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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 ACQUISITION OF 45% SHAREHOLDING INTEREST IN THE TARGET COMPANY AND THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE PROPOSED ACQUISITION

The Board is pleased to announce that on 10 November 2021 (after trading hours), the Purchaser (as the purchaser), the Vendors and the Vendors' Guarantors entered into the Sale and Purchase Agreement for the sale and purchase of 45% of the entire issued share capital of the Target Company, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares at a total consideration of RMB250,000,000, subject to the terms and conditions of the Sale and Purchase Agreement. The total consideration for the Sale Shares shall comprise (i) total consideration for Sale Shares A of RMB111,000,000; and (ii) total consideration for Sale Shares B of RMB139,000,000. RMB100,000,000 shall be paid to Vendor A by cash and RMB11,000,000 shall be settled by allotment and issue of Consideration Shares A at the issue price of HK\$1.58 per Consideration Share under the General Mandate to Vendor A or its nominee(s) on the Completion Date. RMB139,000,000 shall be paid to Vendor B and settled by allotment and issue of Consideration Shares B at the issue price of HK\$1.58 per Consideration Share under the General Mandate to Vendor B or its nominee(s) on the Completion Date. The Vendors and the Vendors' Guarantors irrevocably and unconditionally guarantee jointly and severally the due and punctual performance of the Vendors' obligations under the Sale and Purchase Agreement.

The Consideration Shares A represent approximately 0.94% of the existing issued share capital of the Company of 905,164,000 Shares as at the date of this announcement and approximately 0.83% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion). The Consideration Shares B represent approximately 11.84% of the existing issued share capital of the Company of 905,164,000 Shares as at the date of this announcement and approximately 10.50% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion). Upon Completion, the Target Company will become an associate company of the Company and the financial results of the Target Group will not be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment (or waiver, if applicable) of the conditions precedent to the Sale and Purchase Agreement, and the Completion may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 10 November 2021 (after trading hours), the Purchaser, the Vendors and the Vendors' Guarantors entered into the Sale and Purchase Agreement for the sale and purchase of 45% of the entire issued share capital of the Target Company, subject to the terms and conditions of the Sale and Purchase Agreement. The principal terms of the Sale and Purchase Agreement are as follows:

THE SALE AND PURCHASE AGREEMENT

Date

10 November 2021

Parties

- (1) Vendor A;
- (2) Vendor B;
- (3) Vendors' Guarantor A;
- (4) Vendors' Guarantor B; and
- (5) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Vendors and the Vendors' Guarantors and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares (representing 45% of the total issued share capital of the Target Company) directly held by the Vendors, subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, the Target Company will become an associate company of the Company and the financial results of the Target Group will not be consolidated into the financial statements of the Group.

Consideration

The total consideration for the Sale Shares shall comprise (i) total consideration for Sale Shares A of RMB111,000,000; and (ii) total consideration for Sale Shares B of RMB139,000,000.

RMB100,000,000 shall be paid to Vendor A by cash ("**Cash Consideration A**"). No less than RMB60,000,000 shall be paid to Vendor A by cash within ten Business Days after the Completion Date and the remaining Cash Consideration A shall be paid to Vendor A by cash within three months after the Completion Date. RMB11,000,000 shall be paid to Vendor A and settled by allotment and issue of Consideration Shares A at the issue price of HK\$1.58 per Consideration Share under the General Mandate to Vendor A or its nominee(s) on the Completion Date.

RMB139,000,000 shall be paid to Vendor B and settled by allotment and issue of Consideration Shares B at the issue price of HK\$1.58 per Consideration Share under the General Mandate to Vendor B or its nominee(s) on the Completion Date.

The Consideration Shares A represent approximately 0.94% of the existing issued share capital of the Company of 905,164,000 Shares as at the date of this announcement and approximately 0.83% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion).

The Consideration Shares B represent approximately 11.84% of the existing issued share capital of the Company of 905,164,000 Shares as at the date of this announcement and approximately 10.50% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion).

The Consideration was determined after arm's length negotiations between the Parties on normal commercial terms, having taken into account the valuation prepared by the Valuer of which the market value of 45% shareholding interest in the Target Group (before taking into consideration any transaction cost) was appraised to be RMB276 million as at 30 June 2021, and the reasons for and benefits of the Transaction as set out in the section headed "Reasons for and benefits of the Transaction" below.

Profit guarantee

The Vendors and the Vendors' Guarantors irrevocably and unconditionally guarantee jointly and severally to the Purchaser that:

- (a) the 2022 Net Profit shall not be less than RMB30,000,000 (the "**2022 Guaranteed Profit**");
- (b) the 2023 Net Profit shall not be less than RMB45,000,000 (the "**2023 Guaranteed Profit**"); and
- (c) the 2024 Net Profit shall not be less than RMB54,000,000 (the "**2024 Guaranteed Profit**" together with the 2022 Guaranteed Profit and 2023 Guaranteed Profit, each the "**Guaranteed Profit**" and collectively the "**Guaranteed Profits**").

