



# 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

## Interim Report 2021



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Dongxing (*Chairman*)  
Mr. Shi Weixin (*Vice Chairman*)  
Mr. Wang Changhai (*General Manager*)  
Mr. Zhang Zengguo (*Deputy General Manager*)  
Mr. Ci Xiaolei (*Deputy General Manager*)

### Non-Executive Director

Ms. Wu Rong

### Independent Non-Executive Directors

Ms. Shan Xueyan  
Mr. Wang Zefeng  
Ms. Jiao Jie

## AUDIT COMMITTEE

Ms. Shan Xueyan (*Chairlady*)  
Mr. Wang Zefeng  
Ms. Jiao Jie

## REMUNERATION COMMITTEE

Mr. Wang Zefeng (*Chairman*)  
Ms. Shan Xueyan  
Mr. Wang Dongxing

## NOMINATION COMMITTEE

Ms. Jiao Jie (*Chairlady*)  
Mr. Wang Dongxing  
Mr. Wang Zefeng

## COMPANY SECRETARY

Mr. Chan Yee Ping, Michael

## AUTHORISED REPRESENTATIVES

Mr. Wang Dongxing  
Mr. Chan Yee Ping, Michael

## PRINCIPAL PLACE OF BUSINESS IN CHINA

Changle Economic Development Zone  
Weifang 262400  
Shandong  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Winsan Tower  
98 Thomson Road  
Wanchai  
Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Suntera (Cayman) Limited  
Suite 3204, Unit 2A,  
Block 3, Building D  
P.O. Box 1586,  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands





## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## AUDITOR

Grant Thornton Hong Kong Limited  
Certified Public Accountants  
Level 12  
28 Hennessy Road  
Wanchai, Hong Kong

## LEGAL ADVISERS AS TO THE LAWS OF HONG KONG

Morgan, Lewis & Bockius  
Suites 1902–09, 19th Floor  
Edinburgh Tower, The Landmark  
15 Queen's Road Central  
Hong Kong

## STOCK CODE

2002

## WEBSITE

[www.sunshinepaper.com.cn](http://www.sunshinepaper.com.cn)





# Operation Review and Outlook

## BUSINESS REVIEW

In 1H 2021, under the government's effective epidemic prevention and control, the domestic epidemic prevention and control has entered into a normalization stage. With the active efforts of all the leaders and employees of the Group against the new situation, new business normal and new challenges under the management concept of "innovation, breakthrough and detail" formulated at the beginning of the year, the Group steadfastly expanded its operations externally and implemented strict management internally, so that the Group managed to survive amid fierce market competition and maintained a strong and sustainable profitability.

In response to the weak market demand, fierce industry competition, sluggish downstream demand and sharp increase in raw material prices, the Group has improved its competitiveness in all aspects of procurement, production, finance, sales and logistics, including developing procurement channels, improving production processes, optimizing financial structure, implementing precisely targeted strategies of market development and maintenance, improving logistics efficiency. As a result, the Group has gained recognition from customers and maintained a relatively good market share while effectively reducing costs. For 1H 2021, the Group reported 734,000 tonnes of machine-made paper, representing an increase of 19.5% as compared to 614,000 tonnes for the corresponding period last year. The total revenue increased to RMB3,807.2 million, representing an increase of 34.2% as compared to that for the corresponding period last year.

The Group focuses on producing high-quality and multipurposed packaging paper, including white top linerboard, coated-white top linerboard, core board and corrugated paper. It is also committed to satisfying the various needs of different customer groups by intensively cultivating the market under the differentiated development strategy at the same time. In addition to the white top linerboard, coated-white top linerboard products independently developed by the Group with a number of intellectual property rights, which still contribute to the Company's main production capacity, corrugated paper has become a new source of revenue growth for the Company with the gradual release of the production capacity of the Group's newly commissioned corrugated paper production line.

## BUSINESS OUTLOOK

Although the pandemic is generally under control in the PRC, the global economy suffered immeasurable adverse impact given the uncertainties in respect of the epidemic prevention and control outside China. In addition, the implementation of the policy of zero imports of waste paper will have an additional impact on the supply of raw materials, product quality and technological process of the Group.

In light of the complicated domestic and international economic conditions, the Group will continue to optimize and recalibrate the composition of raw materials, while identifying new alternatives to secure a sufficient supply. Packaging paper is still the Group's main core product. The Group is committed to providing its customers with premium products, while actively responding to the national policy of "carbon emissions peak and carbon neutrality" implementing energy saving and emission reduction to achieve a mutually beneficial relationship between economic development and a balanced ecosystem.

With the further release of the production capacity of the new corrugated paper production line and following the commissioning of the second production line, the Group will further optimize its product mix, which will offer greater opportunities for its development. In the meantime, the Group will further improve its digitalization and build an intelligent manufacturing plant to provide customers with services of better quality and with higher efficiency, thus promoting sustainable development of the Group.





# Management Discussion and Analysis

## REVENUE

For 1H 2021, our Group's total revenue was RMB3,807.2 million, representing an increase of 34.2% as compared to that of RMB2,837.2 million for 1H 2020.

Both average selling price of paper products and sales volume increased during 1H 2021. Sales of paper products increased by 35.2% to RMB3,682.3 million for 1H 2021 with sales volume of around 734,000 tonnes, as compared to that of RMB2,722.7 million and around 614,000 tonnes for 1H 2020.

