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## **CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED**

**中國陽光紙業控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2002)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by 19.6%, from approximately RMB6,673.4 million for FY2020 to approximately RMB7,982.2 million for FY2021.
- Profit for the year attributable to the owners of the Company for FY2021 was approximately RMB556.5 million, representing an increase of approximately RMB58.8 million or 11.8%, as compared to that for FY2020.
- A final dividend of HK6.5 cents per share and a special dividend of HK9.5 cents per share were proposed by the Board. China Sunrise Paper Holdings Limited, Mr. Wang Dongxing and Mr. Wang Changhai, controlling shareholders of the Company will waive their entitlement to the special dividend.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sunshine Paper Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2021 (“**FY2021**”) together with the comparative figures for the year ended 31 December 2020 (“**FY2020**”). These financial results have been reviewed by the audit committee of the Company (the “**Audit Committee**”), approved by the Board and agreed by the Group’s auditor, Grant Thornton Hong Kong Limited.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the year ended 31 December*

	Notes	2021 RMB’000	2020 RMB’000
Revenue	5 & 6	7,982,231	6,673,435
Cost of sales		<u>(6,448,678)</u>	<u>(5,236,892)</u>
Gross profit		1,533,553	1,436,543
Other income	7	299,028	218,421
Other gains or losses	7	(82,832)	(28,505)
Distribution and selling expenses		(339,582)	(306,728)
Administrative expenses		(499,371)	(424,503)
Loss on fair value changes of an investment property		(5,761)	(4,055)
Share of (loss)/profit of a joint venture		(8,669)	3,496
Finance costs	8	<u>(149,220)</u>	<u>(160,986)</u>
Profit before income tax	10	747,146	733,683
Income tax expense	9	<u>(198,752)</u>	<u>(219,694)</u>
<b>Profit for the year</b>		<u><b>548,394</b></u>	<u><b>513,989</b></u>
<b>Other comprehensive expense</b>			
Item that will be reclassified subsequently to profit or loss			
Fair value loss on financial assets through other comprehensive income		<u>(856)</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u><b>547,538</b></u>	<u><b>513,989</b></u>

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>556,513</b>	497,710
Non-controlling interests		<b>(8,119)</b>	16,279
		<u><b>548,394</b></u>	<u>513,989</u>
<b>Total comprehensive income</b>			
<b>for the year attributable to:</b>			
Owners of the Company		<b>555,657</b>	497,710
Non-controlling interests		<b>(8,119)</b>	16,279
		<u><b>547,538</b></u>	<u>513,989</u>
<b>Earnings per share for profit attributable to owners</b>			
<b>of the Company during the year</b>			
Basic and diluted ( <i>RMB</i> )	<i>12</i>	<u><b>0.63</b></u>	<u>0.61</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 31 December*

	<i>Notes</i>	<b>2021</b>	2020
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		5,119,019	4,679,607
Investment property		66,215	71,976
Prepaid lease payments		620,999	468,946
Goodwill		37,406	25,606
Deferred tax assets		59,744	51,755
Interest in a joint venture		179,816	188,485
Deposits for acquisition for property, plant and equipment		419,875	302,322
Deposits and other receivables	13	373,386	206,779
		<u>6,876,460</u>	<u>5,995,476</u>
<b>Current assets</b>			
Inventories	14	1,088,205	635,650
Trade receivables	15	527,742	513,349
Bills receivables	16	171,988	283,255
Prepayments and other receivables	17	240,767	198,996
Income tax recoverable		—	37
Restricted bank deposits		1,293,544	1,140,427
Bank balances and cash		829,572	613,268
		<u>4,151,818</u>	<u>3,384,982</u>
<b>Current liabilities</b>			
Contract liabilities		121,962	121,761
Trade payables	18	1,031,253	814,320
Bills payables	19	484,361	282,613
Other payables	20	212,475	209,460
Payables for construction work, machinery and equipment		165,143	207,397
Income tax payable		23,893	61,924
Lease liabilities	21	1,354	877
Deferred income		6,045	2,909
Discounted bills financing	22	1,374,325	1,245,217
Bank borrowings	23	2,213,223	1,972,696
Other borrowings	24	248,566	166,501
Corporate bond	25	—	99,803
		<u>5,882,600</u>	<u>5,185,478</u>
<b>Net current liabilities</b>		<u>(1,730,782)</u>	<u>(1,800,496)</u>
<b>Total assets less current liabilities</b>		<u><u>5,145,678</u></u>	<u><u>4,194,980</u></u>

	<i>Notes</i>	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
<b>Capital and reserves</b>			
Share capital	<i>26</i>	<b>80,944</b>	73,779
Reserves		<b><u>3,698,653</u></b>	<u>3,044,991</u>
Equity attributable to owners of the Company		<b>3,779,597</b>	3,118,770
Non-controlling interests		<b><u>304,974</u></b>	<u>312,914</u>
<b>Total equity</b>		<b><u>4,084,571</u></b>	<u>3,431,684</u>
<b>Non-current liabilities</b>			
Lease liabilities	<i>21</i>	<b>31,000</b>	20,098
Bank borrowings	<i>23</i>	<b>536,901</b>	543,516
Other borrowings	<i>24</i>	<b>300,387</b>	113,875
Deferred income		<b>137,319</b>	46,096
Deferred tax liabilities		<b><u>55,500</u></b>	<u>39,711</u>
		<b><u>1,061,107</u></b>	<u>763,296</u>
<b>Total equity and non-current liabilities</b>		<b><u><u>5,145,678</u></u></b>	<u><u>4,194,980</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) (the “**Company**”) is a 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**”). In the opinion of the directors of the Company (the “**Directors**”), the Company’s controlling shareholder is China Sunrise Paper Holdings Limited (incorporated in the Cayman Islands), whose controlling shareholder is China Sunshine Paper Investments Limited (incorporated in the British Virgin Islands (“**BVI**”). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” to the annual report.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency of the Company and its subsidiaries).