If the Net Profit in the relevant guarantee period exceeds the Guaranteed Profit in the corresponding guarantee period by 110%, the Purchaser shall within thirty Business Days from the date on which the relevant Audited Accounts are delivered to the Purchaser transfer or procure to transfer such number of shares of the Target Company beneficially owned by it in the relevant guarantee period (“**Bonus Shares**”) to the Vendors’ Guarantors at nominal consideration which is calculated as follows:

$$\text{Bonus Shares} = \frac{\text{The number of shares of the Target Company owned by the Purchaser immediately before the transfer of Bonus Shares in the relevant guarantee period} \times \frac{\text{Net Profit in the relevant guarantee period} - (\text{Guaranteed Profit in the relevant guarantee period} \times 110\%)}{\text{Net Profit in the relevant guarantee period}}}{1}$$

Assuming no change in the issued share capital of the Target Company from the date of the Sale and Purchase Agreement, the aggregate of the Bonus Shares shall in any event be not more than and be capped at 22.5% of the entire issued share capital of the Target Company and the Vendors’ Guarantors shall not be entitled to receive any shares of the Target Company more than such limit. If there is change in the issued share capital of the Target Company after the date of the Sale and Purchase Agreement, the abovementioned 22.5% cap shall be adjusted on pro-rata basis.

If the Net Profit in the relevant guarantee period is more than 70% of the Guaranteed Profit in the corresponding guarantee period but is less than or equal to 90% of the Guaranteed Profit in the corresponding guarantee period, the Vendors and the Vendors’ Guarantors shall jointly and severally within thirty Business Days from the date on which the relevant Audited Accounts are delivered to the Purchaser transfer or procure to transfer such number of shares of the Target Company beneficially owned by it in the relevant guarantee period (“**Compensation Shares**”) at nominal consideration to the Purchaser which is calculated as follows:

$$\text{Compensation Shares} = \frac{\text{The number of shares of the Target Company owned by the Purchaser immediately before the transfer of Compensation Shares in the relevant guarantee period} \times \frac{(\text{Guaranteed Profit in the relevant guarantee period} \times 90\%) - \text{Net Profit in the relevant guarantee period}}{\text{Net Profit in the relevant guarantee period}}}{1}$$

The transfer of the Compensation Shares in the relevant guarantee period shall not result in the Purchaser holding more than 49% of the entire issued share capital of the Target Company (“**Shareholding Limit**”) and the Vendors’ Guarantors shall not transfer any shares of the Target Company to the Purchaser if the transfer of which will result in the Purchaser’s holding of the shares in the Target Company exceeding such limit. If the

transfer of the Compensation Shares in the relevant guarantee period results in the Purchaser holding more than 49% of the entire issued share capital of the Target Company, subject to the limit below, the Vendors and the Vendors' Guarantors shall jointly and severally compensate and indemnify the remaining shortfall of the guaranteed net profits to the Purchaser by cash (the "**Compensation Cash**") within thirty Business Days from the date(s) on which the Audited Accounts in the relevant guarantee period are delivered to the Purchaser (as the case may be) as follows:

$$\text{Compensation Cash in the relevant guarantee period} = \frac{\left(\frac{S_{\text{before(GP)}} + S_{\text{com(GP)}}}{S_{\text{total}}} \times 100\% \right) - 49\%}{45\%} \times C$$

Where:

$S_{\text{before(GP)}}$ = The number of shares of the Target Company owned by the Purchaser immediately before the transfer of the Compensation Shares in the relevant guarantee period

$S_{\text{com(GP)}}$ = The number of the Compensation Shares in the relevant guarantee period transferred to the Purchaser without taking into account the Shareholding Limit

S_{total} = the total issued share capital of the Target Company at the time of the transfer of the Compensation Shares in the relevant guarantee period

C = the Consideration

The aggregate compensation of the Compensation Cash shall in any event be not more than and be capped at RMB102,777,778 and the Purchaser shall not be entitled to receive any compensation more than such limit.

If the Net Profit in the relevant guarantee period is less than or equal to 70% of the Guaranteed Profit in the corresponding guarantee period, the Vendors and Vendors' Guarantors shall jointly and severally within thirty Business Days from the date on which the relevant Audited Accounts are delivered to the Purchaser repurchase or procure its affiliates to repurchase all the shares of the Target Company which are owned by the Purchaser on such date at the consideration of RMB265,000,000, RMB280,900,000 and RMB297,754,000 for the relevant guarantee period, respectively.

