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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)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 15 March 2021 (after trading hours), Century Sunshine and Numat Paper, as the Lessees, entered into the Finance Lease Agreement with Minsheng Financial Leasing, as the Lessor, pursuant to which, Minsheng Financial Leasing has agreed to, among other things, (i) acquire the Leased Assets from Century Sunshine and Numat Paper for an aggregate consideration of RMB150,000,000 and (ii) lease the Leased Assets to Century Sunshine and Numat Paper for the Lease Term.

IMPLICATIONS OF THE LISTING RULES

Whilst the transactions contemplated under the Finance Lease Agreement will be accounted for as a financing arrangement by the Group according to IFRS 16, the transfer of the legal ownership of the Leased Assets constitutes a disposal of the Leased Assets by the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the transactions under the Finance Lease Agreement are more than 5% but less than 25%, the transactions under the Finance Lease Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement and reporting requirements under the Listing Rules.

The Board is pleased to announce that, on 15 March 2021 (after trading hours), Century Sunshine and Numat Paper, as the Lessees, entered into the Finance Lease Agreement with Minsheng Financial Leasing, as the Lessor in relation to the Financial Lease Arrangement. The principal terms of the Finance Lease Agreement are summarized as follows:

FINANCE LEASE AGREEMENT

Date: 15 March 2021 (after trading hours)

Parties: (i) Century Sunshine (as Lessee A);
(ii) Numat Paper (as Lessee B); and
(iii) Minsheng Financial Leasing (as the Lessor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Minsheng Financial Leasing and its ultimate beneficial owner (if applicable) are third parties independent from the Company and its connected persons (as defined under the Listing Rules).

Lease Term: 3 years

Sale of the Leased Assets to the Lessor

Pursuant to the Finance Lease Agreement, the Lessees agreed to sell and the Lessor agreed to purchase the Leased Assets for an aggregate consideration of RMB150,000,000, which was determined after arm's length negotiation between the parties with reference to, among other things, a discount to the book value of the Leased Assets as agreed by the parties. The payment of the consideration shall be made by the Lessor in one lump-sum to the bank account designated by the Lessee A.

Acquisition and Delivery of the Leased Assets

For the purpose of financing funds, the Lessees sell the Leased Assets with independent ownership and disposal rights to the Lessor, and then the Lessor leases the Leased Assets back to the Lessees for use.

Lease Payment

Pursuant to the Finance Lease Agreement, the Leased Assets shall be leased back to the Lessees for the Lease Term at the total lease payment of approximately RMB168,279,356.99, which comprises of (i) the amount of the lease principal in the sum of RMB150,000,000; and (ii) the lease interest of approximately RMB18,279,356.99 calculated at the loan prime rate for loans of more than one year as announced by the

National Interbank Funding Center (全國銀行間同業拆借中心) plus 341 basis points. The lease payment shall be paid by the Lessees to the Lessor every three months in 12 installments during the Lease Term.

Ownership of the Leased Assets during and after the Lease Term

Ownership of the Leased Assets will be transferred to the Lessor at the time when the Lessor pays the agreed price of the Leased Assets. Before the ownership of the Leased Assets is transferred to the Lessees in accordance with the Finance Lease Agreement, the Lessor shall have complete and sole ownership of the Leased Assets. At the expiry of the Lease Term and subject to the terms of the Finance Lease Agreement, the Lessees shall obtain the ownership of the Leased Assets from the Lessor at no consideration.

Guarantee for Lease Agreement

Numat Paper, Changle Shengshi and Wamat Paper, being subsidiaries of the Company, provide joint liability guarantee in favour of the Lessor for due performance of the Lessees' liabilities under the Finance Lease Agreement.

FINANCIAL EFFECTS AND USE OF PROCEEDS

According to IFRS 16, the transactions contemplated under the Finance Lease Agreement will be accounted for as a financing arrangement by the Group and therefore would not give rise to any gain or loss, or reduction in value of the Leased Assets.

Taking the transactions under the Finance Lease Agreement as a whole, the consideration therein is in effect the principal amount of the finance lease to be advanced by the Lessor to the Lessee, which will be used for general working capital of the Lessee. It is expected that according to the IFRS, the transactions under the Finance Lease Arrangement will not give rise to any disposal gain or loss to be recorded by the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The terms of the Finance Lease Agreement and the transactions contemplated thereunder are determined after arm's length negotiations with reference to the average fair market price of the similar assets and the prevailing market interest rates and trading terms of the similar assets finance lease agreements. The Directors are of the opinion that the Group will be able to supplement its working capital through the Finance Lease Agreement, the terms and conditions of which are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE PARTIES TO THE FINANCE LEASE AGREEMENT

Century Sunshine and Numat Paper are subsidiaries of the Company, and are principally engaged in production and sales for machine-made paper, premium paperboard and raw materials of papermaking, and sales for paper additives, as well as the export and import for the above.

Minsheng Financial Leasing is a company incorporated in the PRC with limited liability, controlled by China Minsheng Banking Corp., Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 600016) and the Stock Exchange (Stock Code: 01988)) and is principally engaged in financial leasing business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Minsheng Financial Leasing and its ultimate beneficial owner (if applicable) are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

IMPLICATIONS OF THE LISTING RULES

Whilst the transactions contemplated under the Finance Lease Agreement will be accounted for as a financing arrangement by the Group according to IFRS 16, the transfer of the legal ownership of the Leased Assets constitutes a disposal of the Leased Assets by the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the transactions under the Finance Lease Agreement are more than 5% but less than 25%, the transactions under the Finance Lease Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the announcement and reporting requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“Century Sunshine”	Shandong Century Sunshine Paper Group Co., Ltd* (山東世紀陽光紙業集團有限公司), a sino-foreign equity joint venture established in the PRC a non-wholly owned subsidiary held by the Company as to 99.9%;
“Changle Shengshi”	Changle Shengshi Thermolectricity 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% by Century Sunshine;

“Company”	China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 2002);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the sale and leaseback contract dated 15 March 2021 between the Lessor and the Lessees in relation to the Finance Lease Arrangement;
“Finance Lease Arrangement”	the purchase of the Leased Assets by the Lessor and the lease back of the Leased Assets to the Lessees pursuant to the terms of the Finance Lease Agreement;
“Group”	the Company and its subsidiaries of the PRC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board;
“Lease Term”	the lease term of 3 years under the Finance Lease Agreement;
“Leased Assets”	certain equipment owned by Century Sunshine and Numat Paper, which will be sold by the Lessees to the Lessor and shall be leased back to the Lessees according to the Finance Lease Agreement;
“Lessees”	Century Sunshine and Numat Paper;
“Lessor”	Minsheng Financial Leasing;
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange (as amended from time to time);
“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd.* (民生金融租賃股份有限公司), a limited liability company incorporated in the PRC;
“Numat Paper”	Changle Numat Paper Industry Co., Ltd.* (昌樂新邁紙業有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;

“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wamat Paper”	Shandong Wamat Paper Co., Ltd.* (山東華邁紙業有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;
“%”	per cent.

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

Weifang, Shandong Province, China, 15 March 2021

As at the date of this announcement, the executive Directors are Mr. Wang Dongxing (Chairman), Mr. Shi Weixin, Mr. Wang Changhai, Mr. Zhang Zengguo and Mr. Ci Xiaolei; the non-executive Director is Ms. Wu Rong; and the independent non-executive Directors are Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie.

* *For identification purposes only*