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. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

The International Accounting Standards Boards (the “**IASB**”) has issued a number of revised IFRSs. The Group has adopted all these revised IFRSs, which are effective for the accounting period beginning on 1 January 2021:

IFRS 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 applied the Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021” which is mandatorily effective for the Group for financial year beginning on or after 1 April 2021.

#### **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.

### Issued but not yet effective IFRSs

At the date of authorisation of these consolidation financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date not yet determined

<sup>4</sup> Effective for business combination for which the acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

### 3. STATEMENT OF COMPLIANCE

These annual consolidated financial statements have been prepared in accordance with IFRSs, issued by the IASB.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

#### 4. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through other comprehensive income (“FVTOCI”) and certain properties which are stated at fair value.

The Group has net current liabilities of approximately RMB1,730,782,000 at 31 December 2021. 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 banking facilities will expire in 2022, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing banking facilities upon expiry or to obtain other additional borrowing facilities as necessary. Therefore, the Directors are of the opinion that, taking into account the present available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by the 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 consolidated financial statements have been prepared on a going concern basis.

#### 5. REVENUE

The Group is principally engaged in production/generation and sale of paper products, electricity and steam. The Group’s revenue represents the amount received and receivable from these activities.

##### Disaggregation of revenue from contracts with customers

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

Segments	For the year ended 31 December 2021		
	Paper products <i>RMB’000</i>	Electricity and steam <i>RMB’000</i>	Total <i>RMB’000</i>
<b>Timing of revenue recognition</b>			
— At a point in time	<u>7,684,546</u>	<u>297,685</u>	<u>7,982,231</u>
<b>Geographical markets</b>			
— PRC	7,428,251	297,685	7,725,936
— Overseas	<u>256,295</u>	<u>—</u>	<u>256,295</u>
	For the year ended 31 December 2020		
Segments	Paper products <i>RMB’000</i>	Electricity and steam <i>RMB’000</i>	Total <i>RMB’000</i>
Timing of revenue recognition			
— At a point in time	<u>6,445,670</u>	<u>227,765</u>	<u>6,673,435</u>
Geographical markets			
— PRC	6,294,791	227,765	6,522,556
— Overseas	<u>150,879</u>	<u>—</u>	<u>150,879</u>

## 6. SEGMENT INFORMATION

### (a) Operating segments

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.

#### *Segment revenue and results*

The following is an analysis of the Group's revenue and results by operating segment for the year. Each of the operating segment represents a reportable segment of the Group.

*For the year ended 31 December 2021*

	Paper products					Subtotal RMB'000	Electricity and steam RMB'000	Total RMB'000
	White top linerboard RMB'000	Coated- white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Corrugated paper RMB'000			
Revenue from external customers	1,790,888	2,440,506	791,650	1,566,763	1,094,739	7,684,546	297,685	7,982,231
Inter-segment revenue	—	—	—	—	—	—	640,074	640,074
Segment revenue	<u>1,790,888</u>	<u>2,440,506</u>	<u>791,650</u>	<u>1,566,763</u>	<u>1,094,739</u>	<u>7,684,546</u>	<u>937,759</u>	<u>8,622,305</u>
Segment profit	<u>463,030</u>	<u>708,389</u>	<u>158,851</u>	<u>93,241</u>	<u>81,600</u>	<u>1,505,111</u>	<u>9,484</u>	<u>1,514,595</u>
Other segment information: Impairment loss on property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(31,099)</u>	<u>—</u>	<u>(31,099)</u>

*For the year ended 31 December 2020*

	Paper products					Subtotal RMB'000	Electricity and steam RMB'000	Total RMB'000
	White top linerboard RMB'000	Coated- white top linerboard RMB'000	Core board RMB'000	Specialised paper products (restate) RMB'000	Corrugated paper (restate) RMB'000			
Revenue from external customers	1,594,691	2,134,681	666,557	1,544,765	504,976	6,445,670	227,765	6,673,435
Inter-segment revenue	—	—	—	—	—	—	527,556	527,556
Segment revenue	<u>1,594,691</u>	<u>2,134,681</u>	<u>666,557</u>	<u>1,544,765</u>	<u>504,976</u>	<u>6,445,670</u>	<u>755,321</u>	<u>7,200,991</u>
Segment profit/(loss)	<u>469,763</u>	<u>575,626</u>	<u>145,898</u>	<u>171,599</u>	<u>(1,143)</u>	<u>1,361,743</u>	<u>159,608</u>	<u>1,521,351</u>
Other segment information: Impairment loss on property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(27,642)</u>	<u>—</u>	<u>(27,642)</u>

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, share of (loss)/profit of a joint venture to paper product segment and does not allocate income tax expenses to both the paper product segment and electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

A reconciliation of the segment profit to the consolidated profit before income tax is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit		
Segment profit	<b>1,514,595</b>	1,521,351
Unrealised loss/(profit) on inter-segment sales	<b>14,245</b>	(97,826)
	<b>1,528,840</b>	1,423,525
Administrative expenses	<b>(486,337)</b>	(411,444)
Other income	<b>280,564</b>	215,850
Other gains or losses	<b>(92,322)</b>	(45,329)
Distribution and selling expenses	<b>(339,582)</b>	(306,728)
Finance costs	<b>(129,587)</b>	(141,632)
Loss on fair value changes of an investment property	<b>(5,761)</b>	(4,055)
Share of (loss)/profit of a joint venture	<b>(8,669)</b>	3,496
Consolidated profit before income tax	<b><u>747,146</u></b>	<u>733,683</u>

The Group does not allocate depreciation of property, plant and equipment (including right-of-use assets) and depreciation 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.