For the avoidance of doubt, the Parties acknowledge and confirm that no transfer of Bonus Shares, Compensation Shares, Compensation Cash or repurchase of the shares of the Target Company will be triggered in the respective guarantee period if the Net Profit in the relevant guarantee period is more than 90% of the Guaranteed Profit in the corresponding guarantee period but is less than or equal to 110% of the Guaranteed Profit in the corresponding guarantee period.

If the Target Company submits an application for listing of the Target Company's shares or the shares of the holding company of the Target Group on a recognised stock exchange (the "**Proposed Listing Application**"), no transfer of Bonus Shares,

Compensation Shares, Compensation Cash or repurchase of the shares of the Target Company will take place from the year in which the Proposed Listing Application is submitted to the relevant regulatory authority. However, if the relevant regulatory authority returns, refuses or rejects the Proposed Listing Application or the Proposed Listing Application does not proceed for whatever reason, the transfer of Bonus Shares, Compensation Shares, Compensation Cash or repurchase of the shares of the Target Company (as the case may be) will continue to take place.

Conditions precedent

Completion shall be subject to and conditional on the conditions precedent a summary of which is as follows:

- (a) the Vendors being the sole legal and beneficial owner of the Sale Shares as at the Completion Date, and the Sale Shares not being accompanied by any encumbrances;
- (b) the Parties and each member of the Target Group having obtained all authorisations, consents and approvals in relation to the transactions contemplated in the Sale and Purchase Agreement including any consent from third parties (if any) and that all shareholders of the Target Company having waived restrictions on transfer of shares of the Target Company;
- (c) no event having occurred since the date of the Sale and Purchase Agreement to Completion which will materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group including the Vendors and each member of the Target Group not being involved in any claim, legal action, proceeding, suit, litigation, prosecution, investigation, enquiry, mediation or arbitration and/or such claim having been fully settled;
- (d) each member of the Target Group conducting its business, operations and other activities and holding all their assets in compliance with the laws and regulations of their jurisdiction or operates, and in compliance with the rules of any applicable regulatory body and there not having been any breaches by each member of the Target Group of any such laws and regulations from the date of the Sale and Purchase Agreement and up to the Completion Date;
- (e) the reorganisation of the corporate structure of the Target Group having been completed;
- (f) the relevant parties having executed the Shareholders' Agreement and the tax indemnity relating to the Target Group;
- (g) the warranties under the Sale and Purchase Agreement being true, accurate and non-misleading in all respects;

- (h) completion of the accounting and legal due diligence investigation conducted by the Purchaser relating to the Target Group and the results being satisfactory to the Purchaser in its sole discretion including receipt of management accounts, legal opinion in relation to settlement of legal claim, documents in relation to discharge of liens, certificates of incumbency and certificates of good standing of the members of the Target Group in Canada;
- (i) completion of the valuation of the Target Group and the valuation results being satisfactory to the Purchaser in its sole discretion;
- (j) the Purchaser having received legal opinions in relation to reorganisation of the Target Group and execution of the Sale and Purchase Agreement, the Shareholders' Agreement and the tax indemnity; and
- (k) the Listing Committee of the Stock Exchange granting approval of the issue of the Consideration Shares and the listing of, and permission to deal in the Consideration Shares either unconditionally or subject to conditions to which the Purchaser may accept.

The Purchaser may waive any of the above conditions save for conditions (b) and (k) at any time by notice in writing to the Vendors.

The Vendors and Vendors' Guarantors shall use their best endeavour to fulfill all above conditions. If any of the above conditions have not been fulfilled or waived by the Purchaser (other than conditions (b) and (k) which may not be waived) on or before 31 January 2022 (or such other date as the Parties may agree), the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the provisions of the Sale and Purchase Agreement shall from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the Parties in respect of claims arising out of any antecedent breach of the Sale and Purchase Agreement).

Completion

Completion shall take place on the Completion Date and after the fulfilment (or waiver, if applicable) of all the conditions precedent under the Sale and Purchase Agreement (or such other date as the Vendors and the Purchaser may agree in writing).

After Completion, the Company will indirectly hold 45% of the total issued share capital in the Target Company. The Target Company will become an associate company of the Company and the financial results of the Target Group will not be consolidated into the financial statements of the Group.

Consideration Shares

Upon Completion, Consideration Shares A and Consideration Share B will be issued by the Company to Vendor A and Vendor B, respectively, or their nominee(s) on the Completion Date at the issue price of HK\$1.58 per Consideration Share, credited as fully paid.

The Consideration Shares will be issued pursuant to the General Mandate. The Consideration Shares A represent approximately 0.94% of the existing issued share capital of the Company of 905,164,000 Shares as at the date of this announcement and approximately 0.83% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion). The Consideration Shares B represent approximately 11.84% of the existing issued share capital of the Company of 905,164,000 Shares as at the date of this announcement and approximately 10.50% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion).

