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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

NEW STEAM SUPPLY AGREEMENT

On 28 January 2016, Shengshi Thermoelectricity, an indirect subsidiary of the Company, and Shengtai Medicine entered into the New Steam Supply Agreement, pursuant to which Shengshi Thermoelectricity agreed to supply steam to Shengtai Medicine for a term of three years with effect from 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions). The terms of the New Steam Supply Agreement are substantially the same as those of the Current Steam Supply Agreement.

NEW ELECTRICITY SUPPLY AGREEMENT

On 28 January 2016, Shengshi Thermoelectricity and Shengtai Medicine also entered into the New Electricity Supply Agreement, pursuant to which Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine for a term of three years with effect from 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions). The terms of the New Electricity Supply Agreement are substantially the same as those of the Current Electricity Supply Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shengshi Thermoelectricity is held as to 80% by Century Sunshine and 20% by Shengtai Medicine. As such, Shengtai Medicine is a substantial shareholder of Shengshi Thermoelectricity and hence a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions under the New Steam Supply Agreement and the New Electricity Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Board (including all the independent non-executive Directors) has approved the New Steam Supply Agreement and the New Electricity Supply Agreement and confirmed that the terms therein are fair and reasonable, and the transactions thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions under the New Steam Supply Agreement and the New Electricity Supply Agreement and the proposed annual caps for such transactions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Company dated 31 December 2012 with regards to the continuing connected transactions under the Current Steam Supply Agreement and the Current Electricity Supply Agreement.

New Steam Supply Agreement

On 28 January 2016, Shengshi Thermoelectricity, an indirect subsidiary of the Company, and Shengtai Medicine entered into the New Steam Supply Agreement, pursuant to which Shengshi Thermoelectricity agreed to supply steam to Shengtai Medicine for a term of three years with effect from 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions). The terms of the New Steam Supply Agreement are substantially the same as those of the Current Steam Supply Agreement.

New Electricity Supply Agreement

On 28 January 2016, Shengshi Thermoelectricity and Shengtai Medicine also entered into the New Electricity Supply Agreement, pursuant to which Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine for a term of three years with effect from 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions). The terms of the New Electricity Supply Agreement are substantially the same as those of the Current Electricity Supply Agreement.

Further details of the New Steam Supply Agreement and the New Electricity Supply Agreement are set out below.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

I. New Steam Supply Agreement

A. Relationship between the Parties

Shengshi Thermoelectricity is held as to 80% by Century Sunshine and 20% by Shengtai Medicine. It is an indirect subsidiary of the Company.

Shengtai Medicine is interested in 20% of the registered capital of Shengshi Thermoelectricity. Accordingly, it is a connected person of the Company under the Listing Rules.

B. Principal Terms

- Date of agreement: 28 January 2016
- Parties: (i) Shengshi Thermoelectricity as supplier; and
(ii) Shengtai Medicine as customer.
- Subject: Supply of steam from Shengshi Thermoelectricity to Shengtai Medicine.
- Term: From 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).
- Price: RMB126.94 per ton (exclusive of tax and subject to adjustment in accordance with any significant change in the price of raw materials, which will be determined by the board of directors of Shengshi Thermoelectricity).
- The unit price (i.e. price per ton) for the supply of steam from Shengshi Thermoelectricity under the New Steam Supply Agreement is determined based on the reasonable market prices of raw materials agreed by both parties and the estimated costs for the supply of steam, as well as taking into consideration of the amount of steam to be purchased and the term of the New Steam Supply Agreement. Notwithstanding that the market prices of coal, which is the major raw material for the generation of steam, have been at a historical low recently, for purpose of determining the annual caps, the Directors consider that it is prudent to assume coal price to rebound slightly rather than continuing to drop. Therefore, it is expected that the price of steam will increase by approximately 2% annually from 2016 to 2018. In determining the reasonableness of the prices to be charged, the parties will make reference to the prices charged by suppliers which are independent third parties for supply of steam of comparable nature, quantity and specifications.
- Payment methods and payment terms: Settled by cash or bills semi-monthly, not later than the 18th of the current month and the 3rd of the next month.