**(b) Information about major customers**

There is no single customer contributing over 10% of total sales of the Group for both years.

**(c) Geographical information**

The information on the geographical locations of the Group's revenue determined based on geographical region of the customers is described in note 5.

The Group's operations and non-current assets are substantially located in the PRC. Accordingly, no further analysis on non-current assets by geographical location is presented.

## 7. OTHER INCOME AND OTHER GAINS OR LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income:		
Interest income on:		
Bank deposits	24,622	30,725
Loans to third parties	1,455	—
The balance with a joint venture ( <i>note i</i> )	<u>21,442</u>	<u>12,873</u>
Total interest income	<u>47,519</u>	<u>43,598</u>
Rental income from an investment property and other properties	3,387	1,848
Hotel and catering services income	3,974	3,567
Logistics services income	11,911	8,536
Government grants ( <i>note ii</i> )	<u>232,237</u>	<u>160,872</u>
	<u><u>299,028</u></u>	<u><u>218,421</u></u>
Other gains or losses:		
Net foreign exchange losses	(4,341)	(3,737)
Gain from sale of scrap materials, net	28,958	27,524
Loss on disposal and written off of property, plant and equipment	(34,798)	(23,430)
Provision for expected credit loss (“ECL”) on:		
— trade receivables	(10,344)	(7,083)
— other receivables	(6,347)	—
Impairment loss on property, plant and equipment	(31,099)	(27,642)
Others	<u>(24,861)</u>	<u>5,863</u>
	<u><u>(82,832)</u></u>	<u><u>(28,505)</u></u>

### Notes:

- i. During the year ended 31 December 2021, the Group earned interest income from other receivable 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd) at a weighted average effective interest rate of 6.00% per annum (2020: 4.75% per annum).
- ii. During the year ended 31 December 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 of approximately RMB194,148,000 (2020: RMB148,347,000) from local government, the amount of which was determined by reference to the amount of value-added tax (“VAT”) paid.

## 8. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on:		
Discounted bills financing	57,580	53,839
Bank and other borrowings wholly repayable within five years	131,687	136,915
Lease liabilities	115	10
Corporate bond	4,292	12,288
	<u>193,674</u>	<u>203,052</u>
Less: Interest capitalised in construction in progress	(44,454)	(42,066)
	<u>149,220</u>	<u>160,986</u>

Borrowing costs capitalised during the year ended 31 December 2021 arose from the general borrowing pool and were calculated by applying a capitalisation rate ranging from 4.06% to 6.20% (2020: 4.06% to 5.22%) per annum to expenditure on construction in progress.

## 9. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC enterprise income tax	188,720	182,788
Under provision in previous year	2,232	124
	<u>190,952</u>	<u>182,912</u>
Deferred tax expense	7,800	36,782
	<u>198,752</u>	<u>219,694</u>

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2020: 25%).

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2021 and 2020 as the Group sustained a loss for tax purpose.

## 10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Wages and salaries	452,022	340,089
Retirement benefits schemes contributions ( <i>note</i> )	54,073	37,431
	<u>506,095</u>	<u>377,520</u>
Cost of inventories recognised as an expense	4,955,298	3,683,070
Depreciation of property, plant and equipment		
— right-of-use assets	73,868	73,871
— owned assets	268,256	229,274
Provision for expected credit loss (“ECL”) on		
— trade receivables	10,344	7,083
— other receivables	6,347	—
Depreciation of prepaid lease payments	5,528	5,534
Auditor’s remuneration	1,887	1,950
Lease charges on short term leases	1,712	2,796
Net foreign exchange losses	4,341	3,737

*Note:*

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February to June 2020 to expedite resumption of economic activities, which resulted in the relief of certain retirement benefits schemes contributions for the year ended 31 December 2020.

## 11. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividend declared for distribution during the year:		
2020 final dividend — Nil	—	—
(2020: 2019 final dividend — Nil)	—	—

The Board resolved to declare the payment of final dividends for the year ended 31 December 2021 of HK6.5 cents per ordinary share and a special dividend of HK 9.5 cents (2020: nil). China Sunrise Paper Holdings Limited, Mr. Wang Dongxing and Mr. Wang Changhai, controlling shareholders of the Company will waive their entitlement to the special dividend.

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit of RMB556,513,000 (2020: RMB497,710,000) for the year attributable to owners of the Company, and the weighted average number of 877,660,000 (2020: 819,362,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2021 and 31 December 2020. The diluted earnings per share equals to the basic earnings per share.

## 13. DEPOSITS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other receivables from a joint venture	385,758	269,736
Guarantee deposits for sale and leaseback obligations	13,830	18,319
Loans to third parties ( <i>note</i> )	59,455	—
	<u>459,043</u>	<u>288,055</u>
Less: ECL allowance	(85,657)	(81,276)
	<u><u>373,386</u></u>	<u><u>206,779</u></u>

*Note:* The loans were made to the third parties on normal commercial terms. The amounts are unsecured, will be collected after 12 months from the end of the reporting period and carry a fixed interest at 7.8% and 8.0% respectively.