The issue price of HK\$1.58 per Consideration Share was determined after arm's length negotiation between the Parties with reference to, among other things, the recent trading prices of the Shares, which represents:

- (i) a discount of approximately 8.7% to the closing price of HK\$1.73 per Share as quoted on the Stock Exchange on 10 November 2021, being the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 9.9% to the average closing price of approximately HK\$1.75 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading date prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 10.2% to the average closing price of approximately HK\$1.76 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date prior to the date of the Sale and Purchase Agreement.

The Consideration Shares will rank *pari passu* in all respects with each other and with the Shares in issue at the time of the Consideration Shares.

The maximum number of Shares that can be issued under the General Mandate is 181,032,800 Shares. As at the date of this announcement, no Share has been issued under the General Mandate and the General Mandate has not been utilised. Accordingly, the General Mandate is sufficient for the issue of the Consideration Shares and the issue of

the Consideration Shares is not subject to the Shareholders' approval requirement. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming there will not be any other issue or repurchase of Shares prior to the Completion) are set out as below:

Shareholders	As at the date of this announcement		Immediately upon Completion (assuming there will not be any other issue or repurchase of Shares prior to the Completion)	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
China Sunrise Paper Holdings Limited (Note 1)	321,687,052	35.54%	321,687,052	31.51%
Wang Dongxing (Note 2)	18,425,500	2.04%	18,425,500	1.80%
Wang Changhai (Note 2)	3,840,000	0.42%	3,840,000	0.38%
Ci Xiaolei (Note 3)	929,000	0.10%	929,000	0.09%
Vendor A (Note 4)	—	—	8,481,173	0.83%
Vendor B (Note 4)	—	—	107,171,186	10.50%
Public Shareholders	<u>560,282,448</u>	<u>61.90%</u>	<u>560,282,448</u>	<u>54.89%</u>
Total	<u>905,164,000</u>	<u>100.00%</u>	<u>1,020,816,359</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 the Group (with China Sunshine and China Sunrise, collectively, the “**Entities**”) and participated in the management of the business of the 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 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 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. On 14 April 2021, Ms. Li Hua transferred all of her interest in China Sunshine to Mr. Wang Dongxing and the Concert Parties Agreement is no longer binding on Ms. Li Hua. 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 except Ms. Li Hua (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. 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 Securities and Futures Ordinance.
3. Mr. Ci Xiaolei is an executive Director.
4. The sole ultimate shareholder of each of Vendor A and Vendor B is Mr. Huang. Upon Completion, the Vendors will hold an aggregate of 115,652,359 Shares, representing approximately 11.33% of the issued share capital of 1,020,816,359 Shares as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Share prior to completion). Mr. Huang is deemed to be interested in 115,652,359 Shares by virtue of his interests in the Vendors.

INFORMATION OF THE GROUP AND THE PURCHASER

The Company is a limited company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of the Stock Exchange since 12 December 2007. The principal activities of the Group are production/generation and sale of paper products, electricity and steam.

The Purchaser is a wholly-owned subsidiary of the Company. It is a company incorporated in the BVI and an investment holding company.

INFORMATION OF THE VENDORS AND THE VENDORS' GUARANTORS

Vendor A and Vendor B are each a company incorporated in Hong Kong with limited liability and is principally engaged in investment activities. As at the date of this announcement, the sole ultimate shareholder of each of Vendor A and Vendor B is Mr. Huang.

Vendors' Guarantor A is a company incorporated in Canada with limited liability and is principally engaged in investment activities. As at the date of this announcement, it is wholly owned by Ms. Ouyang.

