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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### FINANCIAL HIGHLIGHTS

- Revenue was RMB4,395.2 million for 1H 2022, representing an increase by approximately 15.4% from RMB3,807.2 million for 1H 2021.
- Gross profit was RMB610.1 million for 1H 2022, representing a decrease by approximately 23.8% from RMB800.7 million for 1H 2021.
- Profit attributable to the owners of the Company for 1H 2022 decreased by approximately 50.9% to RMB162.7 million, as compared to RMB331.3 million for 1H 2021.

#### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sunshine Paper Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (“**1H 2022**”) together with the comparative figures for the corresponding period of last year (“**1H 2021**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Unaudited	
		2022	2021
		RMB'000	RMB'000
Revenue	4&5	4,395,157	3,807,246
Cost of sales		(3,785,032)	(3,006,535)
Gross profit		610,125	800,711
Other income	6	149,300	126,341
Other gains or losses	6	21,598	(32,496)
Distribution and selling expenses		(190,000)	(160,532)
Administrative expenses		(201,974)	(197,944)
Gain/(loss) on fair value changes of an investment property		750	(5,468)
Finance costs	7	(87,136)	(77,026)
Share of (loss)/profit of a joint venture		(22,726)	9,635
Share of loss of an associate		(9,358)	—
Profit before income tax	9	270,579	463,221
Income tax expense	8	(90,777)	(128,527)
Profit for the period		179,802	334,694
Other comprehensive income, net of tax			
Item that will be reclassified subsequently to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income (“FVOCI”)		(427)	—
Profit and total comprehensive income for the period		179,375	334,694
Profit for the period attributable to:			
Owners of the Company		162,727	331,348
Non-controlling interests		17,075	3,346
		179,802	334,694
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		162,300	331,348
Non-controlling interests		17,075	3,346
		179,375	334,694
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted (RMB)	11	0.16	0.39

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		5,256,264	5,119,019
Investment property		66,965	66,215
Prepaid lease payments		742,241	620,999
Goodwill		37,406	37,406
Deferred tax assets		94,107	59,744
Interest in a joint venture		157,090	179,816
Interest in an associate	12	311,028	—
Deposits and other receivables		403,235	373,386
Deposits for acquisition for property, plant and equipment		282,052	419,875
		7,350,388	6,876,460
<b>Current assets</b>			
Inventories		1,018,038	1,088,205
Trade receivables	13	677,511	527,742
Bills receivables	14	211,971	171,988
Prepayments and other receivables		302,988	240,767
Restricted bank deposits		1,569,367	1,293,544
Bank balances and cash		736,525	829,572
		4,516,400	4,151,818
<b>Current liabilities</b>			
Contract liabilities		102,731	121,962
Trade payables	15	1,206,129	1,031,253
Bills payables	15	335,185	484,361
Other payables		275,356	212,475
Payable for construction work, machinery and equipment		131,922	165,143
Income tax payables		20,852	23,893
Lease liabilities	16	1,420	1,354
Deferred income		7,826	6,045
Discounted bills financing	17	1,599,058	1,374,325
Bank borrowings	18	2,172,232	2,213,223
Other borrowings	19	265,971	248,566
		6,118,682	5,882,600
<b>Net current liabilities</b>		<b>(1,602,282)</b>	<b>(1,730,782)</b>
<b>Total assets less current liabilities</b>		<b>5,748,106</b>	<b>5,145,678</b>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Capital and reserves</b>			
Share capital	20	<b>90,407</b>	80,944
Reserves		<b>3,960,141</b>	3,698,653
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>4,050,548</b>	3,779,597
Non-controlling interests		<b>322,158</b>	304,974
		<hr/>	<hr/>
<b>Total equity</b>		<b>4,372,706</b>	4,084,571
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Lease liabilities	16	<b>29,365</b>	31,000
Bank borrowings	18	<b>821,919</b>	536,901
Other borrowings	19	<b>312,830</b>	300,387
Deferred income		<b>131,524</b>	137,319
Deferred tax liabilities		<b>79,762</b>	55,500
		<hr/>	<hr/>
		<b>1,375,400</b>	1,061,107
		<hr/>	<hr/>
<b>Total equity and non-current liabilities</b>		<b>5,748,106</b>	5,145,678
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## **NOTES**

### **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 RMB1,602,282,000 as at 30 June 2022. 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 present 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 2021.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (“FVOCI”) and an investment property which is measured at fair value, as appropriate.

