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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Yuet Sheung International Securities Limited

THE PLACING

On 8 April 2021 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, aggregate maximum of 120,000,000 Placing Shares to Placees who and whose ultimate beneficial owners will be third parties independent of the Company and not connected with the Company and its connected persons.

A maximum of 120,000,000 Placing Shares under the Placing represent approximately 14.65% of the existing issued share capital of the Company of 819,362,000 Shares as at the date of this announcement and approximately 12.77% of the then issued share capital of 939,362,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$12,000,000.

The Placing Price of HK\$1.5 represents a discount of approximately 18.92% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$1.85 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of approximately HK\$1.82 for the last 5 trading days prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The maximum gross proceeds from the Placing will be HK\$180 million. The maximum net proceeds from the Placing will amount to approximately HK\$176.2 million which is intended to be used for general working capital of the Group. The net issue price is estimated at approximately HK\$1.47 per Placing Share.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

8 April 2021 (after trading hours)

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place a maximum of 120,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2% on the gross proceeds of the actual number of Placing Shares being placed. Having considered the Placing Price and the terms of the Placing, the Directors are of the view that the placing commission of 2% is fair and reasonable.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of and not connected with the Company and its connected persons.

Number of Placing Shares

The 120,000,000 Placing Shares under the Placing represent approximately 14.65% of the existing issued share capital of the Company of 819,362,000 Shares as at the date of this announcement and approximately 12.77% of the then issued share capital of 939,362,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$12,000,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$1.5 represents a discount of approximately 18.92% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$1.85 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of approximately HK\$1.82 for the last 5 trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Shares

The maximum of 120,000,000 Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 163,872,400 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate. Accordingly, the issue of the Placing Shares is not subject to the approval of Shareholders.

Condition of the Placing Agreement

Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in all of the Placing Shares.

If the above condition is not satisfied on or before 30 April 2021 or such later date to be agreed between the Company and the Placing Agent in writing, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties under the Placing Agreement will forthwith cease and determine and no party will have any claim against the others.

Termination of the Placing

Under the Placing Agreement:

- (1) the Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the Completion Date if:
 - (a) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
 - (b) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
 - (c) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
 - (d) any statement contained in the announcements, circulars, financial reports issued by the Company to the Stock Exchange and/or the Shareholders since the publication of the announcement of the Company relating to the final results of the Company for the year ended 31 December 2020 has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing;

- (2) the Company may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the Completion Date if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

Upon termination of the Placing Agreement pursuant to the above paragraphs, all liabilities of the parties thereto hereunder shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

Completion of the Placing

Completion of the Placing will take place within three Business Days after the fulfillment of the condition set out in the Placing Agreement or such other date as may be agreed between the Company and the Placing Agent.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company is an exempt company incorporated in the Cayman Islands in August 2007. The Group is principally engaged in the manufacturing and sales of paper products in the PRC.

In view of the current market, the Directors consider that the Placing represents a good opportunity for the Company to raise additional capital to enhance its capital base and broaden its shareholders' base.

The Directors consider that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Placing will be HK\$180 million. The maximum net proceeds from the Placing will amount to approximately HK\$176.2 million which is intended to be used for general working capital of the Group. The net issue price is estimated at approximately HK\$1.47 per Placing Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
China Sunrise Paper Holdings Limited (Note 1)	321,687,052	39.26	321,687,052	34.25
Wang Dongxing (Note 2)	18,425,500	2.25	18,425,500	1.96
Wang Changhai (Note 2)	3,840,000	0.47	3,840,000	0.41
Ci Xiaolei (Note 3)	929,000	0.11	929,000	0.10
Public				
Places	—	—	120,000,000	12.77
Other public Shareholders	<u>474,480,448</u>	<u>57.91</u>	<u>474,480,448</u>	<u>50.51</u>
Total	<u>819,362,000</u>	<u>100.00</u>	<u>939,362,000</u>	<u>100.00</u>

Notes:

- As China Sunshine Paper Investments Limited (“**China Sunshine**”) owns the entire interest of China Sunrise Paper Holdings Limited (“**China Sunrise**”), China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise. 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, 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), is deemed to be interested in the 321,687,052 Shares held by China Sunrise.

2. Each of Mr. Wang Dongxing and Mr. Wang Changhai is an executive director of the Company. 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.
3. Mr. Ci Xiaolei is an executive director of the Company.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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TERMS AND DEFINITIONS

“AGM”	the annual general meeting of the Company held on 29 May 2020
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday), on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Company”	China Sunshine Paper Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
“Completion Date”	the date of completion of the Placing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with the Shares of up to 20% of the then issued share capital of the Company as at the date of the AGM

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporate, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 120,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Yuet Sheung International Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 8 April 2021 in relation to the Placing
“Placing Price”	HK\$1.5 per Placing Share
“Placing Share(s)”	a maximum of 120,000,000 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial
shareholder(s)” has the meaning ascribed thereto under the Listing Rules

“%” per cent

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

Weifang, Shandong Province, China, 8 April 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*