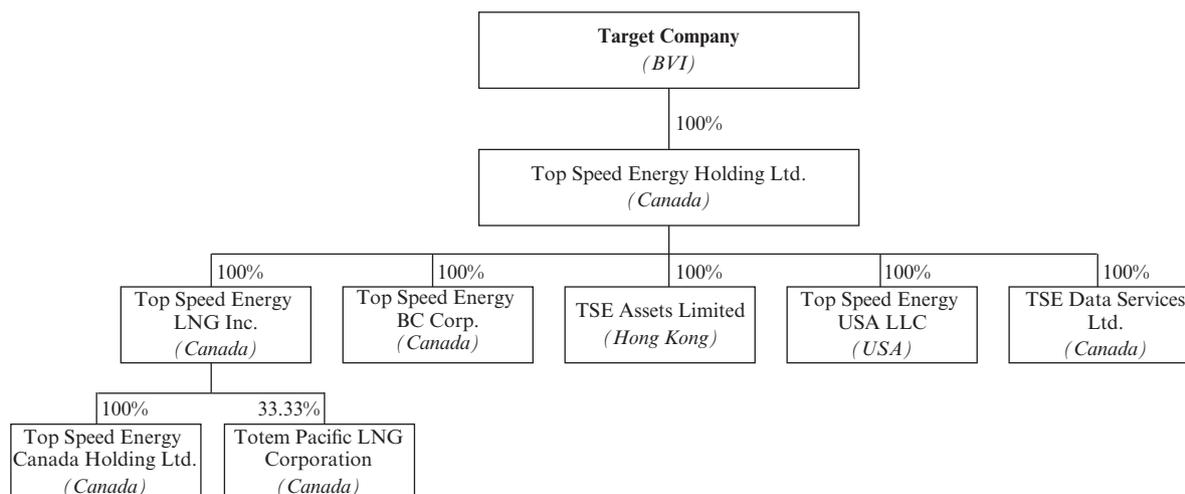
Vendors' Guarantor B is a company incorporated in Hong Kong with limited liability and is principally engaged in investment activities. As at the date of this announcement, the sole ultimate shareholder of Vendors' Guarantor B is Mr. Huang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Vendors and the Vendors' Guarantors and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI on 5 October 2021 with limited liability. The Target Company is an investment holding and has no business save for being the holding company of seven subsidiaries and an associate company as illustrated in the chart below. The Target Group is principally engaged in (i) sale of liquefied natural gas and (ii) provision of electricity, storage and related support to internet data centres, with its headquarters in Canada. As at the date of this announcement, the Target Company is owned as to 20% by Vendor A, 25% by Vendor B, 30.23% by Vendors' Guarantor A and 24.77% by Vendors' Guarantor B.

The corporate structure of the Target Group is as follows:



Set out below is a summary of the unaudited consolidated financial information of the Target Group for the years ended 31 May 2020 and 2021 which is prepared under the International Financial Reporting Standards:

	For the year ended 31 May	
	2020	2021
	<i>CA\$'000</i>	<i>CA\$'000</i>
	(unaudited)	(unaudited)
Revenue	4,122	244
Loss before tax	1,073	1,803
Loss after tax	1,073	1,803

As at 31 May 2021, the Target Group had unaudited consolidated net assets of approximately CA\$20.5 million.

VALUATION

According to the Valuation Report, the appraised value of the market value of 45% shareholding interest in the Target Group (before taking into consideration any transaction cost) was RMB276 million as at 30 June 2021. In preparing the valuation of the Target Group, the Valuer applied the discounted cash flow analysis under the income approach based on certain assumptions to appraise the value of the Target Group, which constitutes a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rules 14.60A and 14.62 of the Listing Rules are therefore applicable.

Major assumptions

The following are the principal assumptions, including commercial assumptions, upon which the Valuation Report is based:

- the legally interested parties in 45% equity interests in the Target Company (the “**Appraised Asset**”) have free and uninterrupted rights to assign the Appraised Asset (a part of or the whole of) for the whole of the unexpired terms as granted under the relevant approvals and any premiums/administrative costs payable have already been fully paid;
- all the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed on which the valuation contained in the Valuation Report is based;
- the prospective earnings of the current or projected business would provide a reasonable return to the Appraised Asset, and that the Target Group has adequate working capital to operate its business from time to time;
- the management of the Target Group has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as change of government policy, natural disasters and labour dispute) to the Target Group’s business;
- there will be no material changes in the government policies or political, legal (including legislation or regulations or rules), fiscal (including interest rate and exchange rate) and market or economic conditions in the territories where the Target Group operated on a going concern basis;
- the legally interested parties in the Appraised Asset can sell the Appraised Asset (a part of or the whole of) in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the interest;

- the legally interested parties in the Appraised Asset have absolute title to its relevant interest;
- the legally interested parties in the Appraised Asset have obtained relevant approvals for the sale of the Appraised Asset and are able to dispose of and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market;
- the Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government; and
- the financial projection of the Target Group has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the financial projection) which have been arrived at after due and careful consideration by the management of the Target Group.

Confirmation

ST Lo & Co., the reporting accountants engaged by the Company, has examined the arithmetical accuracy and calculations of the discounted future cash flows of the Target Group in which the valuation was based. The Board has also reviewed the bases and assumptions based upon which the valuation of the Target Group was prepared, and confirms that the profit forecast as contained in the valuation of the Target Group has been made after due and careful enquiry by the Board.

A letter from each of ST Lo & Co. and the Board has been submitted to the Stock Exchange, and is set out in Appendix I and Appendix II respectively to this announcement pursuant to Rule 14.62 of the Listing Rules.

Experts and consents

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification
ST Lo & Co.	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Professional surveyors

As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of ST Lo & Co. and the Valuer does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. As such, ST Lo & Co. and the Valuer are Independent Third Parties.

