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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)**

### **CONTINUING CONNECTED TRANSACTIONS PURCHASE FRAMEWORK AGREEMENT AND SALES FRAMEWORK AGREEMENT**

#### **PURCHASE FRAMEWORK AGREEMENT**

On 2 January 2024 (after trading hours), Ramble Paper and Xiamen C&D entered into the Purchase Framework Agreement with a term from the Effective Date to 31 December 2026, pursuant to which, Ramble Paper Group agrees to procure from Xiamen C&D Group the wood pulp materials and packaging paper products that Xiamen C&D Group is the main distributor.

#### **SALES FRAMEWORK AGREEMENT**

On 2 January 2024 (after trading hours), Century Sunshine and Xiamen C&D entered into the Sales Framework Agreement with a term from the Effective Date to 31 December 2026, pursuant to which, Century Sunshine Group agrees to sell to Xiamen C&D Group the packaging paper products that Century Sunshine Group produces.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Xiamen C&D holds 100% shares of Hong Kong Paper Sources Co., Limited (香港紙源有限公司), which is a substantial shareholder of the Company. Xiamen C&D is therefore a connected person of the Company under the Listing Rules and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under each of the Purchase Framework Agreement and the Sales Framework Agreement exceed 5%, the entering into of the Framework Agreements and the transactions contemplated thereunder will be subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the Framework Agreements, the transactions contemplated thereunder and their respective proposed annual caps. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Framework Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

#### **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) details of the Framework Agreements, (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Framework Agreements, the transactions contemplated thereunder and their respective proposed annual caps; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or around 23 January 2024.

### **I. PURCHASE FRAMEWORK AGREEMENT**

On 2 January 2024 (after trading hours), Ramble Paper and Xiamen C&D entered into the Purchase Framework Agreement with a term from the Effective Date to 31 December 2026, pursuant to which, Ramble Paper Group agrees to procure from Xiamen C&D Group the wood pulp materials and packaging paper products that Xiamen C&D Group is the main distributor.

The principal terms of the Purchase Framework Agreement are described below:

- Date:** 2 January 2024 (after trading hours)
- Parties:** (i) Ramble Paper, as the purchaser; and  
(ii) Xiamen C&D, as the seller
- Term:** Commencing from the Effective Date and ending on 31 December 2026

- Subject Matter:** Pursuant to the Purchase Framework Agreement, any member of Ramble Paper Group may place individual orders or enter into individual contracts with any member of Xiamen C&D Group to purchase the wood pulp materials and packaging paper products that Xiamen C&D Group is the main distributor.
- Pricing Principles:** The price of the products purchased by Ramble Paper Group from Xiamen C&D Group shall be determined after arm's length negotiations between the parties with reference to, among others, current market price for similar products and the purchase quotations and policies for similar products of similar qualities provided by third-party suppliers to Ramble Paper Group. In any event, such prices or purchase terms shall be no less favourable than those provided by third-party suppliers to Ramble Paper and/or Ramble Paper Group.
- Settlement and Payment Method:** The settlement and payment method shall be agreed and elaborated in the specific individual orders or contracts to be entered into between any member of Ramble Paper Group and any member of Xiamen C&D Group after arm's length negotiations and on a normal commercial basis, provided that, in each case, the relevant settlement and payment methods shall be no less favourable than those provided by third-party suppliers to Ramble Paper and/or Ramble Paper Group.
- Effective Date:** The Purchase Framework Agreement shall become effective after being sealed by the parties and all necessary approvals (including the approval of the Independent Shareholders at the EGM) being obtained by the parties.

