阳光纸业
SUNSHINE PAPER

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)

SUPPLEMENTAL ANNOUNCEMENT TO TERMINATION AGREEMENT AND UPDATE ON PROFIT GUARANTEE

INTRODUCTION

Reference is made to the announcement of the Company dated 5 December 2025 in relation to the Sale and Purchase Agreement and the Profit Guarantee Termination Agreement (together, the "**Announcement**"). Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used in this announcement.

THE LATEST FINANCIAL POSITION OF THE TARGET GROUP

As of the date of this announcement, the borrowings of US$974,690.98 from Vendors' Guarantor A and US$2,000,000 from Vendors' Guarantor B have been fully repaid in accordance with the Sale and Purchase Agreement (the "**Repayment**") and duly reflected in the management accounts of the Target Group. Upon the Repayment and based on the management accounts of the Target Group as of 31 December 2025, the total assets of the Target Group amount to approximately US$11 million, the total liabilities of the Target Group amount to approximately US$8 million, and the cash and cash equivalents of the Target Group amount to approximately US$400,000.

The Repayment did not have a material adverse impact on the business operation of the Target Group. The Target Company's IDC power business has a short receivable turnover of less than 10 days, with some customers paying daily. Based on the management accounts of the Target Company, its monthly revenue for December 2025 maintained stable compared with that for November 2025 and is expected to increase by 50%–75% by the end of first quarter of 2026.

The following table sets out the revenue and net loss of the Target Group for the three years ended 31 December 2025:

	For the year ended 31 December		
	2023	**2024**	**2025**
	(audited)	*(audited)*	*(unaudited)*
	(US$)	*(US$)*	*(US$)*
Revenue	10,831,934	12,606,575	15,198,962
Net Loss	10,208,299	1,351,352	3,150,625

The Target Group recorded a significantly increased net loss for the year 2025 as compared to 2024 mainly due to the following reasons:

(1) **Hosting Load Reduction** — Two major customers terminated agreements after mid-2025, reducing hosting load from about 38 MW to 10 MW. This was due to weaknesses in the former management team's operations and client relationship management and resulted in the decrease in hosting revenue and profitability.

(2) **Asset Impairment —** Given certain of the compute-related equipment stored at the North Dakota site remained idle and was not deployed, they cannot meet the Target Group's latest requirement in terms of computing efficiency, compatibility and energy consumption performance, resulting in their lower recoverable amount compared to carrying amount. The Target Group therefore recognized an impairment of approximately US$1.75 million in the second half of 2025. This one-off and non-cash adjustment negatively impacted the income statement and contributed to the profit decline of the Target Group. As of the date of this announcement, such equipment remains owned by the Target Group but it is expected that they cannot be utilized in the Target Group's existing production or operation system in the short term. If the overall computing power utilization rate of such equipment can be largely improved in the future, their usability will be further reassessed.

(3) **High Management Costs** — The Target Group's previous management structure incurred relatively high fixed and semi-fixed costs, including salaries and administrative expenses. These costs were not reduced despite the significant fall in hosting load and revenue, further compressing margins and amplifying operating losses.

BUSINESS PLAN FOR THE TARGET GROUP

IDC Electricity Business

(1) Business Model

The Target Group's IDC Electricity Business refers to its high-density colocation hosting services, providing compute-intensive customers with stable, scalable powered infrastructure and 24/7 operations support. Its core business model is to provide compute-intensive customers with stable and scalable powered infrastructure together with 24/7 operations and maintenance support. Hosting fees are charged based on actual electricity consumption (kWh), ensuring transparency and predictability.

Pursuant to the hosting agreements (託管協議) entered into between the Target Group and its customers, customers typically lock in a specified power capacity to be provided by the Target Group in megawatts. The Target Group then provides powered racks, power distribution systems, transformers, network connectivity, monitoring and security, and ensures continuous uptime through round-the-clock maintenance. Additional chargeable services such as repair and compute optimization are offered upon request. Monthly hosting fees are calculated by multiplying the customer's actual electricity consumption by the agreed unit price.