Each of the Valuer and ST Lo & Co. has given its formal consent, and confirm that it has not withdrawn its consent to the publication of this announcement with inclusion of its letter or opinion and all reference to its name in the form and context in which it appears.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Sale and Purchase Agreement, the Purchaser, Vendors' Guarantor A, Vendors' Guarantor B and the Target Company will enter into the Shareholders' Agreement upon Completion.

Parties

- (1) the Purchaser;
- (2) Vendors' Guarantor A;
- (3) Vendors' Guarantor B; and
- (4) the Target Company.

The Shareholders' Agreement will contain various rights of shareholders in the Target Company, including but not limited to:

Board composition

The board of directors of the Target Company shall consist of three directors and each of the Purchaser, Vendors' Guarantor A and Vendors' Guarantor B shall be entitled to nominate one director. The chairman of the board of directors of the Target Company shall be a director nominated by Vendors' Guarantor A for the first year, by Vendors' Guarantor B in the second year and will alternate between the parties for each year thereafter.

Right of first offer

If the board of directors of the Target Company decides it is in the best interests of the Target Company to issue new shares or other securities of the Target Company to raise funds, and if such issuance is approved by the Target Company's shareholders pursuant to the Shareholders' Agreement, each shareholder of the Target Company shall have a right of first offer to purchase an amount of shares or securities of the Target Company of any class or kind which the Target Company proposes to offer ("**Preemptive Securities**") sufficient to maintain such Target Company's shareholder proportionate beneficial ownership interest in the Target Company (on an as-converted, fully diluted basis). If the Target Company wishes to make any such sale of Preemptive Securities, it shall give the Target Company's shareholders written notice of the proposed sale.

Right of first refusal

Before any shares or securities of the Target Company which may convert into shares may be sold or otherwise transferred by a Target Company's shareholder (the "**Selling Shareholder**") (including transfer by gift, operation of law or other involuntary transfer, such as divorce or death, but except in the event there is a registration statement covering the proposed transfer), the other Target Company's shareholders (the "**Non-selling Shareholders**") shall have a right of first refusal (the "**Right of First Refusal**") to purchase such shares or securities of the Target Company.

Co-sale right

To the extent that the Right of First Refusal is not exercised by the Non-selling Shareholders, each Non-selling Shareholder shall have the right to participate in any sale to a proposed transferee upon the same terms and conditions as set forth in the written notice delivered by the Selling Shareholder to the Target Company and the Non-selling Shareholders before the transfer of shares and securities of the Target Company, a Non-selling Shareholder shall exercise its right by delivering to the Selling Shareholders, within five (5) Business Days after receipt of the expiration notice, written notice of its intention to participate, specifying the number of shares such Non-selling Shareholder desires to sell to the proposed transferee.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The principal activities of the Group are production/generation and sale of paper products, electricity and steam. As disclosed in the Company's interim report for the six months ended 30 June 2021 (the "**Interim Report 2021**"), revenue from sale of paper products remained as the main revenue stream of the Group during the said period. Taking into account the weak market demand, fierce industry competition, sluggish downstream demand and sharp increase in raw material prices, the Board considers that the challenges towards the paper manufacturing industry will remain and there is a need for the Group to identify business opportunities to strengthen the Group's revenue streams.

The Target Group is principally engaged in (i) sale of liquefied natural gas and (ii) provision of electricity, storage and related support to internet data centres, with its headquarters in Canada. The Board considers the energy business of the Target Group could broaden the Group's revenue base of its existing energy business, i.e. the electricity and steam segment. According to International Energy Agency, natural gas is the cleanest burning and the fastest growing fossil fuel, accounting for approximately 23% of global primary energy demand. The consumption of natural gas in Canada increased from approximately 86.6 billion cubic metres in 2009 to approximately 120.3 billion cubic metres in 2019 at a compound annual growth rate of approximately 3.3% according to 69th edition of Statistical Review of World Energy 2020 issued by BP p.l.c.. Such steady growth indicates the potential demand for natural gas in Canada and liquefied natural gas business in the jurisdiction. While the electricity provided to internet data centres will

be generated from natural gas and hydropower, which are two of the cleanest energy sources. As disclosed in the Interim Report 2021, the Company is committed to actively responding to the national policy of “carbon emissions peak and carbon neutrality” implementing energy saving and emission reduction to achieve a mutually beneficial relationship between economic development and a balanced ecosystem. The Board is of the view that the Target Group’s business is also in line with the Company’s environmental protection strategy.