The movements of gross balance of other receivables are as follows:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2020	21,901	273,491	295,392
Net changes on the gross amount	<u>(3,582)</u>	<u>(3,755)</u>	<u>(7,337)</u>
Balance at 31 December 2020 and 1 January 2021	18,319	269,736	288,055
Net changes on the gross amount	<u>54,966</u>	<u>116,022</u>	<u>170,988</u>
Balance at 31 December 2021	<u><u>73,285</u></u>	<u><u>385,758</u></u>	<u><u>459,043</u></u>

The movements in the ECL allowance of other receivables are as follows:

	<b>Stage 1</b> <i>RMB'000</i>	<b>Stage 2</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Balance at 1 January 2020	—	81,276	81,276
Allowance during the year	—	—	—
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020 and 1 January 2021	—	81,276	81,276
Allowance during the year	—	4,381	4,381
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	—	85,657	85,657
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 14. INVENTORIES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	472,671	424,978
Finished goods	615,534	210,672
	<hr/>	<hr/>
	<b>1,088,205</b>	635,650
	<hr/> <hr/>	<hr/> <hr/>

#### 15. TRADE RECEIVABLES

An analysis of trade receivables, net of ECL allowance of trade receivables, is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables due from:		
— third parties	534,100	516,800
— a joint venture	3,363	5,148
— a related party	17,599	8,377
	<hr/>	<hr/>
	<b>555,062</b>	530,325
Less: ECL allowance	(27,320)	(16,976)
	<hr/>	<hr/>
	<b>527,742</b>	513,349
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows a credit period of 30 to 45 days (2020: 30 to 45 days) to its trade customers with trading history, otherwise sales on cash terms are required. The Group's sales to related parties are entered into on the same credit terms of sales to independent customers.

The following is an ageing analysis of trade receivables net of ECL allowance of trade receivables presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0–30 days	<b>480,414</b>	426,951
31–90 days	<b>29,320</b>	70,642
91–365 days	<b>18,008</b>	15,756
	<b><u>527,742</u></b>	<u>513,349</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer.

The following are the movements of ECL allowance of trade receivables during the year:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At the beginning of the year	<b>16,976</b>	10,674
Written off during the year	—	(781)
Allowance during the year	<b>10,344</b>	7,083
	<b><u>27,320</u></b>	<u>16,976</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors considered that the Group has no significant concentration of credit risk of trade receivables, with exposure spread over a large number of customers.

## 16. BILLS RECEIVABLES

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Bills receivables	<b><u>171,988</u></b>	<u>283,255</u>

The bills represent promissory notes issued by banks received by the Group from customers who discharge their liabilities to pay the Group for the goods or services invoiced. These bills are endorsable, unsecured and non-interest bearing.

Included in the above balances, bills receivables of RMB30,725,000 (2020: RMB9,217,000) were discounted to banks with recourse. These bills receivables were not derecognised as the title of these bills receivables were not transferred to the banks. On the other hand, discounted bills financing of RMB30,725,000 (2020: RMB9,217,000) was recognised for the cash received from banks.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	82,715	189,852
91–180 days	27,257	55,860
181–365 days	62,016	37,543
	<u>171,988</u>	<u>283,255</u>

## 17. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables, net of ECL allowance of other receivables, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments	159,458	109,881
Other receivables	83,299	89,139
	<u>242,757</u>	<u>199,020</u>
Less: ECL allowance	(1,990)	(24)
	<u>240,767</u>	<u>198,996</u>

An analysis of other receivables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
VAT recoverable	47,849	55,308
Deposits	10,520	13,704
Guarantee deposits for sale and leaseback obligations	15,489	13,443
Advance to employees	2,166	1,532
Others	7,275	5,152
	<u>83,299</u>	<u>89,139</u>

The following are the movements of ECL allowance of other receivables (Stage 1) during the year:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of the year	24	24
Allowance during the year	1,966	—
	<u>1,990</u>	<u>24</u>

## 18. TRADE PAYABLES

An analysis of trade payables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables due to		
— third parties	1,031,161	814,195
— a joint venture	92	125
	<u>1,031,253</u>	<u>814,320</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are settled in accordance with agreed terms with customers.

The following is an ageing analysis of trade payables presented based on goods received date at the end of the reporting period:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	853,602	779,352
91–365 days	143,489	23,995
Over 1 year	34,162	10,973
	<u>1,031,253</u>	<u>814,320</u>

## 19. BILLS PAYABLES

The balance represents the amounts payables to banks for bills issued by the banks to suppliers of the Group.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	147,535	113,253
91–180 days	216,826	139,360
Over 180 days	120,000	30,000
	<u>484,361</u>	<u>282,613</u>

All the bills payables are of trading nature and will be expired within twelve months (2020: twelve months) from the issue date.

## 20. OTHER PAYABLES

An analysis of other payables is as follows:

	2021	2020
	<i>RMB'000</i>	(Restate) <i>RMB'000</i>
Other payables	87,622	59,045
Other payables due to related parties	26,468	40,404
VAT and other tax payables	47,260	84,016
Interest payable of corporate bond	—	4,095
Other interest payable	20,358	17,330
Accrued payroll and welfare	30,767	4,570
	<u>212,475</u>	<u>209,460</u>

## 21. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts payable under lease liabilities				
— Within one year	2,891	1,880	1,354	877
— In more than one year but not more than two years	2,927	1,824	1,458	863
— In more than two years but not more than five years	10,000	5,500	5,077	2,889
— After five years	31,801	21,473	24,465	16,346
	<u>47,619</u>	30,677	<u>32,354</u>	20,975
Less: future finance charges	<u>(15,265)</u>	<u>(9,702)</u>	—	—
Present value of lease obligations	<u>32,354</u>	<u>20,975</u>	<u>32,354</u>	20,975
Less: Amount due for settlement within twelve months (shown under current liabilities)			<u>(1,354)</u>	<u>(877)</u>
Amount due for settlement after twelve months			<u>31,000</u>	<u>20,098</u>

*Note:* As at 31 December 2021, lease liabilities amounting to RMB32,354,000 (2020: RMB20,975,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2021, the total cash outflows for the leases are RMB3,889,000 (2020: RMB4,964,000).

