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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)**

### **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

#### **THE SUBSCRIPTION**

On 14 July 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 162,000,000 Subscription Shares at the Subscription Price of HK\$2.480 per Subscription Share.

The Subscription Shares represent (i) approximately 16.74% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there are no other changes in the share capital of the Company between the date of this announcement and the date of the Completion).

The gross proceeds from the Subscription will be approximately HK\$401.76 million. After deducting all related expenses, the net proceeds of the Subscription will amount to approximately HK\$401.26 million, representing a net issue price of approximately HK\$2.477 per Subscription Share. The Company intends to apply the net proceeds of the Subscription in the manner set out in the paragraph headed “Reasons for and Benefits of the Subscription and Use of Proceeds” of this announcement.

Application will be made by the Company to the Stock Exchange for listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

***Completion of the Subscription is subject to the satisfaction of the Conditions Precedent set out in the Subscription Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.***

## **THE SUBSCRIPTION AGREEMENT**

On 14 July 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 162,000,000 Subscription Shares at the Subscription Price of HK\$2.480 per Subscription Share. The principal terms of the Subscription Agreement are set out below:

### **Date**

14 July 2023 (after trading hours)

### **Parties**

(1) the Company as the issuer; and

(2) the Subscriber

(collectively the “**Parties**” and each a “**Party**”)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, the Subscriber and its ultimate beneficial owner are Independent Third Parties. Upon the Completion, the Subscriber will become a substantial shareholder of the Company and hence, a connected person of the Company.

### **Subscription Shares**

Pursuant to the Subscription Agreement and subject to the terms and conditions therein, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 162,000,000 Subscription Shares at the Subscription Price. The Subscription Shares represent (i) approximately 16.74% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there are no other changes in the issued share capital of the Company between the date of this announcement and the date of the Completion). The aggregate nominal value of the Subscription Shares is HK\$16,200,000 based on the nominal value of HK\$0.10 per Share.

### **Ranking of Subscription Shares**

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

## **Subscription Price**

The Subscription Price of HK\$2.480 per Subscription Share represents:

- (1) a discount of approximately 12.06% to the closing price of HK\$2.820 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (2) a discount of approximately 8.76% to the average closing price of HK\$2.718 per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined with reference to the prevailing market price of the Shares and the Subscriber's assessment of the valuation of the Company and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the Subscription Price of HK\$2.480 per Subscription Share and 162,000,000 Subscription Shares to be allotted and issued to the Subscriber, the total subscription amount payable by the Subscriber to the Company pursuant to the Subscription Agreement amounts to approximately HK\$401.76 million, which shall be satisfied by the Subscriber by payment to the Company in cash upon the Completion.

## **Conditions Precedent**

The Completion is conditional upon the following conditions being fulfilled and/or waived by the Subscriber (as the case may be):

- (a) all necessary consents, permissions and approvals in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained by the Company, and such consents, permissions and approvals having remained valid and effective in all respects;
- (b) the filing of the Subscription pursuant to the Subscription Agreement and the transactions contemplated thereunder with the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government (廈門市人民政府國有資產監督管理委員會) ("**Xiamen SASAC**") having been completed by the Subscriber, and such filing having remained valid and effective in all respects;
- (c) the Shares continue listed on the Stock Exchange, and on or before the date of the Completion, there being no instructions from the Stock Exchange or the Securities and Futures Commission indicating that the listing status of the Shares will or may be revoked or opposed, whether conditionally or not;

- (d) there being no orders or judgements issued by any courts, governments, statutory or regulatory authorities rendering illegal of, or otherwise prohibiting, the Subscription or any transactions contemplated under the Subscription Agreement;
- (e) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange, and such approval not being subsequently revoked; and
- (f) the undertakings, statements and warranties made by the Company under the Subscription Agreement having remained true and accurate and not misleading.

(Paragraphs (a) to (f) above are collectively referred to as the “**Conditions Precedent**”, each a “**Condition Precedent**”).

Other than the Condition Precedent referred to in paragraph (f) above which can be waived by the Subscriber in writing at any time before the Completion, all the other Conditions Precedent cannot be waived.

If any of the Conditions Precedent is not satisfied or waived by the Subscriber (as the case may be) on or before 31 December 2023 or such later date as agreed in writing between the Parties, the Subscription Agreement shall be terminated and neither Party shall have any liability thereafter, save for any antecedent breach(es) of any obligation(s) under the Subscription Agreement.

### **Completion**

The Completion shall take place within five (5) Business Days (or on such later date as confirmed by the Parties in writing) after the Conditions Precedent having been satisfied or waived by the Subscriber (as the case may be). The date of the Completion shall be confirmed by the Parties in writing.

### **APPLICATION FOR LISTING**

Application will be made by the Company to the Stock Exchange for listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

### **GENERAL MANDATE**

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by an ordinary resolution passed by the Shareholders at the AGM. Pursuant to the General Mandate, the Directors are authorised to allot and issue up to 193,570,871 new Shares, representing approximately 20% of the number of issued Shares as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company pursuant to the General Mandate and no Shares have been repurchased by the Company.

Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares, and such allotment and issue is not subject to the approval of the Shareholders.