The table below sets forth the sales and gross profit margin by different business segments for the periods indicated:

	1H 2021			1H 2020		
	RMB'000	GP margin (%)	% of total revenue	RMB'000	GP margin (%)	% of total revenue
White top linerboard	843,904	30.0	22.2	677,924	26.4	23.9
Coated-white top linerboard	1,210,287	31.8	31.8	913,256	24.2	32.2
Core board	364,067	19.8	9.5	308,177	23.6	10.9
Specialised paper products	1,264,007	7.9	33.2	823,331	13.5	29.0
Subtotal of sales of paper products	3,682,265	22.0	96.7	2,722,688	21.5	96.0
Sales of electricity and steam	124,981	7.8	3.3	113,237	21.1	3.9
Others	—	—	—	1,229	86.6	0.1
<b>Total revenue</b>	<b>3,807,246</b>	<b>21.0</b>	<b>100</b>	<b>2,837,154</b>	<b>21.5</b>	<b>100</b>

## COST OF SALES

Cost of sales was RMB3,006.5 million for 1H 2021, representing an increase of 35.0% as compared with that of RMB2,227.2 million for 1H 2020. The increase in cost of sales was consistent with the increase in revenue.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of our Group increased from RMB610.0 million for 1H 2020 to RMB800.7 million for 1H 2021. The profit margin of the Group decreased during the period as compared with the corresponding period last year, from 21.5% for 1H 2020 to 21.0% for 1H 2021.

## OTHER PROFIT AND LOSS ITEMS

Other income of RMB126.3 million for 1H 2021 (1H 2020: RMB90.5 million) mainly consisted of interest income on bank deposits of RMB14.0 million, interest income earned from a joint venture of RMB8.5 million, government grants of RMB93.9 million, rental income of RMB1.8 million, hotel and catering service income of RMB2.1 million and logistics service income of RMB6.0 million.





## Management Discussion and Analysis

Other losses of RMB32.5 million for 1H 2021 (1H 2020: other gains of RMB7.4 million) mainly consisted of gain from sale of scrap materials of RMB10.4 million, loss of disposal of property, plant and equipment of RMB25.3 million, net foreign exchange losses of RMB1.4 million, provision for expected credit loss on other receivables of RMB1.7 million, impairment loss on property, plant and equipment of RMB17.2 million, reversal of expected credit loss on trade receivables of RMB0.5 million, and other gains of RMB2.2 million.

Distribution and selling expenses was RMB160.5 million for 1H 2021, as compared with RMB136.1 million for 1H 2020. As a percentage against revenue, it decreased from 4.8% for 1H 2020 to 4.2% for 1H 2021.

Administrative expenses was RMB197.9 million for 1H 2021, representing an increase of 28.5% as compared with RMB154.0 million for 1H 2020. As a percentage against revenue, it decreased from 5.4% for 1H 2020 to 5.2% for 1H 2021.

Finance costs was RMB77.0 million for 1H 2021, representing a decrease of 21.7% as compared with RMB98.4 million for 1H 2020. As a percentage against revenue, it decreased from 3.5% for 1H 2020 to 2.0% for 1H 2021. The decrease was mainly due to the decrease in discounted bills financing and weighted average borrowing rate of bank loans and discounted bills financing.

During 1H 2021, there was a share of profit of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB9.6 million (1H 2020: share of loss of RMB4.4 million).

### INCOME TAX EXPENSE

Our income tax expense increased from RMB98.3 million for 1H 2020 to RMB128.5 million for 1H 2021. Effective tax rate for 1H 2021 and 1H 2020 was 27.7% and 31.3%, respectively.

### PROFIT AND TOTAL COMPREHENSIVE INCOME

As a result of the above factors, the profit for the period attributable to the owners of the Company is RMB331.3 million for 1H 2021 (1H 2020: RMB206.3 million).

### LIQUIDITY AND FINANCIAL RESOURCES

#### Working capital, gearing and financial resources

Our Group has funded our operations principally with cash generated from our operations, bank borrowings and credit facilities provided by commercial banks in China. Our Group possesses sufficient cash and available banking facilities to meet capital commitments and working capital requirements.

As at 30 June 2021, our Group had restricted bank deposits, cash and bank balances of RMB2,436.0 million (31 December 2020: RMB1,753.7 million). The debt of the Group comprised of bank and other borrowings, lease liabilities and corporate bond total RMB3,146.9 million as at 30 June 2021 (31 December 2020: RMB2,917.4 million). Net gearing ratio decreased from 33.9% as at 31 December 2020 to 18.4% as at 30 June 2021.

Inventories increased from RMB635.7 million as at 31 December 2020 to RMB734.2 million as at 30 June 2021. Inventory turnover was 41 days for 1H 2021, as compared to 49 days for 1H 2020.





Trade receivables increased from RMB513.3 million as at 31 December 2020 to RMB517.7 million as at 30 June 2021. Trade receivables turnover was 25 days for 1H 2021, as compared to 35 days for 1H 2020. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded an increase from RMB814.3 million as at 31 December 2020 to RMB866.8 million as at 30 June 2021. Trade payable turnover was 51 days for 1H 2021, as compared to 78 days for 1H 2020.

Current ratio increased from 0.65 times as at 31 December 2020 to 0.73 times as at 30 June 2021.

### **Notes to financial ratios**

- (1) *Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.*
- (2) *Trade receivables turnover days equal the average of the opening and closing balances of trade receivables of the relevant period divided by revenue of the relevant period and multiplied by 182 days.*
- (3) *Trade payables turnover days equal the average of the opening and closing balances of trade payables of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.*
- (4) *Current ratio equals current assets divided by current liabilities as of the end of the period.*
- (5) *Net gearing ratio equals the total of bank and other borrowings, obligations under finance leases and corporate bonds, net of bank and cash balances and restricted bank deposits, divided by the total equity as of the end of the period.*

### **Capital expenditure**

For 1H 2021, our capital expenditure was approximately RMB54.2 million, which mainly involved the purchase of equipment and land for our new corrugated paper production line, as well as the construction of ancillary facilities.

### **Capital commitments and contingent liabilities**

As at 30 June 2021, our Group had capital commitments, which were contracted in the condensed consolidated interim financial statements in respect of acquisition of property, plant and equipment and investment cost in a partnership of RMB338.7 million.

