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China Packaging Holdings Development Limited

中華包裝控股發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

PLACING AGENT

Convoy Investment Services Limited

康宏証券投資服務有限公司

On 11 May 2015 (after trading hours), Novel Blaze, the Controlling Shareholder of the Company, has entered into (i) the Placing Agreement with the Placing Agent; and (ii) the Subscription Agreement with the Company.

Pursuant to the Placing Agreement, Novel Blaze agreed to appoint the Placing Agent as agent to the exclusion of all others and the Placing Agent agreed to act as agent for Novel Blaze to procure, on a best effort basis and upon the terms and subject to the conditions set out in the Placing Agreement, purchasers for the entire 160,000,000 Placing Shares at a purchase price of HK\$0.95 per Share determined and agreed by Novel Blaze and the Placing Agent based on a bookbuilding process. The total 160,000,000 Placing Shares represent (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement.

Pursuant to the Subscription Agreement, Novel Blaze conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue the Subscription Shares at the Subscription Price upon the terms and subject to the conditions set out in the Subscription Agreement. The Subscription Price, which will be equivalent to the Placing Price, was determined after arm's length negotiation between Novel Blaze and the Company. The total 160,000,000 Subscription Shares represent (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

As the Placing and the Subscription are subject to the satisfaction of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

PLACING AGREEMENT

The Placing Agreement was made between Novel Blaze and the Placing Agent on 11 May 2015 (after trading hours) pursuant to which Novel Blaze agreed to appoint the Placing Agent as agent to the exclusion of all others and the Placing Agent agreed to act as agent for Novel Blaze to procure, on a best effort basis and upon the terms and subject to the conditions set out in the Placing Agreement, purchasers for 160,000,000 Placing Shares at a purchase price of HK\$0.95 per Share determined and agreed by Novel Blaze and the Placing Agent based on a bookbuilding process.

Parties

- (1) Novel Blaze, a Controlling Shareholder of the Company, is directly wholly and beneficially owned by Sun Shao Hua, an executive Director of the Company.
- (2) Placing Agent (as placing agent) will procure, on a best effort basis, purchasers to purchase the Placing Shares. To the best knowledge and information of the Directors, the Placing Agent and its ultimate beneficial owners are Independent Third Parties of the Company and are not Connected Persons of the Company.

The Placing Agent will receive a placing commission of 4% of the amount which is equal to the Placing Price multiplied by the number of the Placing Shares placed by the Placing Agent. The placing commission is arrived at after arm's length negotiations between Novel Blaze and the Placing Agent.

Placees

The Placing Shares under the Placing Agreement will be placed by the Placing Agent at the Placing Price to Placees who shall be determined solely by the Placing Agent and will be independent professional, institutional and other investors.

It is expected that the Placees and their ultimate beneficial owners are Independent Third Parties selected and procured by the Placing Agent. No placees will become a substantial shareholder (as defined under the Listing Rules) as a result of the Placing and will not become Connected Persons of the Company after completion of the Placing.

Placing Shares

The total 160,000,000 Subscription Shares represent (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Placing Price

The Placing Price of HK\$0.95 represents a discount of approximately 15.18% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange on the date of this announcement;

Based on the Placing Price of HK\$0.95, the aggregated value of the 160,000,000 Placing Shares is approximately HK\$152.0 million. The aggregate nominal value of the 160,000,000 Placing Shares is HK\$1,600,000.

The Placing Price was determined with reference to the relevant trading price of the Shares on the Stock Exchange and was negotiated on an arm's length basis between the Company and the Placing Agent. In light that the Placing will enlarge the Shareholders' base of the Company and strengthen the financial position of the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable based on the current market condition and that the Placing is in the interests of the Company and the Shareholders as a whole.

Ranking of Placing Shares

The Placing Shares will be sold free from all liens, charges and encumbrances, and together with all rights attaching to them as at the Closing Date, including the right to receive all dividends declared, made or paid on or after the Closing Date.

Completion

The Placing is expected to complete on the closing Date.

Termination

Unless otherwise agreed by the parties to this Placing Agreement, in the event that completion of the Placing does not take place on or before the Closing Date, this Placing Agreement shall cease to have any effect, all obligations of each of the parties under this Placing Agreement shall cease and determine and no party shall have any claim against any other Party in respect of any matter arising out of or in connection with this Placing Agreement.

SUBSCRIPTION AGREEMENT

The Subscription Agreement was made between Novel Blaze and the Company on 11 May 2015 pursuant to which Novel Blaze conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue the Subscription Shares at the Subscription Price upon the terms and subject to the conditions set out in the Subscription Agreement.

Parties

- (1) Novel Blaze (as subscriber).
- (2) The Company (as issuer).

Price of the Subscription Shares

The Subscription Price, which will be equivalent to the Placing Price, was determined after arm's length negotiation between Novel Blaze and the Company.

Subscription Shares

The Subscription Shares of 160,000,000 Shares, which will be subscribed by Novel Blaze, represent (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription, and have an aggregate nominal value of HK\$1,600,000. The Subscription Shares of 160,000,000 Shares have a market value of approximately HK\$179.2 million based on the closing price of the Shares as at the date of this announcement. The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

Conditions of the Subscription

Completion of the Subscription is conditional upon the fulfillment of the following:

- (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (B) completion of the Placing having occurred pursuant to the terms of the Placing Agreement.

There is no provision in the Subscription Agreement allowing the parties thereto to waive any of the above conditions.

Completion of the Subscription

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the above conditions to be satisfied shall have been so satisfied, provided that it shall take place on a date no later than a date falling 14 days after the date of the Subscription Agreement (or such other time and/or date as Novel Blaze and the Company may agree in writing).