## Annual Caps and Basis of Determination

The unaudited historical purchase amounts for the wood pulp materials and packaging paper products paid by Ramble Paper Group to Xiamen C&D Group are set out below:

	For the financial year ended 31 December		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Historical transaction amounts</b>	14,482	156,227	160,719

The proposed annual caps for the total purchase amount payable by Ramble Paper Group to Xiamen C&D Group for the transactions contemplated under the Purchase Framework Agreement are set out below:

	For the financial year ending 31 December		
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Annual caps</b>	370,800	426,800	714,700

The annual caps set out above have been determined after taking into account: (i) the anticipated demand of Ramble Paper Group for the wood pulp materials and packaging paper products to be purchased under the Purchase Framework Agreement; (ii) the price trend for the similar wood pulp materials and the current market price range for similar packaging paper products obtained by the management of Ramble Paper from public domain; (iii) the stable quality and the transaction amount of the products historically purchased by Ramble Paper Group from Xiamen C&D Group; and (iv) the anticipated increase in the quantity of the wood pulp materials and packaging paper products that Ramble Paper Group requires during the term of the Purchase Framework Agreement.

Considering (i) an existing production line of the Group is expected to generate rapidly growing output in 2024; (ii) new production line(s) of the Group will be put into operation by late 2025 and is/are expected to record a high output level in 2026; and (iii) lower cost for the Group for purchasing certain wood pulp materials from Xiamen C&D Group compared to directly importing from overseas sellers, the Group is of the view that the growth in purchase amount under the Purchase Framework Agreement for wood pulp materials in the years 2024, 2025 and 2026 will increase significantly which results in higher annual growth rates of the proposed annual caps for the years 2024, 2025 and 2026.

## II. SALES FRAMEWORK AGREEMENT

On 2 January 2024 (after trading hours), Century Sunshine and Xiamen C&D entered into the Sales Framework Agreement with a term from the Effective Date to 31 December 2026, pursuant to which, Century Sunshine Group agrees to sell to Xiamen C&D Group the packaging paper products that Century Sunshine Group produces.

The principal terms of the Sales Framework Agreement are described below:

- Date:** 2 January 2024 (after trading hours)
- Parties:** (i) Xiamen C&D, as the purchaser; and  
(ii) Century Sunshine, as the seller
- Term:** Commencing from the Effective Date and ending on 31 December 2026
- Subject Matter:** Pursuant to the Sales Framework Agreement, any member of Xiamen C&D Group may place individual orders or enter into individual contracts with any member of Century Sunshine Group to purchase the packaging paper products that Century Sunshine Group produces.
- Pricing Principles:** The price of the products sold by Century Sunshine Group to Xiamen C&D Group shall be determined after arm's length negotiations between the parties with reference to, among others, current market price for similar products and the selling prices and policies for similar products of similar qualities provided by Century Sunshine Group to third-party customers. In any event, such prices or sale terms shall be no more favourable than those provided by Century Sunshine and/or Century Sunshine Group to third-party customers.
- Settlement and Payment Method:** The settlement and payment method shall be agreed and elaborated in the specific individual orders or contracts to be entered into between any member of Century Sunshine Group and any member of Xiamen C&D Group after arm's length negotiations and on a normal commercial basis, provided that, in each case, the relevant settlement and payment methods shall be no more favourable than those provided by Century Sunshine and/or Century Sunshine Group to third-party customers.

**Effective Date:** The Sales Framework Agreement shall become effective after being sealed by the parties and all necessary approvals (including the approval of the Independent Shareholders at the EGM) being obtained by the parties.

### **Annual Caps and Basis of Determination**

The unaudited historical purchase amounts for the packaging paper products paid by Xiamen C&D Group to Century Sunshine Group are set out below:

	<b>For the financial year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Historical transaction amounts</b>	23,577	167,639	412,382

The proposed annual caps for the total purchase amount payable by Xiamen C&D Group to Century Sunshine Group for the transactions contemplated under the Sales Framework Agreement are set out below:

	<b>For the financial year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Annual caps</b>	522,100	590,100	657,200

The annual caps set out above have been determined after taking into account: (i) production capacity and supply amount of Century Sunshine Group; (ii) the current market price range for the similar packaging paper products, which are available from public channels and obtained by the management of Century Sunshine; (iii) the historical demand of Xiamen C&D Group for the packaging paper products that Century Sunshine Group produces; (iv) the anticipated increase in the quantity of the packaging paper products that Xiamen C&D Group requires during the term of the Sales Framework Agreement; and (v) the Group's current business plan to maintain a relatively large third-party customer base in relation to sales with a view to reduce its reliance on connected persons.