There was no contingent liabilities as at 30 June 2021.

### **Pledge of assets**

As at 30 June 2021, the carrying amount of our assets of RMB1,828.9 million and the fair value of our investment property of RMB66.5 million were pledged as collateral or security for our Group's bank loans, lease liabilities and corporate bond.

### **Foreign exchange risks**

As the functional and reporting currency of our Group is RMB, there is no foreign exchange difference arising from the translation of financial statements. In addition, as our Group conducts business transactions principally in RMB and the amount of bank balances denominated in foreign currencies is immaterial, the exchange rate risk at our Group's operational level is not significant.

Nevertheless, our Company continues to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when needed.





# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

The Company is committed to achieve a high standard of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout 1H 2021.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by our Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code throughout 1H 2021.

## AUDIT COMMITTEE

The Board has established an audit committee in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the Company's financial reporting process, internal control and risk management system and to provide advice and comments to the Board. The audit committee consists of three independent non-executive Directors, namely Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Shan Xueyan is the chairlady of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2021 and discussed the financial matters with the management of the Company. The unaudited condensed consolidated financial statements of the Group for 1H 2021 have been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants.

## EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 4,600 employees as at 30 June 2021. The staff costs for 1H 2021 were RMB231.3 million (1H 2020: RMB167.5 million). The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance-based remuneration which reflects market standards. Employees' remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our Group's emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group's business development, so as to achieve our Group's operational targets.

## INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for 1H 2021 (1H 2020: nil).

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of Company's shares.



## SUFFICIENCY PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the public float as required under the Listing Rules throughout 1H 2021.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the period.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2021, the Directors listed below had the following interests and short positions in the Shares, underlying Shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code:

### (a) Long positions in our Company:

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of share</b>	<b>Approximate percentage of shareholding</b>
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	35.54%
	Beneficial owner	18,425,500	2.04%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	3,840,000	0.42%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	35.54%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	22,265,500	2.46%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	35.54%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	22,265,500	2.46%



## Corporate Governance and Other Information

Name of Director	Nature of interest	Number of share	Approximate percentage of shareholding
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company <sup>(1)</sup>	321,687,052	35.54%
	Beneficial owner	3,840,000	0.42%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	18,425,500	2.04%
Mr. Ci Xiaolei	Beneficial owner	929,000	0.10%
Ms. Wu Rong	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	321,687,052	35.54%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	22,265,500	2.46%

### Notes:

1. 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, Mr. Sun Qingtao, Mr. Wang Changhai, Mr. Wang Dongxing, Mr. Wang Feng, Mr. Wang Yilong, Mr. Wang Yongqing, Ms. Wu Rong, Mr. Zhang Zengguo, Mr. Zheng Fasheng and Mr. Zuo Xiwei (the "Controlling Shareholders Group") entered into an agreement on 16 June 2006 and as amended by a supplemental agreement on 19 November 2007 (the "Concert Parties Agreement"), pursuant to which each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in China Sunshine Paper Investments Limited ("China Sunshine"), China Sunrise Paper Holdings Limited ("China Sunrise") and any members of our Group (with China Sunshine and China Sunrise, collectively, the "Target Entities") and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by shareholders. As China Sunrise is wholly-owned by China Sunshine, and China Sunshine is wholly-owned by the Controlling Shareholders Group, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code), including Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai, is deemed to be interested in the 321,687,052 Shares held by China Sunrise.
2. Under section 318 of the SFO, Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 22,265,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 3,840,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 18,425,500 Shares held by Mr. Wang Dongxing.





## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF OUR COMPANY

So far as we, the Directors, are aware, as at 30 June 2021, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) in the shares, underlying shares or debentures of our Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	321,687,052	35.54%
China Sunshine <sup>(1)</sup>	Long	Interest of a controlled corporation	321,687,052	35.54%
Controlling Shareholders Group <sup>(2)</sup>	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	35.54%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	22,265,500	2.46%

*Notes:*

- As China Sunshine owns the entire interest of China Sunrise, China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise.*
- Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the Target Entities and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunshine owns the entire interest of China Sunrise, and the Controlling Shareholders Group owns the entire interest of China Sunshine, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code) is deemed to be interested in the 321,687,052 Shares held by China Sunrise. Further, Mr. Wang Dongxing is interested in 18,425,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 3,840,000 Shares as beneficial owner. Other members of the Controlling Shareholder Group, being member of the Concert Parties Agreement, are deemed to be interested in such Shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the SFO.*

Except as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of our Company as at 30 June 2021.



## SHARE OPTION SCHEME

References are made to the circular of the Company dated 27 April 2018 and the announcement of the Company dated 31 May 2018 in relation to, among others, the adoption of the 2018 share option scheme (the “2018 Share Option Scheme”). As conditions of the 2018 Share Option Scheme have not been satisfied within two calendar months after its adoption date of 31 May 2018, the 2018 Share Option Scheme has been terminated. No option has been granted, exercised, cancelled or lapsed under the 2018 Share Option Scheme as of the date of this report.

## SHARE AWARD SCHEME

A share award scheme of the Company (the “Share Award Scheme”) was adopted by the Board on 27 June 2017 (the “Adoption Date”). The purpose of the Share Award Scheme is to recognise the contributions of certain persons (“Eligible Participants”, as mentioned in the following paragraph) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Board may from time to time at its absolute discretion select any Eligible Participant(s) to participate in the Scheme. Eligible Participants include any Director (whether executive or non-executive), senior management and employees of the Company or its subsidiaries (including but not limited to office managers, regional directors, senior managers, office directors, general managers and chief executive officers), but excluding the following persons: (i) any seconded employee, part-time employee or non-full time employee of the Group; (ii) any employee of the Group who at the relevant time has given or been given notice terminating his office or directorship, as the case may be; and (iii) any other person that the Board may determine from time to time.