## 22. DISCOUNTED BILLS FINANCING

The balance represents borrowings from banks by discounting, with recourse, bills receivables to the Group. At the reporting date, the balance comprised the follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Discounted bills receivables from third parties ( <i>note a</i> )	30,725	9,217
Discounted bills receivables from subsidiaries of the Company ( <i>note b</i> )	<u>1,343,600</u>	<u>1,236,000</u>
Total	<u><u>1,374,325</u></u>	<u><u>1,245,217</u></u>

### *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 16 above, 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 payables remain within the Group. In obtaining the original intra-group bills, bank deposits of RMB900,323,000 (2020: RMB790,500,000) were pledged to the issuing banks.

## 23. BANK BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Secured bank borrowings	898,066	560,781
Unsecured bank borrowings	<u>1,852,058</u>	<u>1,955,431</u>
	<u><b>2,750,124</b></u>	<u><b>2,516,212</b></u>
The borrowings are repayable as follows:		
— Within one year	2,213,223	1,972,696
— In the second year	320,965	255,165
— In the third to fifth years inclusive	<u>215,936</u>	<u>288,351</u>
	<b>2,750,124</b>	2,516,212
Less: Amount due for settlement within one year and shown under current liabilities	<u>(2,213,223)</u>	<u>(1,972,696)</u>
Amount due after one year	<u><b>536,901</b></u>	<u><b>543,516</b></u>
Total borrowings		
— At fixed rates	2,141,358	1,727,731
— At floating rates	<u>608,766</u>	<u>788,481</u>
	<u><b>2,750,124</b></u>	<u><b>2,516,212</b></u>
Analysis of borrowings by currency:		
— Denominated in RMB	<u><b>2,750,124</b></u>	<u><b>2,516,212</b></u>

Fixed-rate borrowings are charged at the rates ranging from 2.70% to 7.80% per annum as at 31 December 2021 (2020: 2.00% to 7.80% per annum).

Interests on RMB borrowings at floating rates are charged by reference to the borrowing rates announced by the People's Bank of China.

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2021 was 4.72% per annum (2020: 4.70% per annum).

## 24. OTHER BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current		
Borrowings from		
— Sale and leaseback obligations ( <i>note i</i> )	238,566	166,501
— The spouse of a director	10,000	—
	<u>248,566</u>	<u>166,501</u>
Non-current		
Borrowings from		
— Sale and leaseback obligations ( <i>note i</i> )	250,072	113,875
— The Partnership ( <i>note ii</i> )	50,315	—
	<u>300,387</u>	<u>113,875</u>
Total other borrowings	<u>548,953</u>	<u>280,376</u>

### Notes:

- i During the year ended 31 December 2021, the Group entered into several sale and leaseback agreements with leasing companies for machinery and equipment (“**Secured Assets**”) amounting to RMB411,000,000 (2020: RMB174,889,000) for a period of 2–3 years (2020: 2–3 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 4.69% to 7.26% (2020: 4.69% to 7.16%) per annum.

Sale and leaseback obligations of RMB488,638,000 (2020: RMB280,376,000) as at 31 December 2021 were secured by certain of the Group’s machineries, the total carrying amount of which at 31 December 2021 was RMB606,308,000 (2020: RMB770,119,000).

- 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 RMB395,000,000 in total to 濰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 RMB500,000,000 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 year ended 31 December 2021, the Partnership has contributed RMB50,315,000 to the Group, which recorded as other borrowing.

\* The translation of name in English is for identification purpose only

## 25. 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%. 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 RMB66,215,000 and RMB118,070,000 respectively (2020: investment property and property, plant and equipment of RMB71,976,000 and RMB87,178,000 respectively). RMB100,000,000 had been repaid during the year and fully paid off.

## 26. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000,000	200,000
	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
		<b>Shown in the consolidated financial statements RMB'000</b>
Issued and fully paid:		
At 1 January 2020, 31 December 2020, and 1 January 2021	819,362,000	81,936 73,779
Placement of shares ( <i>note</i> )	85,802,000	8,580 7,165
At 31 December 2021	905,164,000	90,516 80,944

*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 (equivalent to approximately RMB98,005,000) had credited to share premium account. The net proceeds of approximately HK\$117,359,000 (equivalent to approximately RMB98,005,000) 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.

## 27. COMPARATIVE FIGURES

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

## **BUSINESS REVIEW:**

In 2021, the paper industry continued to face severe challenges and tests due to the recurrence of coronavirus disease (“COVID-19”), the severe global economic and trade situation, and the complicated external environment. In response to the profound and complex changes in the international and domestic situation, the Group, with “high standard and high quality” as its guiding ideology and under the management concept of “innovation, details and breakthrough”, worked through hardships and forged ahead with united forces within the Group and managed to overcome difficulties and setbacks, striving for the realization of the “14th Five-Year Plan” goal. It has continued to maintain a strong profitability.

Confronted with fierce industry competition caused by the pandemic, the sales team of the Group implemented precise marketing and efficiency marketing with a focus on the core customers and strengthened cooperation and communication with end customers, while continuously exploring overseas markets, which basically ensured the balance of production and sales of the Company and maintained a good market share in sales. In 2021, the Group reported a record high of approximately 1,520,000 tonnes of machine-made paper, representing an increase of approximately 4.8% as compared to 1,450,000 tonnes for the corresponding period last year.