The largest component of the Target Group's cost is wholesale electricity purchases. Other costs include data center operating expenses such as site lease, network access and maintenance of backup power systems, personnel costs for operations and technical support, and miscellaneous expenses including security, monitoring systems and consumables. The business benefits from economies of scale, as unit costs decline and operational efficiency improves with the expansion of hosting capacity.

Under prevailing industry practice, the customers typically pay a certain proportion of hosting prepayment or security deposit upon formally securing hosting resources, in order to confirm rack space and power capacity. Thereafter, the Target Group completes server installation and hosting deployment in phases according to the data center construction schedule and go-live plan.

(2) Customers

The Target Group has secured 4–10 customers with committed hosting capacity at a commercial scale, which is expected to utilize a substantial portion of the Target Group's available hosting capacity. In addition, the Target Group is in discussions with certain industrial-scale customers regarding potential hosting arrangements.

(3) Business Plan (Dallas/Texas)

The Company plans to prioritize the Target Group's IDC Electricity Business and allocate management and capital to this segment, given its stronger fundamentals, clearer near-term monetization pathways and the strategic value of power capacity in the Dallas market.

In the near term (next 6 months), the Company will focus on stabilization and operating discipline, including (i) standardizing commercial and credit terms across customers, (ii) tightening contract management, billing and collection processes, (iii) implementing operating KPIs and compliance controls, and (iv) completing targeted maintenance and upgrade works to protect availability and reliability. The Company will also centralize treasury and cash management to improve working-capital efficiency and strengthen internal controls.

In the medium term (6–18 months), the Company will pursue (i) longer-tenor offtake and customer arrangements with more predictable cashflow profiles, (ii) selective upgrade initiatives where risk-adjusted returns are attractive, and (iii) active engagement with utility and transmission stakeholders to support expansion optionality. Commercially, the Company's objective is to position the Target Group as a disciplined and reliable operator in the Dallas market, with a view to improving margins through a combination of higher utilization quality, tighter cost governance and better contractual economics.

In the longer term, subject to market conditions, grid availability and permitting outcomes, the Company will evaluate incremental capacity additions and/or site optimization strategies that allow the Target Group to participate in the continued expansion of AI inference and related high-density compute demand, while maintaining a conservative approach to capex commitments and counterparty risk.

(4) Specific Improvement Measures

The Company sent a negotiation team to TSE's site for the negotiation of the Sale and Purchase Agreement. The onsite team comprised two senior management of the Company with experience in power equipment and production operations and financial expertise, and a subsidiary-level manager who is familiar with the United States operating environment. While negotiating with the other two shareholders, the Company assisted TSE's management in completing an optimization and re-design of the organizational structure and in defining several core functional modules. Each module is led by personnel with relevant industry experience, with cross-department collaboration mechanisms and clear internal reporting lines now in place. The principal functions and progress to date of the core functional modules are summarized as follows:

(a) **Operations Management** — The team improved data center readiness and stability by optimizing processes and equipment coordination, raising the utilization rate of the on-site infrastructures (not counting the ones under repair) from 75% to 99%. Server performance, temperature control, and responsiveness have been enhanced. New standard operating procedures and accountability systems were implemented, and management now monitors daily operations to prevent delays or damage. Underperforming staff were replaced, and high performers were promoted to strengthen execution.

(b) **Project Development** — An experienced EPC (Engineering, Procurement and Construction) team was engaged, and construction plans and costs were re-evaluated. Cost per MW was reduced by over 10% without compromising safety or reliability. Supply chains were optimized to ensure multiple qualified vendors for key equipment.

(c) **Business Development and Client Management** — The business and client management team adopted proactive communication to stabilize customer relationships. A major client that planned to exit was retained and now intends to expand cooperation. Newly adopted policy that provides customers with daily reports on operations and power usage has significantly enhanced service transparency and strengthened customer trust. Following the organizational reorganization, the Target Group has achieved a significant improvement in effective utilization of its hosting infrastructure, representing an increase of approximately 50% compared to the period prior to the reorganization. Operational efficiency and client onboarding have continued to improve, and the utilization of available hosting capacity is expected to progressively increase, with full utilization anticipated by end of the first quarter of 2026, subject to market conditions and customer deployment schedules.