Subject to the limit on the size of the Share Award Scheme as set out below, the Board shall determine a number of awarded shares (the “Awarded Shares”) which it wishes to be the subject of an Award. The Board shall notify a selected participant (the “Selected Participant”) of the terms and conditions of any Award, including any vesting schedule, by a letter of grant, and such Award shall be deemed to be accepted by the Selected Participant when the Company receives a duplicate of the letter of grant signed by such Selected Participant.

The Awarded Shares shall be allotted and issued by the Company at the end of each vesting period at par value or any other higher amount as determined by the Board, by using (i) the general mandate granted to the Board by the shareholders in general meetings of the Company from time to time; or (ii) where required by applicable law, the Listing Rules, the Articles or any rule of the Company, specific mandate(s) to be granted to the Board by the shareholders in general meetings of the Company from time to time.

Any Awarded Shares shall vest in the relevant Selected Participant(s) in accordance with the schedule (the date or each such date on which Awarded Shares are to vest as set out in such schedule being a “Vesting Date”) determined by the Board at its sole discretion at the date on which that Selected Participant is selected for participation in the Scheme, provided that both of the following conditions have been and remain satisfied at the relevant dates: (i) such further conditions as the Board at its sole discretion may have stipulated and which have been communicated to the Selected Participant in writing on or before the date on which the Selected Participant is notified of the Award; and (ii) that the Selected Participant remains on the Vesting Date (or, as the case may be, on each relevant Vesting Date) an Eligible Participant of the Group. In addition, no Shares shall be vested in the relevant Selected Participant if the Selected Participant has been terminated, summarily dismissed, convicted for any criminal offence, has become bankrupt or has been charged, convicted or held liable for any offence under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any other similar applicable laws or regulations in force from time to time.





## Corporate Governance and Other Information

The Board shall not make any further Award which will result in the total number of Shares awarded by the Board under the Scheme representing in excess of 10% of the issued share capital of the Company as at the Adoption Date. Awards lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the 10% limit. The Board may seek approval by the Shareholders in general meeting for “refreshing” the 10% limit under the Scheme. Unless approved by the Shareholders in a general meeting, the maximum number of Awarded Shares which may be subject to Award(s) made to a single Selected Participant in any 12-month period shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date. As at the date of this report, the remaining life of the Share Award Scheme is approximately 6 years and 10 months.

Further details of the Share Award Scheme are set out in the Company’s announcement dated 27 June 2017 and the circular dated 1 September 2017.

No Awards were granted during 1H 2021.





# Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Information



**To the board of directors of China Sunshine Paper Holdings Company Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of China Sunshine Paper Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 16 to 38, which comprise the condensed consolidated statement of financial position as at 30 June 2021, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





## Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Information

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

#### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

27 August 2021

#### **Kwong Kam Wing Kelvin**

Practising Certificate No.: P05373



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4&5	<b>3,807,246</b>	2,837,154
Cost of sales		<b>(3,006,535)</b>	(2,227,194)
Gross profit		<b>800,711</b>	609,960
Other income	6	<b>126,341</b>	90,472
Other gains or losses	6	<b>(32,496)</b>	7,376
Distribution and selling expenses		<b>(160,532)</b>	(136,119)
Administrative expenses		<b>(197,944)</b>	(153,961)
Loss on fair value changes of an investment property		<b>(5,468)</b>	(418)
Finance costs	7	<b>(77,026)</b>	(98,358)
Share of profit/(loss) of a joint venture		<b>9,635</b>	(4,374)
Profit before income tax	9	<b>463,221</b>	314,578
Income tax expense	8	<b>(128,527)</b>	(98,348)
Profit and total comprehensive income for the period		<b>334,694</b>	216,230
Profit and total comprehensive income attributable to:			
Owners of the Company		<b>331,348</b>	206,344
Non-controlling interests		<b>3,346</b>	9,886
		<b>334,694</b>	216,230
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted (RMB)	11	<b>0.39</b>	0.25



# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	4,797,610	4,679,607
Investment property	12	66,508	71,976
Prepaid lease payments		464,266	468,946
Goodwill		25,606	25,606
Deferred tax assets		55,296	51,755
Interest in a joint venture		198,120	188,485
Deposits for acquisition for property, plant and equipment		425,481	302,322
Deposits and other receivables		322,761	206,779
		<b>6,355,648</b>	5,995,476
<b>Current assets</b>			
Inventories		734,170	635,650
Trade receivables	13	517,678	513,349
Bills receivables	14	136,361	283,255
Prepayments and other receivables		241,911	198,996
Income tax recoverable		—	37
Restricted bank deposits		1,435,077	1,140,427
Bank balances and cash		1,000,920	613,268
		<b>4,066,117</b>	3,384,982
<b>Current liabilities</b>			
Contract liabilities		142,229	121,761
Trade payables	15	866,777	814,320
Bills payables	15	317,911	282,613
Other payables		168,955	209,460
Payable for construction work, machinery and equipment		164,761	207,397
Income tax payables		78,045	61,924
Lease liabilities	16	1,301	877
Deferred income		2,782	2,909
Discounted bills financing	17	1,571,903	1,245,217
Bank borrowings	18	1,939,185	1,972,696
Other borrowings	18	190,427	166,501
Corporate bond	19	99,980	99,803
		<b>5,544,256</b>	5,185,478
<b>Net current liabilities</b>		<b>(1,478,139)</b>	(1,800,496)
<b>Total assets less current liabilities</b>		<b>4,877,509</b>	4,194,980

## Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
<b>Capital and reserves</b>			
Share capital		80,944	73,779
Reserves		3,474,344	3,044,991
Equity attributable to owners of the Company		3,555,288	3,118,770
Non-controlling interests		316,260	312,914
<b>Total equity</b>		<b>3,871,548</b>	3,431,684
<b>Non-current liabilities</b>			
Lease liabilities	16	19,190	20,098
Bank borrowings	18	631,084	543,516
Other borrowings	18	265,716	113,875
Deferred income		44,562	46,096
Deferred tax liabilities		45,409	39,711
		1,005,961	763,296
<b>Total equity and non-current liabilities</b>		<b>4,877,509</b>	4,194,980