Meanwhile, in terms of the domestic procurement, the Group continued to make efforts in promoting the group-based centralized procurement, secured new suppliers, and safeguarded the supply share of suppliers of raw materials with competitive advantages in the regions where we have advantages. In terms of overseas raw material procurement, the Group developed a variety of sources of raw materials and initially built an overseas raw material base, providing a guarantee for the structure adjustment and supply of raw materials. The Group took various measures such as raw material structure adjustment, process innovation and new technology application to continuously reduce its production costs. Taking full advantage of the national financial policies, the Group also comprehensively strengthened its financial control by focusing on refined accounting to reduce its finance costs. Relying on the information-based tools, we constantly improved our management standard and work efficiency, laying a solid foundation for promoting the digital transformation of the Group. In 2021, the Group achieved a net profit attributable to the controlling shareholders of RMB556.5 million, representing a growth of approximately 11.8% as compared to RMB497.7 million for the corresponding period last year.

## **BUSINESS OUTLOOK:**

In 2022, the global economy will continue to be subject to ongoing adverse impact due to the more uncertain internal and external environment and more challenges for economy development under the influence of the “post-COVID-19 pandemic”. The gradual tightening of environmental protection policies by the PRC such as zero imports of waste paper, plastic bag ban, carbon peaking and carbon neutrality, and green, sustainable business philosophy will promote the PRC’s packaging and papermaking industry to continue to reform and transform. With innovation as the driving force and market as the orientation, the Group will make every effort to fully improve its operation management through identifying its shortcomings by benchmarking advanced enterprises. The Group will expand and diversify its upstream business and seek alternative raw materials to continuously reduce production costs while ensuring product quality. Meanwhile, the Group will promote the increase in market share of its downstream business while maintaining existing market share by focusing on customers’ demand.

Following the gradual release of the production capacity for high-grade corrugated paper production line, the Group will constantly provide its customers with diversified products, while focusing on research and development of new products and implementation of intelligent manufacturing guided by innovation management to meet the ever-changing market demand. Given the large development room for the paper-making industry in the long run, the Group shall seize development opportunities and proceed with appropriate expansion, to continually enhance our comprehensive competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Total revenue

Our Group's total revenue for FY2021 was approximately RMB7,982.2 million, representing an increase of approximately RMB1,308.8 million or 19.6% as compared to that of approximately RMB6,673.4 million for FY2020. The increase in revenue mainly resulted from the growth in sales quantity and sales price.

Sales of electricity and steam continued to account for a low single digit percentage of our Group's total revenue for FY2021.

The following table sets forth our Group's total revenue by different business segments:

	FY2021		FY2020	
	RMB'000	%	RMB'000	%
<b>Sales of paper products</b>				
White top linerboard	1,790,888	22.4	1,594,691	23.9
Coated-white top linerboard	2,440,506	30.6	2,134,681	32.0
Core board	791,650	9.9	666,557	10.0
Corrugated paper	1,094,739	13.7	504,976	7.6
Specialised paper products	1,566,763	19.7	1,544,765	23.1
Sub-total of paper products	7,684,546	96.3	6,445,670	96.6
<b>Sales of electricity and steam</b>	297,685	3.7	227,765	3.4
	<u>7,982,231</u>	<u>100.0</u>	<u>6,673,435</u>	<u>100.0</u>

### Cost of sales

Our cost of sales was around RMB6,448.7 million for FY2021, whereas the cost of sales for FY2020 was approximately RMB5,236.9 million. Cost of sales for FY2021 was in line with the increasing trend of total revenue in general.

### Gross profit and gross profit margin

Our gross profit increased from approximately RMB1,436.5 million for FY2020 to approximately RMB1,533.6 million for FY2021. Gross profit margin for FY2021 was around 19.2%, representing a 2.3 percentage point decrease as compared to that of 21.5% for FY2020.

## **Other profit and loss items**

Other income of approximately RMB299.0 million for FY2021 (FY2020: approximately RMB218.4 million) mainly comprised interest income of approximately RMB47.5 million (FY2020: approximately RMB43.6 million), rental income from an investment property and other properties of approximately RMB3.4 million (FY2020: approximately RMB1.8 million), government grants of approximately RMB232.2 million (FY2020: approximately RMB160.9 million), hotel and catering services income of approximately RMB4.0 million (FY2020: approximately RMB3.6 million) and logistics services income of approximately RMB11.9 million (FY2020: approximately RMB8.5 million).

Other gains or losses of approximately RMB82.8 million for FY2021 (FY2020: approximately RMB28.5 million) mainly consisted of provision for expected credit loss on trade receivables of RMB10.3 million, provision for expected credit loss on other receivables of RMB6.4 million, gain from sale of scrap materials of RMB29.0 million, loss on disposal and written off of property, plant and equipment of RMB34.8 million, net foreign exchange losses of RMB4.3 million, impairment loss on property, plant and equipment of RMB31.1 million and other losses of RMB24.9 million.

Distribution and selling expenses recorded RMB339.6 million for FY2021 as compared to RMB306.7 million for the corresponding period last year. For FY2021, such expenses represented approximately 4.3% of the total revenue, as compared with approximately 4.6% of the total revenue for FY2020.

Administrative expenses recorded RMB499.4 million for FY2021 as compared to RMB424.5 million for the corresponding period last year. For FY2021, it accounted for approximately 6.3% of the total revenue, as compared with approximately 6.4% of the total revenue for FY2020.