## **III. INFORMATION OF THE PARTIES TO THE FRAMEWORK AGREEMENTS**

### **Xiamen C&D**

Xiamen C&D is a limited company established in the PRC and is principally engaged in the business of forestry, pulp and paper products. Xiamen C&D is directly and indirectly wholly-owned by Xiamen C&D Inc.\* (廈門建發股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH).

Xiamen C&D Inc.\* is principally engaged in supply chain operations, real estate development and home decoration and furniture mall operation. Xiamen C&D Group Co., Ltd.\* (廈門建發集團有限公司), being the controlling shareholder of Xiamen C&D Inc., is directly wholly-owned by 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 C&D Group Co., Ltd.\* is a conglomerate principally engaged in, among other things, supply chain operation, municipal construction and operations, hospitality and expos, medical and health and emerging industry investment.

### **Century Sunshine**

Century Sunshine is a limited company established in the PRC and is indirectly owned as to 99.9% by the Company. Century Sunshine is principally engaged in manufacture of paper products and a subsidiary of the Company.

### **Ramble Paper**

Ramble Paper is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

### **The Company**

The Company is a limited company incorporated in 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.

## **IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS**

Xiamen C&D Group is one of the leading enterprises engaged in the sales and/or import of paper products and pulp and has strong strength and reputation advantages in the industry. The Group has been procuring from and selling to Xiamen C&D Group certain materials and packaging paper products for a number of years. As a result of such long-term business relationship, the parties have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly in a cost-efficient manner to any new requirements that the other group may request. By entering into the Framework Agreements, the Group is able to secure a stable and reliable supply of materials and fulfill its relevant business needs.



The Directors (excluding the independent non-executive Directors who will form their views after considering the recommendation from the independent financial adviser) consider that (i) the entering into of the Framework Agreements is in the ordinary and usual course of business of the Group; and (ii) the terms of the Framework Agreements, together with the transactions contemplated thereunder and their respective proposed annual caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

Mr. Zhang Xiaohui, a non-executive Director, is the general manager of Xiamen C&D, and therefore has a material interest in the Framework Agreements. Mr. Zhang Xiaohui has abstained from voting on the Board resolutions to approve such transactions. Save as disclosed above, none of other Directors has a material interest in the Framework Agreements which would require them to abstain from voting on the relevant Board resolutions.

## **V. INTERNAL CONTROL MEASURES**

In order to effectively implement the Framework Agreements, the Group has adopted the following internal control measures:

- (i) relevant members of staff of the business department of the Company (or its subsidiaries) have been designated to monitor the market price of the products and materials to be purchased and sold under the Framework Agreements:
  - (A) as for the products to be purchased by Ramble Paper Group, the relevant staff will, before the entering into of each individual order or contract in accordance with the Purchase Framework Agreement, (a) check quotations on the public domain on a daily basis for similar wood pulp materials and packaging paper products as those to be purchased by Ramble Paper Group; and (b) obtain quotations of similar wood pulp materials and packaging paper products from other third suppliers from time to time; and
  - (B) as for the products to be sold by Century Sunshine Group, the staffs will, before the entering into of each individual order or contract in accordance with the Sales Framework Agreement, (a) check quotations on the public website domain on a daily basis for similar packaging paper products as those to be sold by Century Sunshine Group; and (b) obtain the final contract prices of the packaging paper products sold to other third party customers by Century Sunshine Group from time to time;
- (ii) the financial department of the Company (or its subsidiaries) will continuously monitor the continuing connected transactions on a monthly basis to ensure that the total transaction amount will not exceed the respective proposed annual cap. If the accumulated transaction amount is close to the respective proposed annual cap, the management of the Company (or its subsidiaries) will renew the proposed annual cap or suspend the transaction, as appropriate;



- (iii) the Company's external auditors will conduct an annual review of the transactions contemplated under the Framework Agreements to ensure that the transaction amounts fall within the respective proposed annual caps and that such transactions are conducted in accordance with the terms set out in the Framework Agreements;
- (iv) the independent non-executive Directors will conduct an annual review of the status of the transactions contemplated under the Framework Agreements to ensure that the Company has complied with the internal approval procedures, the terms of the Framework Agreements and the relevant requirements under the Listing Rules; and
- (v) the internal audit function of Group will, from time to time, review and conduct sample checks on the relevant transaction documents and ensure that the pricing basis and internal control procedures are complied with.