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following amended IFRSs which are effective as of 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

The adoption of these amended IFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

#### 4. REVENUE

##### 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 markets:

Segments	Unaudited For the six months ended 30 June 2022		
	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>4,199,401</u>	<u>195,756</u>	<u>4,395,157</u>
<b>Geographical markets</b>			
— PRC	4,097,226	195,756	4,292,982
— Oversea	<u>102,175</u>	<u>—</u>	<u>102,175</u>
Segments	Unaudited For the six months ended 30 June 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>3,682,265</u>	<u>124,981</u>	<u>3,807,246</u>
<b>Geographical markets</b>			
— PRC	3,561,453	124,981	3,686,434
— Oversea	<u>120,812</u>	<u>—</u>	<u>120,812</u>

## 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 to 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 2022						
		Paper products						
	White top linerboard <i>RMB'000</i>	Coated- white top linerboard <i>RMB'000</i>	Core board <i>RMB'000</i>	Specialised paper products <i>RMB'000</i>	Corrugated paper <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	953,115	1,197,618	408,982	842,324	797,362	4,199,401	195,756	4,395,157
Inter-segment revenue	—	—	—	—	—	—	453,009	453,009
Segment revenue	<u>953,115</u>	<u>1,197,618</u>	<u>408,982</u>	<u>842,324</u>	<u>797,362</u>	<u>4,199,401</u>	<u>648,765</u>	<u>4,848,166</u>
Segment profit	<u>162,897</u>	<u>266,220</u>	<u>40,765</u>	<u>72,040</u>	<u>47,143</u>	<u>589,065</u>	<u>66,752</u>	<u>655,817</u>

  

		Unaudited						
		For the six months ended 30 June 2021						
		Paper products						
	White top linerboard <i>RMB'000</i>	Coated- white top linerboard <i>RMB'000</i>	Core board <i>RMB'000</i>	Specialised paper products <i>RMB'000</i>	Corrugated paper <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	843,904	1,210,287	364,067	708,480	555,527	3,682,265	124,981	3,807,246
Inter-segment revenue	—	—	—	—	—	—	261,125	261,125
Segment revenue	<u>843,904</u>	<u>1,210,287</u>	<u>364,067</u>	<u>708,480</u>	<u>555,527</u>	<u>3,682,265</u>	<u>386,106</u>	<u>4,068,371</u>
Segment profit	<u>253,244</u>	<u>385,473</u>	<u>72,139</u>	<u>80,858</u>	<u>18,563</u>	<u>810,277</u>	<u>30,029</u>	<u>840,306</u>



**(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, gain/(loss) on fair value changes of an investment property, certain finance costs, share of loss of an associate and share of (loss)/profit of a joint venture to paper product segment and does not allocate income tax expense 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit</b>		
Segment profit	<b>655,817</b>	840,306
Unrealised profit on inter-segment sales	<b>(64,119)</b>	(46,228)
	<u><b>591,698</b></u>	<u>794,078</u>
Other income	<b>147,469</b>	123,766
Other gains or losses	<b>20,645</b>	(36,433)
Distribution and selling expenses	<b>(190,000)</b>	(160,532)
Administrative expenses	<b>(194,077)</b>	(194,137)
Finance costs	<b>(73,822)</b>	(67,688)
Gain/(loss) on fair value changes of an investment property	<b>750</b>	(5,468)
Share of (loss)/profit of a joint venture	<b>(22,726)</b>	9,635
Share of loss of an associate	<b>(9,358)</b>	—
	<u><b>270,579</b></u>	<u>463,221</u>
<b>Consolidated profit before income tax</b>	<u><b>270,579</b></u>	<u>463,221</u>

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.