Finance costs recorded approximately RMB149.2 million for FY2021 as compared to approximately RMB161.0 million for the corresponding period last year. For FY2021, it accounted for approximately 1.9% of the total revenue, as compared with approximately 2.4% of the total revenue for FY2020. The decrease was mainly due to the reduction in borrowing interest rate and the discount rate.

During 2021, there was a share of loss of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB8.7 million (FY2020: share of profit of a joint venture of RMB3.5 million). The main reason for the falling of the profitability of the joint venture is due to the rising cost of raw materials.

## **Income tax expenses**

Income tax expenses were approximately RMB198.8 million for FY2021 as compared to approximately RMB219.7 million for FY2020.

## **Profit for the year**

As a result of the above factors, we recorded a profit for the year attributable to the owners of our Company of approximately RMB556.5 million for FY2021, representing an increase of approximately RMB58.8 million from approximately RMB497.7 million for FY2020.

## **Liquidity and financial resources**

### ***Treasury policy***

Our working capital requirement and capital expenditure are financed by a combination of cash generated from our operations and bank and other borrowings. It is our Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During FY2021, our Group continued to adopt a conservative approach to financial risk management.

### ***Market risks***

As the functional and reporting currencies of our Group are Renminbi, there are no foreign exchange differences arising from the translation of financial statements. In addition, as our Group conducts business transactions which are principally denominated in Renminbi, the exchange rate risk at our Group's operational level is not significant. Nevertheless, the management continues to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when needed.

### ***Working capital***

Net current liabilities of our Group were approximately RMB1,730.8 million as at 31 December 2021, as compared to approximately RMB1,800.5 million as at 31 December 2020. Current ratio was 0.71 times and 0.65 times, respectively, as at 31 December 2021 and 31 December 2020.

Bank balances and cash, and restricted bank deposits were approximately RMB2,123.1 million as at 31 December 2021, as compared to approximately RMB1,753.7 million as at 31 December 2020.

Inventories were approximately RMB1,088.2 million as at 31 December 2021, as compared to approximately RMB635.7 million as at 31 December 2020. Inventory turnover was 49 days for FY2021, as compared to 42 days for FY2020.

Trade receivables were approximately RMB527.7 million as at 31 December 2021, as compared to approximately RMB513.3 million as at 31 December 2020. Trade receivables turnover for FY2021 was 24 days as compared to 28 days for FY2020.

Trade payables were approximately RMB1,031.3 million as at 31 December 2021, as compared to approximately RMB814.3 million as at 31 December 2020. Trade payables turnover for FY2021 was 52 days, as compared to 63 days for FY2020.

### ***Cashflow***

Net cash from operating activities amounted to approximately RMB1,067.0 million for FY2021 (FY2020: approximately RMB936.8 million).

Net cash used in investing activities amounted to approximately RMB1,386.7 million for FY2021 (FY2020: approximately RMB363.2 million), primarily representing the purchase of property, plant and equipment RMB534.8 million, additions of prepaid lease payments 163.3 million, and additions of deposits for acquisition of property, plant and equipment of RMB582.2 million, etc.

Net cash from financing activities amounted to approximately RMB536.0 million for FY2021 (FY2020: Net cash used in financing activities amounted to approximately RMB679.6 million), primarily attributable to interest paid of RMB193.6 million, the repayment of bank and other borrowings and corporate bond of RMB2,826.1 million, net proceeds from sale and finance lease back transactions of RMB411.0 million and new bank borrowings raised of RMB2,867.3 million, increase in discounted bill financing of RMB129.1 million and proceeds from placing of RMB107.5 million, etc.

The combined effect of the above resulted in a net increase in cash and cash equivalents of RMB216.3 million for FY2021 (FY2020: Net decrease in cash and cash equivalents of RMB106.0 million).

### ***Gearing ratio***

Our net gearing ratio decreased from approximately 33.9% as at 31 December 2020 to approximately 29.6% as at 31 December 2021. The decrease in net gearing ratio was mainly driven by the increase in capital and reserves.

### ***Capital expenditure***

During FY2021, our capital expenditure was approximately RMB698.2 million (FY2020: RMB478.6 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.

### ***Pledge of assets***

For FY2021, the aggregate carrying amount of our assets pledged was approximately RMB2,571.0 million. (FY2020: approximately RMB2,347.5 million). The pledge of assets are mainly used for bank borrowings.

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

Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of property, plant and equipment was approximately RMB82.2 million as at 31 December 2021 (FY2020: RMB207.1 million).

As at 31 December 2021, our Group had no material contingent liabilities.

### ***Employees and remuneration policies***

Our Group employed approximately 4,170 full-time employees in the PRC and Hong Kong as at 31 December 2021. The staff costs for FY2021 were approximately RMB506.1 million, representing an increase of RMB128.6 million over FY2020 of approximately RMB377.5 million. The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets.

#### *Notes to financial ratios:*

- (1) Inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.
- (2) Trade receivables turnover days equal to the average of the opening and closing balances of trade receivables of the relevant year divided by turnover of the relevant year and multiplied by 365 days.
- (3) Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.
- (4) Current ratio equals current assets divided by current liabilities as of the end of the year.
- (5) Net gearing ratio equals total of borrowings, corporate bond and leases liabilities, net of bank balances and cash, and restricted bank deposits divided by total equity as of the end of the year.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 8 April 2021 (after trading hours), Yuet Sheung International Securities Limited (the “**Placing Agent**”) and the Company entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, aggregate maximum of 120,000,000 placing shares (the “**Placing Shares**”) to placees (the “**Placees**”) who and whose ultimate beneficial owners will be third parties independent of the Company and not connected with the Company and its connected persons (the “**Placing**”). All conditions to the Placing Agreement have been fulfilled and completion of the Placing took place on 28 April 2021. A total of 85,802,000 Placing Shares have been successfully placed by the Placing Agent to not fewer than six Placees at the placing price of HK\$1.5 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing approximately 9.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Placees and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. None of the Placees and their ultimate beneficial owners has become a substantial shareholder (as defined under the Listing Rules) of the Company upon completion of the Placing. The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$125.9 million. The Company intends to use such net proceeds for the general working capital of the Group.