Historical figures:	The historical transaction amounts (exclusive of tax) for each of the three years ended 31 December 2015 are approximately RMB59.7 million, RMB68.5 million and RMB80.3 million, respectively.
Proposed annual caps:	The maximum annual transaction amounts under the New Steam Supply Agreement are set as RMB102.5 million (equivalent to approximately HK\$122.0 million), RMB130.6 million (equivalent to approximately HK\$155.5 million) and RMB166.5 million (equivalent to approximately HK\$198.2 million) (exclusive of tax) respectively for each of the three financial years ending 31 December 2018, which are determined by reference to the historical transaction amounts, the projected growth of business of and demand for steam by both Century Sunshine and Shengtai Medicine, the expected price of coal, which is the major raw material for the generation of steam and the projected growth in the steam production capacity of Shengshi Thermoelectricity. Despite the economic downturn, Shengshi Thermoelectricity's production volume of steam in 2015 had increased compared to that in 2014. Therefore, it is assumed that the amount of steam to be supplied will have an annual increase of 25% between 2016 and 2018.

C. Reasons for and benefits of the New Steam Supply Agreement

Shengshi Thermoelectricity is principally engaged in the supply of electricity (primarily to its shareholders) and steam. It is always the intention of both Century Sunshine and Shengtai Medicine, being the only shareholders of Shengshi Thermoelectricity, that the steam produced by Shengshi Thermoelectricity should, as a priority, satisfy the production needs of both parties. In addition, supplying steam to Shengtai Medicine has been generating a reasonable revenue and return to the Group in addition to its core business. As such, the Directors consider that Shengshi Thermoelectricity should continue to supply steam to Shengtai Medicine.

The Board (including the independent non-executive Directors) considers that the terms of the New Steam Supply Agreement are determined on arm's length basis and in line with normal commercial terms, and that the terms of the New Steam Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. New Electricity Supply Agreement

A. Relationship between the Parties

Shengshi Thermoelectricity is held as to 80% by Century Sunshine and 20% by Shengtai Medicine. It is an indirect subsidiary of the Company.

Shengtai Medicine is interested in 20% of the registered capital of Shengshi Thermoelectricity. Accordingly, it is a connected person of the Company under the Listing Rules.

B. Principal Terms

Date of agreement:	28 January 2016
Parties:	(i) Shengshi Thermoelectricity as supplier; and (ii) Shengtai Medicine as customer.
Subject:	Supply of electricity from Shengshi Thermoelectricity to Shengtai Medicine.
Term:	From 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).
Price:	RMB0.39 per kilowatt-hour (exclusive of tax and subject to adjustment of any significant change in the price of raw materials, which will be determined by the board of directors of Shengshi Thermoelectricity).

The unit price (i.e. price per kilowatt-hour) for the supply of electricity from Shengshi Thermoelectricity under the New Electricity Supply Agreement is determined based on the reasonable market prices of raw materials agreed by both parties and the estimated costs for the supply of electricity, as well as taking into consideration of the amount of electricity to be purchased and the term of the New Electricity Supply Agreement. Notwithstanding that the market prices of coal, which is the major raw material for the generation of electricity, have been at a historical low recently, for purpose of determining the annual caps, the Directors consider that it is prudent to assume coal price to rebound slightly rather than continuing to drop. Therefore, it is expected that the price of electricity will increase by approximately 2% annually from 2016 to 2018. In determining the reasonableness of the prices to be charged, the parties will make reference to the prices charged by suppliers which are independent third parties for supply of electricity of comparable nature, quantity and specifications.

Payment methods and payment terms:	Settled by cash or bills semi-monthly, not later than the 18th of the current month and the 3rd of the next month.
Historical figures:	The historical transaction amounts (exclusive of tax) for each of the three years ended 31 December 2015 are approximately RMB39.6 million, RMB42.7 million and RMB43.2 million, respectively.
Proposed annual caps:	The maximum annual transactions amounts under the New Electricity Supply Agreement are set as RMB55.1 million (equivalent to approximately HK\$65.6 million), RMB71.4 million (equivalent to approximately HK\$85.0 million) and RMB89.6 million (equivalent to approximately HK\$106.7 million) (exclusive of tax) respectively for each of the three financial years ending 31 December 2018, which are determined by reference to the historical transaction amounts, the projected growth of business of and demand for electricity by both Century Sunshine and Shengtai Medicine, the expected price of coal, which is the major raw material for the generation of electricity and the projected growth in the electricity production capacity of Shengshi Thermoelectricity. Despite the economic downturn, Shengshi Thermoelectricity's production volume of electricity in 2015 had increased compared to that in 2014. Therefore, it is assumed that the amount of electricity to be supplied will have an annual increase of 25% between 2016 and 2018.