## 6. OTHER INCOME AND OTHER GAINS AND LOSSES

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on:		
Bank deposits	23,211	13,999
Loans to third parties	2,237	—
The balance with a joint venture ( <i>note i</i> )	<u>11,263</u>	<u>8,549</u>
Total interest income	<u>36,711</u>	<u>22,548</u>
Government grants ( <i>note ii</i> )	105,743	93,923
Rental income from an investment property and other properties	1,706	1,826
Hotel and catering service income	1,380	2,080
Logistics service income	<u>3,760</u>	<u>5,964</u>
	<u>149,300</u>	<u>126,341</u>
Other gains or losses:		
Gain from sale of scrap materials, net	14,595	10,389
Loss on disposal of property, plant and equipment	(3,237)	(25,344)
Net foreign exchange losses	(1,692)	(1,406)
Reversal of expected credit loss on trade receivables	6,079	505
Provision for expected credit loss on other receivables	(8,876)	(1,740)
Impairment loss on property, plant and equipment	—	(17,185)
Others ( <i>note iii</i> )	<u>14,729</u>	<u>2,285</u>
	<u>21,598</u>	<u>(32,496)</u>

### Notes:

- i. During the six months ended 30 June 2022, 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 6.00% per annum (six months ended 30 June 2021: 5.70% per annum).
- ii. During the six months ended 30 June 2022, 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 RMB96,394,000, the amounts of which were determined by reference to the amount of value-added tax paid (six months ended 30 June 2021: RMB89,134,000).
- iii. During the six months ended 30 June 2022, the Group has received RMB9,700,000 compensation of the fire loss of inventories from insurance company.

## 7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses on:		
Discounted bills financing	24,738	25,121
Bank and other borrowings	82,403	66,980
Lease liabilities	291	8
Corporate bond	—	4,272
	<u>107,432</u>	<u>96,381</u>
Less: Interest capitalised in construction in progress	<u>(20,296)</u>	<u>(19,355)</u>
	<u>87,136</u>	<u>77,026</u>

Borrowing costs capitalised during the six months ended 30 June 2022 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 3.88% to 6.20% (six months ended 30 June 2021 a capitalisation rate ranging from 4.01% to 5.46%) per annum to expenditure on construction in progress.

## 8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>Current income tax</b>		
People's Republic of China ("PRC") Enterprise Income Tax	100,878	126,370
Deferred tax expense	<u>(10,101)</u>	<u>2,157</u>
Charge for the period	<u>90,777</u>	<u>128,527</u>

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.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 as the Group sustained a loss for tax purpose.

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	209,398	203,491
Retirement benefits schemes contributions	29,142	27,841
	<hr/>	<hr/>
Total staff costs (including directors' emoluments)	238,540	231,332
	<hr/>	<hr/>
Amortisation of prepaid lease payments	4,125	2,831
Cost of inventories recognised as an expense	2,906,023	2,324,292
Depreciation of property, plant and equipment		
— right-of-use assets	37,180	36,894
— owned assets	148,413	132,520
Research and development expenses	16,164	34,638
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## 10. DIVIDENDS

During the current interim period, a final dividend of HK\$6.5 cents per ordinary share, totalling of HK\$66,353,000 (equivalents to RMB56,745,000) and a special dividend of HK\$9.5 cents, totalling of HK\$96,978,000 (equivalents to RMB82,935,000) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 10 June 2022. China Sunrise Paper Holdings Limited, Mr. Wang Dongxing and Mr. Wang Changhai, controlling shareholders of the Company have waived their entitlement to the special dividend, totalling of HK\$32,675,000 (equivalents to RMB27,944,000).

The board of directors resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 was based on the profit of RMB162,727,000 (six months ended 30 June 2021: RMB331,348,000) for the period attributable to owners of the Company, and the weighted average number of 1,008,037,000 (six months ended 30 June 2021: 849,701,000) ordinary shares in issue during the six months ended 30 June 2022.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2022 and 2021. The basic earnings per share equals to the diluted earnings per share.