On 10 November 2021, Sunshine Paper Clean Energy Investment Company Limited (the “**Purchaser**”), Pinnacle Innovation Ming Limited (“**Vendor A**”) and Pinnacle Innovation EBRF Limited (“**Vendor B**”, together with Vendor A, the “**Vendors**”) and 1321881 B.C. LTD. and Prosnav Consulting Hong Kong Limited (as the Vendors’ guarantors) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) for the sale and purchase of 45% of the entire issued share capital (the “**Sale Shares**”) of Top Speed Energy Holding Ltd. (the “**Target Company**”), pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Shares at a total consideration of RMB250,000,000, subject to the terms and conditions of the Sale and Purchase agreement. RMB100,000,000 shall be paid to Vendor A by cash and RMB11,000,000 shall be settled by allotment and issue of 8,481,173 shares by the Company to Vendor A at the issue price of HK\$1.58 per consideration share under the general mandate to Vendor A or its nominee(s) on the completion date. RMB139,000,000 shall be paid to Vendor B and settled by allotment and issue of 107,171,186 shares at the issue price of HK\$1.58 per consideration share under the general mandate to Vendor B or its nominee(s) on the completion date. All the conditions precedent under the Sale and Purchase Agreement have been fulfilled and completion took place on 21 January 2022. On completion, the Company allotted and issued 115,652,359 consideration shares. Following completion, the Company will indirectly hold 45% of the total issued share capital in the Target Company. The Target Company will become an associate company of the Company.

During FY2021, except as otherwise disclosed in this announcement, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of their respective securities.

## **CORPORATE GOVERNANCE PRACTICES**

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximizing shareholders' interests. Our Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules during FY2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

Our 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 securities transactions by the Directors. Specific enquiries have been made to all Directors by our Company to confirm that all Directors have complied with the Model Code during FY2021.

## **AUDIT COMMITTEE**

The primary duties of the Audit Committee are to review and supervise our Company's financial reporting process, internal control and risk management system, and provide advice and comments to our Board. The Audit Committee, comprising Ms. Shan Xueyan (Chairlady), Mr. Wang Zefeng and Ms. Jiao Jie, has reviewed the annual results for FY2021 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with our management and our Company's external auditor.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed the Group's annual results for FY2021 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure. The financial information set out in this announcement has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, Grant Thornton Hong Kong Limited.

## **DIVIDEND**

The Board resolved to declare the payment of a final dividend of HK\$0.065 per share and a special dividend of HK\$0.095 per share for the year ended 31 December 2021. The payment of the final dividend and special dividend is subject to the shareholders' approval at the annual general meeting (the "AGM") of the Company to be held on 27 May 2022. China Sunrise Paper Holdings Limited, Mr. Wang Dongxing and Mr. Wang Changhai, controlling shareholders of the Company who hold 343,952,552 shares of the Company, representing approximately 33.69% interest of the total issued shares of the Company as at the date of this announcement, will waive their entitlement to the special dividend.

## **CLOSURE OF REGISTER OF MEMBERS**

### **In relation to the AGM**

The register of members of our Company will be closed from 23 May 2022 to 27 May 2022, both days inclusive, for the purpose of determining entitlement to attend the AGM, during which no transfer of shares of our Company will be registered. The record date for entitlement to attend and vote at the AGM is 27 May 2022. In order to qualify for attending and voting at the AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 20 May 2022.

Notice of the AGM will be published on our website at [www.sunshinepaper.com.cn](http://www.sunshinepaper.com.cn) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), and dispatched to the shareholders in due course.

### **In relation to the final dividend and special dividend**

The register of members of our Company will be closed from 7 June 2022 to 10 June 2022, both days inclusive, for the purpose of determining entitlement to the proposed final dividend and special dividend, during which no transfer of shares of our Company will be registered. Shareholders whose names appear on the Company's register of members on 10 June 2022 will qualify for the proposed final dividend and special dividend. In order to qualify for the proposed final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 June 2022. The proposed final dividend and special dividend (the payment of which is subject to the shareholders' approval at the AGM) is payable on or about 22 June 2022.

## **PUBLICATION OF RESULTS**

This announcement of results has been published on our website at [www.sunshinepaper.com.cn](http://www.sunshinepaper.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of our Company for FY2021 containing all the information required by Appendix 16 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be dispatched to the shareholders and published on our website at [www.sunshinepaper.com.cn](http://www.sunshinepaper.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to all the shareholders, customers, suppliers, banks, professional parties and employees of our Group for their continuous support.

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

Shandong, China, 29 March 2022

As at the date of this announcement, the directors of the Company are:

*Executive directors:* *Mr. Wang Dongxing, Mr. Shi Weixin,  
Mr. Wang Changhai, Mr. Zhang Zengguo and  
Mr. Ci Xiaolei*

*Non-executive director:* *Ms. Wu Rong*

*Independent non-executive directors:* *Ms. Shan Xueyan, Mr. Wang Zefeng and  
Ms. Jiao Jie*

\* *For identification purposes only*