Having considered that (i) the Group has a need to strengthen its revenue streams; (ii) the energy business of the Target Group could broaden the Group’s revenue base of its existing business; and (iii) the Target Group’s business is in line with the Company’s environmental protection strategy, the Board considers that the Transaction is beneficial to the Group and expects that the Transaction would represent a good business opportunity to the Group. Based on the above, the Directors consider that the terms of the Transaction are fair and reasonable and on normal commercial terms and the entering into of the Transaction is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion is subject to the fulfillment (or waiver, if applicable) of the conditions precedent of the Sale and Purchase Agreement, and the Completion may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“2022 Audited Accounts” the audited consolidated financial statements of the Target Group for the period from 1 January 2022 to 31 December 2022, comprising of income statement, statement of financial position and notes audited by an independent auditor as agreed among the Vendors and the Purchaser;

“2023 Audited Accounts” the audited consolidated financial statements of the Target Group for the period from 1 January 2023 to 31 December 2023, comprising of income statement, statement of financial position and notes audited by an independent auditor as agreed among the Vendors and the Purchaser;

“2024 Audited Accounts”	the audited consolidated financial statements of the Target Group for the period from 1 January 2024 to 31 December 2024, comprising of income statement, statement of financial position and notes audited by an independent auditor as agreed among the Vendors and the Purchaser;
“2022 Net Profit”	the audited consolidated net profit after tax (excluding non-recurring and extraordinary items and non-cash income and minority interests) of the Target Group for the period from 1 January 2022 to 31 December 2022;
“2023 Net Profit”	the audited consolidated net profit after tax (excluding non-recurring and extraordinary items and non-cash income and minority interests) of the Target Group for the period from 1 January 2023 to 31 December 2023;
“2024 Net Profit”	the audited consolidated net profit after tax (excluding non-recurring and extraordinary items and non-cash income and minority interests) of the Target Group for the period from 1 January 2024 to 31 December 2024;
“Audited Accounts”	collectively, the 2022 Audited Accounts, 2023 Audited Accounts and 2024 Audited Accounts and “Audited Accounts” means any one of them;
“Board”	the board of Directors;
“Business Day”	a day (not being a Saturday, Sunday, public holiday or days on which typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:30 p.m.) on which banks are generally open for general banking business (excluding internet banking business) in Hong Kong;
“BVI”	the British Virgin Islands;
“CA\$”	Canadian dollar(s), the lawful currency of Canada;
“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 (Stock Code: 2002);
“Completion”	completion of the Transaction contemplated under the Sale and Purchase Agreement;

“Completion Date”	the third Business Day after the date upon which the last of the conditions precedent contemplated under the Sale and Purchase Agreement shall have been satisfied (or such other date as the Vendors and the Purchaser may agree in writing), being the date on which Completion takes place;
“Consideration”	the consideration of the sale and purchase of the Sale Shares, being RMB250,000,000;
“Consideration Shares”	collectively, Consideration Shares A and Consideration Shares B;
“Consideration Shares A”	8,481,173 Shares to be allotted and issued by the Company to Vendor A pursuant to the terms of the Sale and Purchase Agreement;
“Consideration Shares B”	107,171,186 Shares to be allotted and issued by the Company to Vendor B pursuant to the terms of the Sale and Purchase Agreement;
“Director(s)”	director(s) of the Company;
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company on 28 May 2021 to allot, issue and deal with the Shares of up to 20% of the issued share capital of the Company as at the date of the annual general meeting;
“Group”	collectively, the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (as defined under the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Huang”	Huang Liwei, an Independent Third Party;
“Ms. Ouyang”	Ouyang Rui, an Independent Third Party;
“Net Profits”	collectively, the 2022 Net Profit, 2023 Net Profit and 2024 Net Profit and “Net Profit” means any one of them;

“Parties”	parties to the Sale and Purchase Agreement and “Party” means any one of them;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Sunshine Paper Clean Energy Investment Company Limited, a company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 November 2021 entered into between the Purchaser, the Vendors and the Vendors’ Guarantors in respect of the Transaction;
“Sale Shares”	collectively, Sale Shares A and Sale Shares B;
“Sale Shares A”	2,000 fully paid-up shares in the capital of the Target Company legally and beneficially owned by Vendor A, representing 20% of the entire issued share capital of the Target Company;
“Sale Shares B”	2,500 fully paid-up shares in the capital of the Target Company legally and beneficially owned by Vendor B, representing 25% of the entire issued share capital of the Target Company;
“Share(s)”	the ordinary share(s) with a par value of HK\$0.1 in the capital of the Company;
“Shareholder(s)”	holder of the Share(s);
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into on the Completion Date between the Target Company, the Purchaser, and the Vendors’ Guarantors in respect of the governance of the Target Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Top Speed Energy Holding Ltd., a company incorporated in the BVI with limited liability, which is owned as to 20% by Vendor A, 25% by Vendor B, 30.23% by Vendors’ Guarantor A and 24.77% by Vendors’ Guarantor B as at the date of this announcement;