## 12. INVESTMENT IN ASSOCIATE

During the six months ended 30 June 2022, the Company acquired of 45% equity interest in the Top Speed Energy Holding Limited (“Top Speed”) from an independent third party, which has become an associate company of the Company. Top speed is principally engaged in (i) sales of liquefied natural gas and (ii) provision of electricity, storage and related support to internet data centres, with its headquarters in Canada. During the six months ended 30 June 2022, the Company has settled the consideration by allotment of 115,652,359 ordinary shares of the Company at an issue price of HK\$2.329 amounting to approximately RMB220,386,000 (equivalent to approximately HK\$269,354,000) and by cash of RMB100,000,000.

## 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:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <b>RMB'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <b>RMB'000</b>
0–30 days	633,178	480,414
31–90 days	17,541	29,320
91–365 days	<u>26,792</u>	<u>18,008</u>
	<u><b>677,511</b></u>	<u><b>527,742</b></u>

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

	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>30 June</b> <b>2022</b> <b>RMB'000</b>	<b>Audited</b> <b>Year</b> <b>ended</b> <b>31 December</b> <b>2021</b> <b>RMB'000</b>
At the beginning of the period/year	27,320	16,976
(Reversal)/Allowance during the period/year	<u>(6,079)</u>	<u>10,344</u>
<b>At the end of the period/year</b>	<u><b>21,241</b></u>	<u><b>27,320</b></u>

#### 14. BILLS RECEIVABLES

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
0–90 days	<b>142,174</b>	82,715
91–180 days	<b>68,674</b>	27,257
181–365 days	<b>1,123</b>	62,016
	<b>211,971</b>	171,988

As at 30 June 2022, the Group has discounted bills receivables of RMB67,778,000 (31 December 2021 (Audited): RMB30,725,000) 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.

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
0–90 days	<b>1,174,746</b>	1,001,137
91–365 days	<b>327,682</b>	480,315
Over 1 year	<b>38,886</b>	34,162
	<b>1,541,314</b>	1,515,614

All the bills payables as at 30 June 2022 and 31 December 2021 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.

## 16. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Within one year	2,923	2,891	1,420	1,354
More than one year but not more than two years	2,900	2,927	1,467	1,458
More than two years but not more than five years	9,915	10,000	5,115	5,077
After five years	<u>29,524</u>	<u>31,801</u>	<u>22,783</u>	<u>24,465</u>
	45,262	47,619	30,785	32,354
Future finance charges on lease liabilities	<u>(14,477)</u>	<u>(15,265)</u>	<u>—</u>	<u>—</u>
Present value of lease liabilities	<u><u>30,785</u></u>	<u><u>32,354</u></u>	<u><u>30,785</u></u>	<u><u>32,354</u></u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(1,420)</u>	<u>(1,354)</u>
Amount due for settlement after 12 months			<u><u>29,365</u></u>	<u><u>31,000</u></u>

The Group's lease liabilities are secured by the lessor's charge over certain property, plant and equipment amounting to RMB30,785,000 (31 December 2021 (Audited): RMB32,354,000).

During the current interim period, the total cash outflows for the leases are RMB4,618,000 (six months ended 30 June 2021: RMB1,977,000).

## 17. DISCOUNTED BILLS FINANCING

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Discounted bills receivables from third parties ( <i>note a</i> )	67,778	30,725
Discounted bills receivables from subsidiaries of the Company ( <i>note b</i> )	<u>1,531,280</u>	<u>1,343,600</u>
<b>Total</b>	<b><u>1,599,058</u></b>	<b><u>1,374,325</u></b>

*Note:*

- 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.
- c. These borrowings are charged at the rates ranging from 1.00% to 5.12% (31 December 2021: 1.70% to 4.20%).

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 BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB2,156,423,000 (six months ended 30 June 2021: RMB1,770,670,000), and repaid loans amounting to RMB1,912,396,000 (six months ended 30 June 2021: RMB1,716,613,000). The newly raised loans bear interest from 2.30% to 7.80% per annum (six months ended 30 June 2021: 3.10% to 6.57%). At the end of the reporting period, certain of the Group's property, plant and equipment and land use rights of RMB2,994,150,000 (31 December 2021 (Audited): RMB2,571,008,000) were pledged to secure bank borrowings granted to the Group.