## **INFORMATION OF THE PARTIES TO THE SUBSCRIPTION AGREEMENT**

### **The Subscriber**

The Subscriber is a private company incorporated in Hong Kong and limited by shares. It is principally engaged in the business of paper and pulp and forest products. The Subscriber is directly wholly-owned by Xiamen C&D Paper & Pulp Group Co., Ltd.\* (廈門建發漿紙集團有限公司) (“**Xiamen C&D Paper**”). Xiamen C&D Paper is directly wholly-owned by Xiamen C&D Inc.\* (廈門建發股份有限公司) (“**Xiamen C&D Inc.**”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH). Xiamen C&D Corporation Limited\* (廈門建發集團有限公司), being a controlling shareholder of Xiamen C&D Inc., is directly wholly-owned by Xiamen SASAC.

### **The Company**

The Company is a limited company incorporated in the Cayman Islands under the Companies Act of the Cayman Islands as an exempted company with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Company, together with its subsidiaries, are production/generation and sale of paper products, electricity and steam.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS**

The Directors have considered various ways of raising funds and consider that, in light of the uncertainties in the global business market, it would be in the interests of the Company to raise equity funding through the Subscription to broaden its shareholder base, strengthen the Group’s capital base and enhance its financial position for long-term development and growth. At the same time, the Subscription supports the development of the Group’s existing business, including its finished paper business and high-end packaging paper business. In view of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription will be approximately HK\$401.76 million. After deducting all related expenses, the net proceeds of the Subscription will amount to approximately HK\$401.26 million, representing a net subscription price of approximately HK\$2.477 per Subscription Share. The Company intends to apply the net proceeds as general working capital of the Group.

## FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not carried out any fund raising activities during the 12 months immediately preceding the date of this announcement.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 967,854,359 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the Completion, assuming there are no other changes in the share capital of the Company between the date of this announcement and the date of the Completion:

Name of Shareholders	As at the date of this announcement		Immediately upon the Completion	
	Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
China Sunrise Paper Holdings Limited <sup>(1)</sup>	321,687,052	33.24%	321,687,052	28.47%
Wang Dongxing <sup>(2)</sup>	18,425,500	1.90%	18,425,500	1.63%
Wang Changhai <sup>(3)</sup>	3,840,000	0.40%	3,840,000	0.34%
Ci Xiaolei <sup>(4)</sup>	929,000	0.10%	929,000	0.08%
The Subscriber	—	—	162,000,000	14.34%
Other public Shareholders	<u>622,972,807</u>	<u>64.37%</u>	<u>622,972,807</u>	<u>55.14%</u>
<b>Total</b>	<b><u>967,854,359</u></b>	<b><u>100.00%</u></b>	<b><u>1,129,854,359</u></b>	<b><u>100.00%</u></b>

Notes:

- China Sunrise Paper Holdings Limited is wholly owned by China Sunshine Paper Investments Limited, which in turn is wholly owned by a group of 17 individuals comprising Mr. Chen Xiaojun, Mr. Guo Jianlin, Mr. Li Zhongzhu, Mr. Lu Yujie, Mr. Ma Aiping, Mr. Sang Ziqian, Mr. Shi Weixin (an executive Director), Mr. Sun Qingtao, Mr. Wang Changhai (an executive Director), Mr. Wang Dongxing (an executive Director), Mr. Wang Feng, Mr. Wang Yilong, Mr. Wang Yongqing, Ms. Wu Rong (a non-executive Director), Mr. Zhang Zengguo (an executive Director), Mr. Zheng Fasheng and Mr. Zuo Xiwei (the “Shareholders Group”), who have been acting in concert pursuant to an acting in concert agreement dated 16 June 2006. Each of China Sunshine Paper Investments Limited and the members of the Shareholders Group is deemed to be interested in the 321,687,052 Shares beneficially owned by China Sunrise Paper Holdings Limited by virtue of the SFO.
- Such 18,425,500 Shares are directly and beneficially owned by Mr. Wang Dongxing, an executive Director and chairman of the Board. Under section 318 of the SFO, each other member of the Shareholders Group is deemed to be interested in such Shares held by Mr. Wang Dongxing.
- Such 3,840,000 Shares are directly and beneficially owned by Mr. Wang Changhai, an executive Director. Under section 318 of the SFO, each other member of the Shareholders Group is deemed to be interested in such Shares held by Mr. Wang Changhai.

4. Such 929,000 Shares are directly and beneficially owned by Mr. Ci Xiaolei, an executive Director.

***Completion of the Subscription is subject to the satisfaction of the Conditions Precedent set out in the Subscription Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.***

## **DEFINITIONS**

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

“AGM”	the annual general meeting of the Company held on 31 May 2023
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business
“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, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2002)
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 193,570,871 new Shares, representing approximately 20% of the total number of issued Shares as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 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
“Subscriber”	Hong Kong Paper Sources Co., Limited (香港紙源有限公司), a private company incorporated in Hong Kong and limited by shares, an Independent Third Party
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 July 2023 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$2.480 per Subscription Share
“Subscription Shares”	an aggregate of 162,000,000 new Shares to be allotted and issued by the Company and to be subscribed by the Subscriber pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules



“%”

per cent

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

Weifang, Shandong Province, China, 14 July 2023

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

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

*Non-executive Director:* *Ms. Wu Rong*

*Independent non-executive Directors:* *Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie*

\* *For identification purposes only*