“Target Group”	the Target Company together with its subsidiaries and an associate company owned as to 33.33% interest by it, with its corporate chart set out in the section headed “Information of the Target Group” of this announcement;
“Transaction”	the proposed acquisition of 45% of the entire issued share capital of the Target Company by the Purchaser from the Vendors at a total consideration of RMB250,000,000 pursuant to the terms and conditions of the Sale and Purchase Agreement;
“USA”	the United States of America;
“Valuation Report”	the valuation report dated 10 November 2021 issued by the Valuer regarding the valuation of the Target Group as at 30 June 2021;
“Valuer”	LCH (Asia-Pacific) Surveyors Limited, a professional independent valuer;
“Vendor A”	Pinnacle Innovation Ming Limited, a company incorporated in Hong Kong with limited liability, the sole ultimate shareholder of which is Mr. Huang. It is an Independent Third Party;
“Vendor B”	Pinnacle Innovation EBRF Limited, a company incorporated in Hong Kong with limited liability, the sole ultimate shareholder of which is Mr. Huang. It is an Independent Third Party;
“Vendors”	collectively, Vendor A and Vendor B;
“Vendors’ Guarantor A”	1321881 B.C. LTD., a company incorporated in Canada with limited liability, owning 30.23% of the entire issued share capital of the Target Company as at the date of this announcement, the sole ultimate shareholder of which is Ms. Ouyang. It is an Independent Third Party;
“Vendors’ Guarantor B”	Prosnav Consulting Hong Kong Limited, a company incorporated in Hong Kong with limited liability, owning 24.77% of the entire issued share capital of the Target Company as at the date of this announcement, the sole ultimate shareholder of which is Mr. Huang. It is an Independent Third Party;

“Vendors’
Guarantors” collectively, Vendors’ Guarantor A and Vendors’ Guarantor B;
and
“%” per cent.

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

Weifang, Shandong Province, China, 10 November 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*

APPENDIX I — LETTER FROM THE COMPANY’S REPORTING ACCOUNTANTS

The Board of Directors
China Sunshine Paper Holdings Company Limited
Changle Economic Development Zone
Weifang 262400
Shandong, China

10 November 2021

Dear Sirs,

In connection with the proposed acquisition of 45% of the equity interest in Top Speed Energy Holding Ltd. as at the date hereof, by a wholly-owned subsidiary of China Sunshine Paper Holdings Company Limited (the “**Company**”) as disclosed in the announcement of the Company dated 10 November 2021 (the “**Announcement**”), we have examined the calculations of the discounted future estimated cash flows (the “**Forecast**”) on which the business valuation (the “**Valuation**”) prepared by LCH (Asia-Pacific) Surveyors Limited in respect of the Valuation on 45% equity interest of Top Speed Energy Holding Ltd. and its subsidiaries (collectively the “**TSE Holding Group**”) as at 30 June 2021, was based. Unless defined otherwise, all capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

Directors’ responsibilities for the Forecast

The Directors are responsible for the preparation of the Forecast in accordance with the bases and assumptions determined by the Directors (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. The Forecast does not involve the adoption of accounting policies.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements issued by the HKICPA, and accordingly maintains a

comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, based on our work on the Forecast on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. We examined the arithmetical accuracy and calculations of the Forecast. We comply with ethical requirements and have planned and performed the assurance engagement to obtain reasonable assurance on whether the Forecast, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the TSE Holding Group.

The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

OPINION

Based on the foregoing, in our opinion, so far as the calculations are concerned, the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions adopted by the Directors as set out in the Valuation.

Yours faithfully,

ST Lo & Co.

Certified Public Accountants (Practising)

Hong Kong

APPENDIX II — LETTER FROM THE BOARD

10 November 2021

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Re: Discloseable transaction — Acquisition of 45% shareholding interest in the Target Company and the issue of Consideration Shares under General Mandate

We refer to the announcement of the Company dated 10 November 2021 (the “**Announcement**”), of which this letter forms part. Unless defined otherwise, all capitalised terms used herein shall have the same meanings as those defined in the Announcement.

We refer to the valuation report prepared by the Valuer in relation to the valuation of market value of 45% equity interest in the Target Company as at 30 June 2021. The valuation of the Target Group based on discounted cash flow analysis under the income approach is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules.

We hereby confirm that we have discussed with the Valuer and reviewed the bases and assumptions based upon which the valuation of the Target Group was prepared, and reviewed the Valuation Report prepared by the Valuer for which the Valuer is responsible for. We have also considered the letter issued by ST Lo & Co., the reporting accountants engaged by the Company dated 10 November 2021 regarding the arithmetical accuracy and calculations of the Profit Forecast.

Based on the foregoing, we confirm that the Profit Forecast as contained in the valuation of the Target Group has been made after due and careful enquiry by the Board.

Yours faithfully,
For and on behalf of the Board
China Sunshine Paper Holdings Company Limited
Wang Dongxing
Chairman