If completion of the Subscription is extended beyond 14 days after the date of the Placing Agreement, the Subscription will constitute a connected transaction under the Listing Rules which will require the approval of independent Shareholders of the Company and steps will be taken by the Company to ensure compliance with the Listing Rules and further announcement(s) will be made by the Company accordingly.

If completion of the Subscription does not occur within 14 days after the date of the Subscription Agreement, or such later date as may be agreed between the Company and Novel Blaze, the obligations and liabilities of Novel Blaze and the Company under the Subscription Agreement shall be null and void.

Mandate to allot and issue new Shares

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting held on 20 May 2014. Under such general mandate, the Company is allowed to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company. As at the date of this announcement, the Company has not issued any Shares pursuant to such general mandate. Accordingly, the allotment and issue of the Subscription Shares is not subject to any approval by the Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Effects on shareholding structure

The shareholding structure of the Company before and after the Completion is as follows:

	As at the date of this announcement		After Placing but before Subscription		After Placing but before Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Novel Blaze	408,000,000	51.00%	248,000,000	31.00%	408,000,000	42.50%
Placees	–	–	160,000,000	20.00%	160,000,000	16.67%
Public Shareholders	392,000,000	49.00%	392,000,000	49.00%	392,000,000	40.83%
Total issued share capital	800,000,000	100.00%	800,000,000	100.00%	960,000,000	100.00%

Note: The entire issued share capital of Novel Blaze are beneficially wholly owned by Mr. Sun Shao Hua, an executive Director of the Company.

USE OF PROCEEDS FROM THE SUBSCRIPTION

The Company intends to apply the net proceeds from the Subscription to fund the Group's general working capital and potential acquisitions. In light of the market conditions, the Placing and Subscription will raise additional capital for the Group for its business development. As at the date of this announcement, the Company has no concrete plan for the abovementioned potential acquisitions. Further announcement(s) will be made by the Company pursuant to the Listing Rules as and when appropriate. Apart from fees and commissions payable to, and the reimbursement of costs and expenses of, the Placing Agent, the Stock Exchange trading fee, the Securities and Futures Commission transaction levy and the relevant professional expenses, there are no other material expenses payable by the Company. Other than the intended use stated above, there is no other specific usage for the net proceeds.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVEMONTH PERIOD

The Company has not conducted any equity fund raising activity in the past twelve-month period immediately preceding the date of this announcement.

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The proposed Placing and Subscription would achieve the following benefits for the Company:

- (A) it would increase the amount of Shares held by public investors which may in turn enhance the trading liquidity of the stocks of the Company;

- (B) it would introduce new investors to the Company and hence further optimise and diversify the Company's shareholding base;
- (C) it would capture the current share price for the Company to raise new proceeds for funding the Group's expected production capacities expansion plans and for working capital purposes; and
- (D) it is expected that the Company's gearing level would be lowered by the proposed Placing and Subscription and thereby preserving the healthiness of the financial status of the Company.

The Directors, taking into account the above benefits to the Company, considered that the proposed Placing and Subscription is beneficial to the Company and in the best interest of the Shareholders.

COMPANY'S PRINCIPAL ACTIVITIES

The Group mainly provides its customers with one stop solution which includes designing, manufacturing, and printing of paper based packaging products. The Group's customers are mostly based in Jiangxi Province, while a few are based in Fujian province and Hubei province. The Group has a production base which is located in Fengxin County, Yichun City of Jiangxi Province, the People's Republic of China.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Business Day”	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Closing Date”	22 May 2015 or such other date as Novel Blaze and the Placing Agent may agree in writing
“Company”	China Packaging Holdings Development Limited (中華包裝控股發展有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed and traded on the Stock Exchange (stock code: 1439)
“Completion”	completion of the placing of the Placing Shares in accordance with the terms and conditions as set out in the Placing Agreement
“Connected Person(s)”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the same meaning ascribed to it under the Listing Rules

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novel Blaze”	Novel Blaze Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is wholly and beneficially owned by Mr. Sun Shao Hua an executive Director of the Company
“Placees”	any professional institutional and other investors whom the Placing Agent has procured to purchase any of the Placing Shares
“Placing”	the placing of the Placing Shares by Novel Blaze pursuant to the Placing Agreement
“Placing Agent”	Convoy Investment Services Limited
“Placing Agreement”	the placing agreement dated 11 May 2015 made between Novel Blaze and the Placing Agent for the placing of the Placing Shares at the Placing Price
“Placing Price”	HK\$0.95 per Share determined and agreed by Novel Blaze, the Company and the Placing Agent based on a bookbuilding process
“Placing Shares”	160,000,000 Shares to be placed by Novel Blaze pursuant to the Placing Agreement
“Independent Third Parties”	independent third parties who are not Connected Person(s) (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Shareholder(s)”	holder(s) of the issued Share(s)

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Novel Blaze for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 11 May 2015 made between Novel Blaze and the Company for the subscription of the Subscription Shares at the Subscription Price
“Subscription Price”	an amount equivalent to the Placing Price determined and agreed by Novel Blaze, the Company and the Placing Agent
“Subscription Shares”	160,000,000 Shares (equal to the number of Placing Shares placed by the Placing Agent under the Placing Agreement) to be issued to Novel Blaze by the Company under the Subscription Agreement
“%”	per cent.

By order of the Board
China Packaging Holdings Development Limited
Chen Wei Wei
Chairman

11 May 2015

As at the date of this announcement, the executive Directors are Mr. Chen Wei Wei (Chairman), Mr. Sun Shao Hua and Ms. Hu Li Yu; and the independent non-executive Directors are Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping.

This announcement is posted on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.hs-pack.com.