(d) **Safety Management** — Safety systems covering personnel, equipment, and emergency response were established and enforced. Regular training, inspections, and supervision reduce operational risks. A periodic inspection regime reinforces compliance and safety culture.

(e) **Infrastructure Maintenance** — The Target Group started to conduct systematic maintenance to ensure stable operations. Power lines and critical nodes are regularly inspected, cooling systems optimized, and fans replaced to prevent overheating. Water systems and safety facilities are continuously improved to minimize outage risks.

(f) **Finance and Cost Control** — The finance team of the Company reviewed and restructured costs and cash flow of the Target Group. Unnecessary expenses were eliminated, and employee costs aligned with business scale. All spending now requires approval and budget control. Positive monthly cash flow has been achieved since November 2025, and supplier relationships restored, improving external credibility.

LNG Business plan

With respect to the Target Group's LNG Business, the Company's strategy is to preserve value while avoiding further material capital deployment into a segment that is capital-intensive, longer investment cycle and subject to higher external uncertainties, as compared to the IDC Electricity Business. The global gas/LNG markets remain exposed to geopolitical-driven price volatility and a complex energy security environment, which increases forecasting uncertainty for marginal or development-stage projects.

Accordingly, the Target Group's LNG assets will continue to be managed on a value-preservation basis, and the Company is currently engaging with interested parties regarding a potential disposal of the relevant LNG business segment/assets. The Company's intention is to (i) crystallize value where commercially acceptable, (ii) remove ongoing capital calls and management distraction, and (iii) re-deploy resources toward the IDC Electricity Business, where the Company sees stronger risk-adjusted returns and clearer market tailwinds.

If a disposal cannot be completed on terms acceptable to the Company, the Company will maintain the LNG assets in a care-and-maintenance state to preserve optionality, while continuing to prioritize the IDC Electricity Business as the Target Group's core growth and value driver.

The Company's View on the Target Group and its prospect

The structural increase in electricity demand associated with the growth of data centers and AI workloads, and the resulting scarcity value of deliverable power capacity in key U.S. markets. The International Energy Agency has projected that global electricity consumption by data centers is set to more than double to around 945 TWh by 2030, with AI as a key driver of this growth. In practical terms, this trend elevates "firm, deliverable power capacity" into a strategic commodity for the digital economy.

Within the United States, the Company considers Texas, and the Dallas-Fort Worth region in particular, to be one of the most attractive markets for data-center related power demand. Coldwell Banker Richard Ellis identifies Dallas-Fort Worth as a leading North American data center market, noting significant construction activity and high pre-leasing levels, driven by hyperscalers and AI providers.

The Company's view is also supported by market-level grid indicators that demonstrate the scale and acceleration of large-load demand in Texas. Electric Reliability Council of Texas has disclosed that, as of November 2025, large-load interconnection requests reached approximately 226 GW (up from 63 GW in December 2024), with about 73% attributed to data centers. Separately, Oncor reported approximately 186 GW of data center-related requests in its commercial and industrial interconnection queue as of June 2025.

REASONS FOR ENTERING INTO THE ACQUISITION AND THE TERMINATION OF THE ADJUSTED PROFIT GUARANTEE

After considering the following reasons, the Company decided to proceed with the Sale and Purchase Agreement to acquire the remaining 55% interest in the Target Company and consolidate its financial performance into the Group's consolidated financial statements:

(1) The Target Group is located in Dallas, Texas, a region where the IDC/data center power market remains robust. Due to the scarcity of reliable grid-connected power capacity and the availability of supporting infrastructure in the region, the Target Group's contracted and operational access to IDC-related power capacity and supporting infrastructure possess significant strategic value. Sustained growth in demand for high-density computing power, including AI inference data centers, underpins a favorable medium- to long-term outlook for the Target Group. Against this backdrop, by leveraging the Target Group's location together with the support of the Company's management, it is expected that the Target Group will improve its capacity utilization and be better positioned to meet the requirements of high-value customers, thereby enhancing its ability to capture potential economic benefits.

