mr. Shi Weixin, Mr. Sun Qingtao, Mr. Wang Changhai, Mr. Wang Dongxing, Mr. Wang Feng, Mr. Wang Yilong, Mr. Wang Yongqing, Ms. Wu Rong, Mr. Zhang Zengguo, Mr. Zheng Fasheng and Mr. Zuo Xiwei (the “**Controlling Shareholders Group**”) entered into an agreement on 16 June 2006 and as amended by a supplemental agreement on 19 November 2007 (the “**Concert Parties Agreement**”), pursuant to which each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in China Sunshine Paper Investments Limited (“**China Sunshine**”), China Sunrise Paper Holdings Limited (“**China Sunrise**”) and any members of our 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 Hong Kong Code on Takeovers and Mergers (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 321,687,052 Shares held by China Sunrise.

2. Under section 318 of the SFO, Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 22,265,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 3,840,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 18,425,500 Shares held by Mr. Wang Dongxing.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

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

Name	Long position/ Short position	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
China Sunrise	Long	Beneficial interest	321,687,052	39.26%
China Sunshine <sup>(1)</sup>	Long	Interest of a controlled corporation	321,687,052	39.26%
Controlling Shareholders Group <sup>(2)</sup>	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	39.26%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	22,265,500	2.72%

*Notes:*

- (1) As China Sunshine owns the entire interest of China Sunrise, China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise.
- (2) Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the Target Entities and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunshine owns the entire interest of China Sunrise, and the Controlling Shareholders Group owns the entire interest of China Sunshine, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code) is deemed to be interested in the 321,687,052 Shares held by China Sunrise. Further, Mr. Wang Dongxing is interested in

18,425,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 3,840,000 Shares as beneficial owner. Other members of the Controlling Shareholder Group, being member of the Concert Parties Agreement, are deemed to be interested in such Shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had an interest or a short position in any shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

### **3. COMPETING INTERESTS**

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **5. INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since June 30 2020 (being the date to which the latest published accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since the Latest Practicable Date, being the date to which the latest published accounts of the Company were made up.

## 7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the Limited Partnership Agreement;
- (b) the Equity Investment Agreement;
- (c) the financial lease agreement dated 29 June 2020 entered into among 昌樂新邁紙業有限公司 (Changle Numat Paper Industry Co., Ltd.\*) (“**Numat Paper**”), a wholly-owned subsidiary of the Company, as the lessee, and 浙江中拓融資租賃有限公司 (Zhejiang Zhongtuo Financial Leasing Co., Ltd.\*) (“**Zhejiang Zhongtuo**”), as the lessor, pursuant to which Zhejiang Zhongtuo agreed to, among other things, (i) acquire certain assets from Numat Paper for a consideration of RMB50.0 million (the “**June Acquired Assets**”) and (ii) lease the June Acquired Assets back to Numat Paper for a term of three years.
- (d) the financial lease agreement dated 29 April 2020 entered into among 山東陽光概念包裝有限公司 (Shandong Sunshine Concept Packaging Co., Ltd.\*) (“**Concept Packaging**”), a wholly-owned subsidiary of the Company, as the lessee, and 遠東宏信(天津)融資租賃有限公司 (Far East Hongxin (Tianjin) Financing Lease Co., Ltd.\*) (“**FETJ**”), as the lessor, pursuant to which, FETJ agreed to, among other things, (i) acquire certain assets from Concept Packaging for a consideration of RMB50.0 million (the “**April Acquired Assets**”) and (ii) lease the April Acquired Assets back to Concept Packaging for a term of three years.

## 8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chan Yee Ping, Michael, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Company's principal place of business in Hong Kong at 17th floor, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong during normal business hours during any business days (excluding public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2018 and 2019;
- (c) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and
- (d) this circular.

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## NOTICE OF EGM

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*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.*



### CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

中國陽光紙業控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2002)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“EGM”) 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 Monday, 28 December 2020 at 10:00 am, for the purposes of considering and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT:**

- a) the terms and conditions of the Limited Partnership Agreement dated 25 September 2020 (as defined in the circular of the Company dated 10 December 2020 (the “**Circular**”)), in relation to the establishment of Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership)\* (濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業(有限合夥)) (the “**Partnership**”), entered between 上海王的實業有限公司 (Shanghai Wangreat Industrial Co., Ltd.\*) (“**Shanghai Wangreat**”), 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Power Co., Ltd.\*) (“**Changele Shengshi**”), 濰坊恒新資本管理有限公司 (Weifang Hengxin Capital Management Co., Ltd.\*) and 昌樂縣寶都國有資產投資有限公司 (Changle Baodu State Owned Assets Investment Co., Ltd\*), collectively as the limited partners of the Partnership and 山東新嘉股權投資管理股份有限公司 (Shandong Xinjia Investment Management Company (Limited Company)\*), as the general partner of the Partnership, a copy of which has been initialed by a Director and marked “**A**” for the purpose of identification and the transactions contemplated thereunder, be and are hereby ratified, approved and confirmed;

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## NOTICE OF EGM

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- b) the terms and conditions of the Equity Investment Agreement dated 29 September 2020 (as defined in the Circular) entered between the Partnership as the investor, 山東科邁生物制漿有限公司 (Kemai Bio-mechanical Pulp Co., Ltd.\*) (“**Kemai Pulp**”) as the target company and 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Company Limited\*) in relation to the investment into Kemai Pulp, a copy of which has been initialed by a Director and marked “**B**” for the purpose of identification and the transactions contemplated thereunder be and are hereby ratified, approved and confirmed; and
- c) any one director of the Company (the “**Director**”) be and is hereby generally and unconditionally be authorized to do such further acts or things and to sign and execute such documents (and, where necessary, to affix the seal of the Company in accordance with the articles of association of the Company) and to take all such steps which in the opinion of such Director may be necessary, desirable or expedient to implement and/or to give effect to the Limited Partnership Agreement and the Equity Investment Agreement and the transactions contemplated thereunder and to agree to such variations, amendments, supplements or waivers of matters relating thereto as are, in the opinion of such Director, in the interest of the Company.”

By order of the Board  
**China Sunshine Paper Holdings Company Limited**  
**Wang Dongxing**  
*Chairman and Executive Director*

Weifang, Shandong Province, the PRC, 10 December 2020

\* *For identification purpose only*

*Notes:*

1. A form of proxy for use at the EGM or any adjournment thereof is enclosed.
2. Any member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any general meeting (or at any class meeting). The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
3. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at any general 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 general 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.

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## NOTICE OF EGM

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4. In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 48 hours before the time fixed for holding of the EGM or any adjournment of such meeting.
5. Completion and return of this form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

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

<i>Executive Directors:</i>	<i>Mr. Wang Dongxing (Chairman), Mr. Shi Weixin, Mr. Wang Changhai, Mr. Zhang Zengguo and Mr. Ci Xiaolei</i>
<i>Non-executive Director:</i>	<i>Ms. Wu Rong</i>
<i>Independent Non-executive Directors:</i>	<i>Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie</i>