The condensed consolidated interim financial statements on pages 16 to 38 were approved by the board of directors on 27 August 2021 and are signed on its behalf by:

**Wang Dongxing**

*Director*

**Wang Changhai**

*Director*



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company											Total
	Share capital	Capital redemption reserve	Share premium	Merger reserve	Capital reserve	Assets revaluation reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained earnings	Subtotal	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019 (audited)	73,779	610	722,957	(2,776)	86,656	7,015	247,685	1,078	1,484,056	2,621,060	296,634	2,917,694
Capital contribution by non-controlling interests of a newly incorporated subsidiary	—	—	—	—	—	—	—	—	—	—	1	1
Transactions with owners	—	—	—	—	—	—	—	—	—	—	1	1
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	206,344	206,344	9,886	216,230
<b>At 30 June 2020 (unaudited)</b>	<b>73,779</b>	<b>610</b>	<b>722,957</b>	<b>(2,776)</b>	<b>86,656</b>	<b>7,015</b>	<b>247,685</b>	<b>1,078</b>	<b>1,690,400</b>	<b>2,827,404</b>	<b>306,521</b>	<b>3,133,925</b>
At 31 December 2020 (audited)	73,779	610	722,957	(2,776)	86,656	7,015	312,321	1,078	1,917,130	3,118,770	312,914	3,431,684
Issuance of shares (note)	7,165	—	98,005	—	—	—	—	—	—	105,170	—	105,170
Transactions with owners	7,165	—	98,005	—	—	—	—	—	—	105,170	—	105,170
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	331,348	331,348	3,346	334,694
<b>At 30 June 2021 (unaudited)</b>	<b>80,944</b>	<b>610</b>	<b>820,962</b>	<b>(2,776)</b>	<b>86,656</b>	<b>7,015</b>	<b>312,321</b>	<b>1,078</b>	<b>2,248,478</b>	<b>3,555,288</b>	<b>316,260</b>	<b>3,871,548</b>

Note: On 28 April 2021, the Company placed 85,802,000 placing shares at the placing price of HK\$1.5 per placing share. A share premium, net of issuing expenses, of approximately HK\$117,359,000 had credited to share premium account. The net proceeds of approximately HK\$117,359,000 are intended to be used for the general working capital of the Group. Details of the placing of new shares were set out in the Company's announcements dated 8 April 2021 and 28 April 2021.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Operating activities</b>		
Cash generated from operations	799,092	395,721
Tax paid	(110,212)	(97,979)
<i>Net cash from operating activities</i>	<b>688,880</b>	297,742
<b>Investing activities</b>		
Interest received	13,999	15,051
Proceeds from disposal of property, plant and equipment	5,345	813
Purchase of property, plant and equipment	(53,175)	(95,870)
Addition of prepaid lease payments	(1,029)	—
Advance to a joint venture	(174,666)	(212,709)
Repayment from a joint venture	60,933	221,370
Additions of deposits on property, plant and equipment	(424,512)	(265,229)
Increase in guarantee deposits for lease liabilities	—	(1,000)
Return of guarantee deposits for lease liabilities	5,400	11,000
Increase in restricted bank deposits	(294,650)	(281,156)
<i>Net cash used in investing activities</i>	<b>(862,355)</b>	(607,730)
<b>Financing activities</b>		
Interest paid	(94,994)	(94,431)
Decrease in amount due to a non-controlling shareholder of a subsidiary (Repayment to)/Advance from a director	—	(114,628)
Repayment to a controlling shareholder	(4,283)	3,833
New bank borrowings raised	1,770,670	2,243,014
New other borrowings raised	262,815	100,000
Repayment of bank borrowings	(1,716,613)	(1,577,337)
Repayment of other borrowings	(87,048)	(165,570)
Increase in discounted bills financing	326,686	2,779
Repayment of lease liabilities	(1,133)	(1,183)
Proceeds from capital contribution of non-controlling interests of a newly incorporated subsidiary	—	1
Issuing cost of shares	(2,304)	—
Proceeds from issuance of shares	107,474	—
<i>Net cash from financing activities</i>	<b>561,127</b>	396,478
<b>Net increase in cash and cash equivalents</b>	<b>387,652</b>	86,490
Cash and cash equivalents at beginning of the period, represented by bank balances and cash	<b>613,268</b>	719,314
<b>Cash and cash equivalents at end of the period</b>	<b>1,000,920</b>	805,804





# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

## 1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (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 of Hong Kong Limited (the “Stock Exchange”) since 12 December 2007.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are production/generation and sale of paper products, electricity and steam.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The Group has net current liabilities of approximately RMB1,478,139,000 as at 30 June 2021. The directors of the Company (the “Directors”) have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the reporting date. In addition, although most of the existing bank facilities will expire within twelve months, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional bank borrowing facilities as necessary. Therefore, the Directors are of the opinion that, taking into account the presently available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with International Standards on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.





## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for an investment property which is measured at fair value, as appropriate.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied for the first time, all amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's consolidated financial statements for accounting period beginning on 1 January 2021.

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, on 1 January 2021, the Group has early adopted the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" which will be mandatorily effective for the Group for financial year beginning on or after 1 April 2021.

Except for those mentioned below, the adoption of these amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2" ("Phase 2 Amendments")**

The Phase 2 Amendments provide practical relief from certain requirements in IFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 January 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.