## **VI. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Xiamen C&D holds 100% shares of Hong Kong Paper Sources Co., Limited (香港紙源有限公司), which holds 162,000,000 Shares, representing approximately 14.34% of the Company's total issued share capital, and is a substantial shareholder of the Company. Xiamen C&D is therefore a connected person of the Company under the Listing Rules and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under each of the Purchase Framework Agreement and the Sales Framework Agreement exceed 5%, the entering into of the Framework Agreements and the transactions contemplated thereunder will be subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the Framework Agreements, the transactions contemplated thereunder and their respective proposed annual caps. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Framework Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

## VII. THE EGM

The Company will convene the EGM to obtain the approval from the Independent Shareholders in respect of the Framework Agreements and the proposed transactions contemplated thereunder (including the proposed annual caps thereto).

Hong Kong Paper Sources Co., Limited (香港紙源有限公司) holds 162,000,000 Shares, representing approximately 14.34% of the Company's total issued share capital as at the date of this announcement, and will abstain from voting at the EGM on the ordinary resolutions to approve the Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps thereto). The relevant resolutions to be proposed at the EGM will be voted on by poll in compliance with the Listing Rules.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this announcement, no other Shareholder has a material interest in the Framework Agreements and the transactions contemplated thereunder, and therefore no other Shareholder is required to abstain from voting on relevant resolutions at the EGM.

A circular containing, among other things, (i) details of the Framework Agreements, (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations; (iii) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Framework Agreements, the transactions contemplated thereunder and their respective proposed annual caps; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or around 23 January 2024.

## VIII. DEFINITIONS

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

“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 limited company established in the PRC and a subsidiary of the Company
“Century Sunshine Group”	Century Sunshine and/or its subsidiaries
“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 (stock code: 2002)

“Director(s)”	the director(s) of the Company
“Effective Date”	the effective date of the Framework Agreements
“EGM”	the extraordinary general meeting of the Company to be convened, among other things, for the Independent Shareholders to consider and, if thought fit, approve the Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps thereto), and any adjournment thereof
“Framework Agreements”	the Purchase Framework Agreement and the Sales Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company (which comprises all independent non-executive Directors), which will be formed to consider the terms of the Framework Agreements, the transactions contemplated thereunder and their respective proposed annual caps
“Independent Shareholders”	Shareholder(s) other than Hong Kong Paper Sources Co., Limited (香港紙源有限公司) and its associates
“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, Macau and Taiwan
“Purchase Framework Agreement”	the purchase framework agreement dated 2 January 2024 entered into between Ramble Paper and Xiamen C&D in relation to the purchase of wood pulp materials and packaging paper products by Ramble Paper Group from Xiamen C&D Group
“Ramble Paper”	China Ramble Paper Company Limited (中國遠博紙業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 20 August 2007 and an indirect wholly-owned subsidiary of the Company
“Ramble Paper Group”	Ramble Paper and/or its subsidiaries

“RMB”	Renminbi, the lawful currency of the PRC
“Sales Framework Agreement”	the sales framework agreement dated 2 January 2024 entered into between Century Sunshine and Xiamen C&D in relation to the sale of packaging paper products by Century Sunshine Group to Xiamen C&D Group
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen C&D”	Xiamen C&D Paper & Pulp Group Co., Ltd.* (廈門建發漿紙集團有限公司), a limited company established in the PRC and a connected person of the Company
“Xiamen C&D Group”	Xiamen C&D and/or its subsidiaries
“%”	per cent

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

Weifang, Shandong Province, China, 2 January 2024

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

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

*Non-executive Director:* Ms. Wu Rong and Mr. Zhang Xiaohui

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

\* For identification purposes only