C. Reasons for and benefits of the New Electricity Supply Agreement

Shengshi Thermoelectricity is principally engaged in the supply of electricity (primarily to its shareholders) and steam. It is always the intention of both Century Sunshine and Shengtai Medicine, being the only shareholders of Shengshi Thermoelectricity, that the electricity generated by Shengshi Thermoelectricity should satisfy the production needs of both parties. In addition, supplying electricity to Shengtai Medicine has been generating a reasonable revenue and return to the Group in addition to its core business. As such, the Directors consider that Shengshi Thermoelectricity should continue to supply electricity to Shengtai Medicine.

The Board (including the independent non-executive Directors) considers that the terms of the New Electricity Supply Agreement are determined on arm's length basis and in line with normal commercial terms, and that the terms of the New Electricity Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. INFORMATION ON THE PARTIES

The Group is principally engaged in the production and sale of white top linerboard, light-coated linerboard and core board. Shengshi Thermoelectricity is an indirect subsidiary of the Company and is principally engaged in the supply of electricity (primarily to its shareholders) and steam.

Shengtai Medicine is principally engaged in the business of production of pharmaceutical products.

4. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shengshi Thermoelectricity is held as to 80% by Century Sunshine and 20% by Shengtai Medicine. As such, Shengtai Medicine is a substantial shareholder of Shengshi Thermoelectricity and hence a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions under the New Steam Supply Agreement and the New Electricity Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Board (including all the independent non-executive Directors) has approved the New Steam Supply Agreement and the New Electricity Supply Agreement and confirmed that the terms therein are fair and reasonable, and the transactions thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transactions under the New Steam Supply Agreement and the New Electricity Supply Agreement and the proposed annual caps for such transactions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the transactions under the New Steam Supply Agreement or the New Electricity Supply Agreement and have abstained from voting on the relevant Board resolutions approving the agreements.

DEFINITIONS

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

“Board”	the board of directors of the Company
“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 under the laws of the PRC with limited liability and an indirect subsidiary of the Company. It is engaged in the business of production and sales of high-grade paper boards and the principal operating subsidiary in the Group
“Company”	China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司), an exempt company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Current Electricity Supply Agreement”	an electricity supply agreement dated 31 December 2012 and entered into between Shengshi Thermoelectricity and Shengtai Medicine pursuant to which Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine
“Current Steam Supply Agreement”	a steam supply agreement dated 31 December 2012 and entered into between Shengshi Thermoelectricity and Shengtai Medicine pursuant to which Shengshi Thermoelectricity agreed to supply steam to Shengtai Medicine
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Electricity Supply Agreement”	an electricity supply agreement dated 28 January 2016 and entered into between Shengshi Thermoelectricity and Shengtai Medicine renewing the Current Electricity Supply Agreement, pursuant to which Shengshi Thermoelectricity agreed to supply electricity to Shengtai Medicine
“New Steam Supply Agreement”	a steam supply agreement dated 28 January 2016 and entered into between Shengshi Thermoelectricity and Shengtai Medicine, renewing the Current Steam Supply Agreement pursuant to which Shengshi Thermoelectricity agreed to supply steam to Shengtai Medicine
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	shareholders of the Company
“Shengshi Thermoelectricity”	昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.*), a company established under the laws of the PRC with limited liability on 17 October 2003 and an indirect subsidiary of the Company with effect from 29 June 2007. It is held as to 80% by Century Sunshine and 20% by Shengtai Medicine
“Shengtai Medicine”	濰坊盛泰藥業有限公司 (Weifang Shengtai Medicine Co., Ltd.*), a company established under the laws of the PRC with limited liability on 10 February 2004. It has a 20% equity interest in Shengshi Thermoelectricity. It is principally engaged in the business of production of pharmaceutical products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Unless otherwise defined, an exchange rate of HK\$1.00 = RMB0.84 is adopted in this announcement, for illustration purpose only.

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

Weifang, the PRC, 28 January 2016

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

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

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

Independent non-executive Directors: *Mr. Leung Ping Shing, Mr. Wang Zefeng and Ms. Jiao Jie*

* *For identification purpose only.*