## 4. REVENUE

### Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical markets:

Segments	Unaudited For the six months ended 30 June 2021			
	Paper products RMB'000	Electricity and steam RMB'000	Others RMB'000	Total RMB'000
<b>Timing of revenue recognition</b>				
— At a point in time	3,682,265	124,981	—	3,807,246
<b>Geographical markets</b>				
— PRC	3,561,453	124,981	—	3,686,434
— Oversea	120,812	—	—	120,812

Segments	Unaudited For the six months ended 30 June 2020			
	Paper products RMB'000	Electricity and steam RMB'000	Others RMB'000	Total RMB'000
<b>Timing of revenue recognition</b>				
— At a point in time	2,722,688	113,237	110	2,836,035
— Over time	—	—	1,119	1,119
<b>Geographical markets</b>				
— PRC	2,651,415	113,237	1,229	2,765,881
— Oversea	71,273	—	—	71,273

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 5. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the Company's senior executive management, being the chief operating decision maker, in order to allocate resources to segments and assess their performance.

#### (a) Segment result

The following is an analysis of the Group's revenue and results by operating segments:

	Unaudited						
	For the six months ended 30 June 2021						
	Paper products		Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	Others RMB'000	Total RMB'000
White top linerboard RMB'000	Coated- white top linerboard RMB'000						
Revenue from external customers	843,904	1,210,287	364,067	1,264,007	124,981	—	3,807,246
Inter-segment revenue	—	—	—	—	261,125	—	261,125
Segment revenue	843,904	1,210,287	364,067	1,264,007	386,106	—	4,068,371
Segment profit	253,244	385,473	72,139	99,421	30,029	—	840,306

	Unaudited						
	For the six months ended 30 June 2020						
	Paper products		Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	Others RMB'000	Total RMB'000
White top linerboard RMB'000	Coated- white top linerboard RMB'000						
Revenue from external customers	677,924	913,256	308,177	823,331	113,237	1,229	2,837,154
Inter-segment revenue	—	—	—	—	242,671	—	242,671
Segment revenue	677,924	913,256	308,177	823,331	355,908	1,229	3,079,825
Segment profit	179,288	221,363	72,669	111,003	75,019	1,064	660,406



## 5. SEGMENT INFORMATION (CONTINUED)

### (b) Reconciliation of segment profit

Segment profit represents the gross profit earned by each paper product category and the profit before income tax earned by electricity and steam segment. The Group does not allocate certain other income, certain other gains or losses, distribution and selling expenses, certain administrative expenses, loss on fair value changes of an investment property, certain finance costs and share of profit/(loss) of a joint venture to paper product segment and does not allocate income tax expenses to both the paper product segment and the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Profit</b>		
Segment profit	840,306	660,406
Unrealised profit on inter-segment sales	(46,228)	(60,037)
	<b>794,078</b>	600,369
Other income	123,766	88,977
Other gains or losses	(36,433)	(175)
Distribution and selling expenses	(160,532)	(136,119)
Administrative expenses	(194,137)	(146,000)
Finance costs	(67,688)	(87,682)
Loss on fair value changes of an investment property	(5,468)	(418)
Share of profit/(loss) of a joint venture	9,635	(4,374)
<b>Consolidated profit before income tax</b>	<b>463,221</b>	314,578

The Group does not allocate depreciation of property, plant and equipment and amortisation of prepaid lease payments, finance costs and interest income to the relevant paper product segments in the internal segment analysis as this information is not necessary.

No segment assets and liabilities, and other related segment information were presented as no such discrete financial information are provided to the chief operating decision maker.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 6. OTHER INCOME AND OTHER GAINS AND LOSSES

	Unaudited	
	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income on:		
Bank deposits	13,999	15,051
The balance with a joint venture (note i) (note 21(a))	8,549	6,503
<b>Total interest income</b>	<b>22,548</b>	21,554
Government grants (note ii)	93,923	67,644
Rental income from an investment property and other properties	1,826	1,274
Hotel and catering service income	2,080	—
Logistics service income	5,964	—
	<b>126,341</b>	90,472
Other gains or losses:		
Gain from sale of scrap materials, net	10,389	13,539
Loss on disposal of property, plant and equipment	(25,344)	(4,805)
Net foreign exchange losses	(1,406)	(783)
Reversal of/(Provision for) expected credit loss on trade receivables	505	(1,821)
Provision for expected credit loss on other receivables	(1,740)	—
Impairment loss on property, plant and equipment (note 12)	(17,185)	—
Others	2,285	1,246
	<b>(32,496)</b>	7,376

Notes:

- i. During the six months ended 30 June 2021, the Group earned interest income from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd ("Sunshine Oji")), a joint venture of the Group, at a weighted average effective interest rate of 5.70% per annum (six months ended 30 June 2020: 4.75% per annum).
- ii. During the six months ended 30 June 2021, the Company's subsidiary, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd ("Century Sunshine")) was granted and received unconditional government subsidy from local government of approximately RMB89,134,000, the amounts of which were determined by reference to the amount of value-added tax paid (six months ended 30 June 2020: RMB62,800,000).



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 7. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest expenses on:		
Discounted bills financing	25,121	41,643
Bank and other borrowings	66,980	69,038
Lease liabilities	8	7
Corporate bond	4,272	8,530
	<b>96,381</b>	119,218
Less: Interest capitalised in construction in progress	<b>(19,355)</b>	(20,860)
	<b>77,026</b>	98,358

Borrowing costs capitalised during the six months ended 30 June 2021 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 4.01% to 5.46% (six months ended 30 June 2020: 4.55% to 5.22%) per annum to expenditure on construction in progress.

