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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 TRANSACTIONS FINANCE LEASE ARRANGEMENT

SALES AGREEMENT AND FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 26 July 2022 (after trading hours), Wamat Paper (a wholly-owned subsidiary of the Company), as the Seller and the Lessee, entered into the Finance Lease Agreement with Yangtz United, as the Purchaser and the Lessor, pursuant to which, Yangtz United has agreed to, among other things, (i) acquire the Leased Assets from Wamat Paper at a consideration of RMB150,000,000 and (ii) lease the Leased Assets to Wamat Paper for the Lease Term.

IMPLICATIONS OF THE LISTING RULES

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

The Board is pleased to announce that, on 26 July 2022 (after trading hours), Wamat Paper, a wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with Yangtz United in respect of the Finance Lease Arrangement. The principal terms of the Finance Lease Agreement are summarized as follows:

FINANCE LEASE AGREEMENT

Date: 26 July 2022 (after trading hours)

Parties: (i) Wamat Paper (as the Seller and the Lessee); and
(ii) Yangtz United (as the Purchaser and the Lessor)

Lease Term: 3 years from the Lease Commencement Date

Sale of the Leased Assets:

Pursuant to the Finance Lease Agreement, the Seller agreed to sell and the Purchaser agreed to purchase the Leased Assets at a consideration of RMB150,000,000, which was determined after arm's length negotiation between the parties with reference to the book value of the Leased Assets of approximately RMB161,454,869.66.

Delivery of the Leased Assets:

The legal title of the Leased Assets shall be transferred to the Lessor upon its payment of the consideration for the purchase of the Leased Assets and shall be vested in the Lessor throughout the Lease Term.

Lease Payment:

Pursuant to the Finance Lease Agreement, the Leased Assets shall be leased back to the Lessee for the Lease Term at the total lease payment of approximately RMB166,420,109.88, which comprises of (i) the amount of the lease principal in the sum of RMB150,000,000; and (ii) a total lease interest of RMB16,420,109.88 calculated at the annual coupon rate of approximately 6.44% (over 5-year LPR as at the Lease Commencement Date plus 1.99%). The interest rate has been agreed after arm's length negotiations between the parties with reference to the consideration payable by Yangtz United for the purchase of the Leased Assets and the credit risks associated with the Finance Lease Arrangement. The lease payment shall be paid by the Lessee to the Lessor every three months in 12 installments during the Lease Term.

Security Deposit

Pursuant to the Finance Lease Agreement, the Lessee shall pay to the Lessor a security deposit of RMB7,500,000. Such security deposit would be deducted from the consideration to be paid by the Lessor for the purchase of the Leased Assets.

Transfer of Ownership of the Leased Assets back to the Lessee:

Subject to full payment of all the lease payment and other payables to the Lessor by the Lessee under the Finance Lease Agreement, the Lessor shall transfer the ownership of the Leased Assets to the Lessee with the payment of a retention money of RMB100 by the Lessee.

Guarantee for Lease Agreement:

Shandong Century Sunshine Paper Group Company Limited* (山東世紀陽光紙業集團有限公司), and Shanghai Warngreat Industrial Co., Ltd (上海王的實業有限公司), the subsidiaries of the Company, provide joint liability guarantee to the Lessor for the Lessee's liabilities under the Finance Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

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

INFORMATION ABOUT THE PARTIES TO THE FINANCE LEASE AGREEMENT

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 Company, together with its subsidiaries, are production/generation and sale of paper products, electricity and steam.

Wamat Paper is a wholly-owned subsidiary of the Company, and is principally engaged in corrugated paper production.

Yangtz United is a company incorporated in the PRC with limited liability, controlled by Shanghai Rural Commercial Bank Co., LTD, a PRC company listed on the Shanghai Stock Exchange (stock code: 601825) and is principally engaged in financial leasing business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yangtz United and its ultimate beneficial owner (if applicable) are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

IMPLICATIONS OF THE LISTING RULES

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

DEFINITIONS

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

“Board”	the board of Directors;
“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);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the finance lease contract dated 26 July 2022 between the Lessor and the Lessee in relation to the Finance Lease Arrangement;
“Finance Lease Arrangement”	the purchase of the Leased Assets by the Lessor and the lease back of the Leased Assets to the Lessee pursuant to the terms of the Finance Lease Agreement;
“Group”	the Company and its subsidiaries of the PRC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Lease Term”	the lease term of 3 years from the Lease Commencement Date under the Finance Lease Agreement;
“Leased Assets”	certain equipment owned by Wamat Paper (mainly for corrugated paper production) and currently stored in the Lessee’s factory located in Changle Economic Development Zone, Weifang, Shandong, China, which will be sold by the Lessee to the Lessor and shall be leased back to the Lessee according to the Finance Lease Agreement;

“Lease Commencement Date”	the date of payment of the consideration by Yangtz United to Wamat Paper for the purchase of the Leased Assets;
“Lessee” or “Seller”	Wamat Paper;
“Lessor” or “Purchaser”	Yangtz United Finance Leasing Co., Limited;
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange (as amended from time to time);
“LPR”	loan prime rate, which is the loan market quoted interest rate issued by the PRC National Interbank Funding Center;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wamat Paper”	Shangdong Wamat Paper Co., Ltd.* (山東華邁紙業有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;
“Yangtz United”	Yangtz United Financial Leasing Co., Limited* (長江聯合金融租賃有限公司), a limited liability company incorporated in the PRC on 18 June 2015;
“%”	per cent.

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

Weifang, China, 26 July 2022

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