(2) In addition to the changes in the business environment and strategic adjustments previously disclosed in the Announcements, the Target Group's weak profitability is primarily attributable to the insufficient commitment of its former management, which resulted in lax operational discipline, inadequate cost control, and deficient oversight. Consequently, revenue and profit of the Target Group have fallen materially below expectations. By leveraging the Target Group's existing facilities together with the Company's unified governance and management, the Target Group will be able to significantly enhance its resource utilization, optimize its execution of operational strategies, and generate substantial revenue.

(3) The Target Group has strong potential for future profitability. By acquiring the remaining 55% equity interest, the Group will be able to fully recognize and retain all future profits and cash flows of the Target Group without sharing the benefits of performance improvements with any third party. The wholly-owned structure will facilitate the Company's unified governance over the Target Group and accelerate the implementation of business decisions, including, among others, leveraging the Company's procurement and distribution channels, standardized contractual frameworks, and performance management for resource sharing.

(4) The Repurchase, which was designed as a remedial mechanism when the Target Company is not wholly-owned by the Company, involves huge execution uncertainties, extended timelines, and significant potential costs and risks. Considering (i) the Target Group's improving profitability trend; (ii) Vendors' Guarantor A's inability and unwillingness to continue to manage the Target Company, and Vendors' Guarantor B's lack of intention to get involved in the management of the Target Group, with both seeking exit; (iii) prior discussions with the proposed CEO of the Target Company on future management and development; and (iv) the positive industry outlook analysis by a third-party institution engaged the Company, the Company considers acquiring the remaining 55% equity interest at a minimal consideration is more favourable than seeking to enforce the Repurchase. Acquiring control of 100% equity interest of the Target Group will simplify ownership and decision-making process of the Target Group, provide a new growth driver at low cost, and, leveraging the Company's listed platform, accelerate turnaround, rebuild customer and utility relationships, and restore the Target Group to a sound operational track.

Based on the above and the following factors, the Board is of the view that the acquisition of the remaining 55% interest in the Target Company (the "**Acquisition**") and the termination of the Adjusted Profit Guarantee are beneficial to and in the interest of the Company and its shareholders as a whole:

(1) The industry of IDC Electricity Business is experiencing an unprecedented period of rapid growth, with a favorable industry outlook and strong resilience and development potential. The Acquisition will enable the Company to secure critical strategic resources for future growth. Upon completion, the Acquisition will further enhance the Company's industry layout and create sustainable long-term value for the Company and its Shareholders.

(2) Given the current macro-operating environment, the traditional markets of paper manufacturing and sale which the Group in engaged in, are relatively saturated. Business diversification and the pursuit of new commercial opportunities are in the overall interests of the Company and its Shareholders.

(3) Considering the Target Group's operational performance in recent years, the Company aims to continuously improve its management level through optimizing resource allocation. Since completion of the Acquisition in early December 2025, the CEO of the Target Company newly engaged by the Company has implemented a series of loss-to-profit turnaround plan, including (i) increasing the existing customers effective utilization ratio (the proportion of customer servers actively generating hash rate at the facility, excluding servers that are offline for repair, maintenance or pending return) from approximately 75% to 100%, reflecting reduced idle servers and improved operational uptime, and (ii) undergoing

workforce rationalization and strengthened cost control, successfully reducing monthly operating expenses by 50%, and demonstrating initial improvements in operational efficiency.

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

Weifang, Shandong Province, China, 6 February 2026

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. Chen Dongxu*
Independent non-executive Directors:	*Ms. Zhang Tao, Mr. Li Hengyuan and Mr. Sun Junchen*

* *For identification purposes only*