### 8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax		
People's Republic of China ("PRC") Enterprise Income Tax	126,370	69,330
Deferred tax expense	2,157	29,018
Charge for the period	<b>128,527</b>	98,348

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the PRC subsidiaries of the Group is 25% from 1 January 2008 onwards.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong profits tax has not been provided for the six months ended 30 June 2021 and 2020 as the Group had no assessable profits for the periods.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Wages and salaries	203,491	150,981
Retirement benefits schemes contributions	27,841	16,567
Total staff costs (including directors' emoluments)	231,332	167,548
Amortisation of prepaid lease payments	2,831	2,767
Cost of inventories recognised as an expense	2,324,292	2,187,253
Depreciation of property, plant and equipment		
— right-of-use assets	36,894	36,942
— owned assets	132,520	105,152
Research and development expenses	34,638	236,261

### 10. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2020 (six months ended 30 June 2020: nil) was approved and paid to the equity shareholders of the Company.

The board of directors resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

### 11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2021 was based on the profit of RMB331,348,000 (six months ended 30 June 2020: RMB206,344,000) for the period attributable to owners of the Company, and the weighted average number of 849,701,000 (six months ended 30 June 2020: 819,362,000) ordinary shares in issue during the six months ended 30 June 2021.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2021 and 2020. The basic earnings per share equals to the diluted earnings per share.





## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB30,689,000 (six months ended 30 June 2020: RMB5,618,000) for proceeds of RMB5,345,000 (six months ended 30 June 2020: RMB813,000), resulting in a loss on disposal RMB25,344,000 (six months ended 30 June 2020: RMB4,805,000).

In addition, during the current interim period, the Group acquired approximately RMB34,556,000 (six months ended 30 June 2020: RMB30,872,000) of property, plant and equipment, approximately RMB300,735,000 (six months ended 30 June 2020: RMB364,505,000) on construction in progress in order to maintain its manufacturing capabilities, which included interest capitalisation of approximately RMB19,355,000 (six months ended 30 June 2020: RMB20,860,000).

During the current interim period, the Group carried out impairment assessments of the recoverable amount of certain machinery and equipment with net carrying amount of RMB18,215,000 (before the impairment assessment), which are under paper products segment, as management has determined that indication of impairment exists at the end of the reporting period due to the market performance was worse than expected. The impairment assessments led to the recognition of an impairment loss on property, plant and equipment of RMB17,185,000 that has been recognised in the “other gains or losses” in the Group’s profit or loss. After the impairment loss recognised, the recoverable amount of the related assets was approximately RMB1,030,000. The valuation was determined based on a fair value less cost of disposal which calculated base on subsequent sales. Fair value less cost of disposal of the asset falls within level 3 of the fair value hierarchy.

The Group’s investment property as at the end of the current interim period was remeasured to fair value by reference to a valuation performed by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at on the basis of capitalisation of net rental income derived from the existing tenancy agreements with allowance for the reversionary income potential of the property and by making reference to comparable sales evidence as available in the relevant market, as appropriate. During the current interim period, decrease in fair value of investment property of RMB5,468,000 has been recognised directly in profit or loss for the six months ended 30 June 2021 (six months ended 30 June 2020: decrease in fair value of RMB418,000).

The investment property located in Weifang, Shandong, the PRC and certain property, plant and equipment and construction in progress were pledged for counter guarantee under the guarantee agreement of the corporate bond (note 19) entered by the Group and 中合中小企業融資擔保股份有限公司 (China United SME Guarantee Corporation Co. Ltd) (the “SME Guarantee”) (note 19).



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 13. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 45 days to its trade customers. The following is an ageing analysis of trade receivables net of expected credit loss allowance presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
0–30 days	487,659	426,951
31–90 days	14,973	70,642
91–365 days	14,869	15,756
Over 1 year	177	—
	<b>517,678</b>	513,349

The following are the movements of expected credit loss allowance of trade receivables during the period/year:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
At the beginning of the period/year	16,976	10,674
Written off during the period/year	—	(781)
(Reversal)/Allowance during the period/year	(505)	7,083
<b>At the end of the period/year</b>	<b>16,471</b>	16,976



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For the six months ended 30 June 2021

### 14. BILLS RECEIVABLES

The ageing analysis of bills receivables presented based on issue date at the end of the reporting period is as follows:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
0-90 days	85,837	189,852
91-180 days	47,750	55,860
181-365 days	2,774	37,543
	<b>136,361</b>	283,255

As at 30 June 2021, the Group has discounted bills receivables of RMB1,003,000 (31 December 2020 (Audited): RMB9,217,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivables and has recognised the cash received upon the discounting as discounted bills financing (note 17).

### 15. TRADE AND BILLS PAYABLES

The following is an analysis of trade and bills payables by age. For trade payables, the ageing presented based on goods received date at the end of the reporting period. For bills payables, the ageing presented based on the issue date at the end of the reporting period.

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
0-90 days	912,855	892,605
91-365 days	245,187	193,355
Over 1 year	26,646	10,973
	<b>1,184,688</b>	1,096,933

All the bills payables as at 30 June 2021 and 31 December 2020 are trading nature and will mature within twelve months respectively. At the end of the reporting period, certain of the Group's bank deposits were pledged to secure bills payable granted to the Group.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 16. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Within one year	2,308	1,880	1,301	877
More than one year but not more than two years	2,070	1,824	1,115	863
More than two years but not more than five years	5,724	5,500	3,179	2,889
After five years	19,619	21,473	14,896	16,346
	29,721	30,677	20,491	20,975
Future finance charges on lease liabilities	(9,230)	(9,702)	—	—
Present value of lease liabilities	20,491	20,975	20,491	20,975
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,301)	(877)
Amount due for settlement after 12 months			19,190	20,098

The Group's lease liabilities are secured by the lessor's charge over certain property, plant and equipment amounting to RMB20,491,000 (31 December 2020 (Audited): RMB20,975,000).

During the current interim period, the total cash outflows for the leases are RMB1,977,000 (six months ended 30 June 2020: RMB3,213,000).



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 17. DISCOUNTED BILLS FINANCING

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Discounted bills receivables from third parties (note a)	1,003	9,217
Discounted bills receivables from subsidiaries of the Company (note b)	1,570,900	1,236,000
<b>Total</b>	<b>1,571,903</b>	<b>1,245,217</b>

Notes:

- a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 14, since the title of receivables was not transferred to the lending banks.
- b. These borrowings arose from discounting, with recourse, of intra-group bills receivables, from one component to another of the Group. The Group continues to recognise the carrying amount of the underlying bills receivables since the title of receivables was not transferred to the lending banks. However, the corresponding intra-group bills receivables were eliminated in consolidation against the original bills payables from the bill issuing component of the Group. The elimination is based on the Directors' judgment that the risk and reward associated with these intra-group bills receivables and bills payable remain within the Group.

At the end of the reporting period, certain of the Group's bank deposits were pledged to secure discounted bills financing granted to the Group.

### 18. BANK AND OTHER BORROWINGS

#### (a) Bank borrowings

During the current interim period, the Group obtained new loans amounting to RMB1,770,670,000 (six months ended 30 June 2020: RMB2,243,014,000), and repaid loans amounting to RMB1,716,613,000 (six months ended 30 June 2020: RMB1,577,337,000). The newly raised loans bear interest from 3.10% to 6.57% per annum (six months ended 30 June 2020: 2.00% to 7.51%). At the end of the reporting period, certain of the Group's property, plant and equipment and land use rights of RMB1,741,399,000 (31 December 2020 (Audited): RMB2,347,478,000) were pledged to secure bank borrowings granted to the Group.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 18. BANK AND OTHER BORROWINGS (CONTINUED)

#### (b) Other borrowings

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Current:		
Borrowings from		
— Sale and leaseback obligations (note i)	190,427	166,501
Non-current:		
Borrowings from		
— Sale and leaseback obligations (note i)	202,901	113,875
— the Partnership (note ii)	52,815	—
— the spouse of a director (note 21(b))	10,000	—
	<b>265,716</b>	113,875
	<b>456,143</b>	280,376

#### Notes:

- (i) During the period ended 30 June 2021, the Group entered into several sales and leaseback agreements with leasing companies for machinery and equipment ("Secured Assets") amounting to RMB210,000,000 (2020: RMB100,000,000) for a period of 3 years (2020: 3 years). Upon maturity, the Group will be entitled to purchase the Secured Assets.

Nominal interest rates underlying all these contracts are at respective contract dates ranging from 5.80% to 7.26% (2020: 6.20% to 6.55%) per annum.

- (ii) In accordance with the Limited Partnership Agreement and Equity Investment Agreement, which were duly passed by way of poll at the extraordinary general meeting of the Company held on 28 December 2020 (the "EGM"), the Group would contribute up to RMB395.0 million in total to 潍坊市世紀陽光新舊動能轉換股權投資基金合夥企業 (有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership))\* (the "Partnership"), while the Partnership would contribute up to RMB500.0 million into the Group in exchange for a subsidiary's shares. Details of the transaction are set out in the Company's circular dated 10 December 2020. As at the period ended 30 June 2021, the Partnership has contributed RMB52.8 million to the Group, which recorded as other borrowing. The Group has further RMB196.3 million capital commitment to the Partnership, which set out in note 20.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 19. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bond on 23 July 2014. The final offering size of the seven-year corporate bond was RMB500,000,000 with annual coupon rate of 8.19% per annum. The corporate bond is guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's investment property and property, plant and equipment of RMB66,508,000 and RMB87,542,000 respectively (31 December 2020 (Audited): investment property and property, plant and equipment of RMB71,976,000 and RMB87,178,000 respectively) (note 12), and the remaining balance was repaid in July 2021.

### 20. CAPITAL COMMITMENTS

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Capital expenditure contracted for in the condensed consolidated interim financial statements in respect of acquisition of:		
— property, plant and equipment	142,349	207,075
— Investment cost in a partnership	196,315	393,815
	<b>338,664</b>	600,890

### 21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group entered into the following significant transactions with related parties during the period:

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary	45,523	59,337
Interest income earned from a joint venture (note 6)	8,549	6,503



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 21. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Balances with related parties

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Trade receivables from		
— a joint venture	5,251	5,062
— non-controlling shareholder of a subsidiary (note i)	4,067	8,352
	<b>9,318</b>	13,414
Other receivables from		
— a joint venture (note ii)	310,742	188,460
— a general partnership of the Partnership (note iv)	2,500	—
	<b>313,242</b>	188,460
Other payables due to		
— a director (note i)	—	4,283
— the spouse of a director (note i)	—	10,000
— a controlling shareholder (note i)	1,473	1,621
	<b>1,473</b>	15,904
Other borrowings		
— the spouse of a director (note iii)	10,000	—

Notes:

- i) The balance is unsecured, interest-free and repayable on demand.
- ii) The balance will be collected after 12 months from the end of the reporting period, see note 6 (i) for more details.
- iii) The balance is unsecured, interest-free and repayable after 2 years.
- iv) The balance is unsecured, interest-free and repayable after 3 years.



**21. RELATED PARTY TRANSACTIONS (CONTINUED)****(c) Compensation of key management personnel**

The remuneration of directors and other members of key management during the period was as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	2021 RMB'000	2020 RMB'000
Short term employee benefit	14,729	2,089
Retirement benefit scheme contributions	80	92
	<b>14,809</b>	<b>2,181</b>

**22. LEASE COMMITMENTS****The Group as lessee**

At the reporting date, the lease commitments for short-term leases are as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within one year	<b>130</b>	176

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

### 22. LEASE COMMITMENTS (CONTINUED)

#### The Group as lessor

Property rental income earned during the period was RMB1,826,000 (six months ended 30 June 2020: RMB1,274,000). All of the properties held have committed tenants for the next 1 to 4 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Within one year	794	1,360
In the second to fifth years	1,525	2,206
	<b>2,319</b>	3,566

### 23. RECLASSIFICATION AND COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