## 19. OTHER BORROWINGS

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Current:		
Borrowings from		
— Sale and leaseback obligations ( <i>note i</i> )	255,971	238,566
— the spouse of a director	10,000	10,000
	<u>265,971</u>	<u>248,566</u>
Non-current:		
Borrowings from		
— Sale and leaseback obligations ( <i>note i</i> )	262,515	250,072
— the Partnership ( <i>note ii</i> )	50,315	50,315
	<u>312,830</u>	<u>300,387</u>
Total other borrowings	<u>578,801</u>	<u>548,953</u>

### Note:

- (i) During the period ended 30 June 2022, the Group entered into several sales and leaseback agreements with leasing companies for machinery and equipment (“Secured Assets”) amounting to RMB160,000,000 (2021: RMB411,000,000) for a period of 3 years (2021: 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 4.64% to 7.26% (2021: 4.69% to 7.26%) 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 2021 (the “EGM”), the Group would contribute up to RMB395.0 million 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 RMB500.0 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 2021. As at the period ended 30 June 2022, the Partnership has contributed RMB50,315,000 to the Group, which recorded as other borrowing. The Group has further RMB196,315,000 capital commitment to the Partnership, which set out in note 21.

## 20. SHARE CAPITAL

		Number of shares	Share capital <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.10 each			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022		2,000,000,000	200,000
		<u>2,000,000,000</u>	<u>200,000</u>
			<b>Shown in the consolidated financial statements <i>RMB'000</i></b>
	Number of shares	Share capital <i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
At 1 January 2021	819,362,000	81,936	73,779
Placement of shares ( <i>note i</i> )	<u>85,802,000</u>	<u>8,580</u>	<u>7,165</u>
At 31 December 2021 and 1 January 2022	905,164,000	90,516	80,944
Allotment ( <i>note ii</i> )	<u>115,652,359</u>	<u>11,565</u>	<u>9,463</u>
At 30 June 2022	<u>1,020,816,359</u>	<u>102,081</u>	<u>90,407</u>

### Note:

- (i) 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\$125,939,000 (equivalent to approximately RMB105,170,000), after deduction of transaction costs of HK\$2,764,000 (equivalent to approximately RMB2,304,000), 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.
- (ii) During the six months ended 30 June 2022, the Company acquired of 45% equity interest in the Top Speed Energy Holding Limited ("Top Speed") from an independent third party, which has become an associate company of the Company. The Company has settled the consideration by allotment of 115,652,359 ordinary shares of the Company at an issue price of HK\$2.329 amounting to approximately RMB220,386,000 (equivalent to approximately HK\$269,354,000) and by cash of RMB100,000,000.

## 21. CAPITAL COMMITMENTS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Capital expenditure contracted for in the condensed consolidated interim financial statements in respect of acquisition of:		
— property, plant and equipment	<b>62,571</b>	82,171
— investment cost in a partnership	<b>196,315</b>	196,315
— investment cost in an associate	<b>—</b>	250,000
	<hr/> <b>258,886</b> <hr/>	<hr/> 528,486 <hr/>

## BUSINESS REVIEW

In 1H 2022, due to prolonged implementation of pandemic control measures in response to the recurrence of the new coronavirus disease (“COVID-19”) pandemic in many regions across the PRC, especially the Yangtze River Delta region, the national economy for 1H 2022 experienced certain pressure, which in return intensified the global supply chain tension. As a result, production and operating costs increased. According to the National Bureau of Statistics, the gross domestic product (GDP) of the PRC amounted to RMB56.26 trillion in 1H 2022, representing a year-on-year growth of 2.5% with constant pricing, which was lower than the PRC’s potential economic growth level. Meanwhile, the national producer price index (PPI) increased by 7.7% year-on-year in 1H 2022, while the national consumer price index (CPI) only increased by 1.7% year-on-year in 1H 2022, thus leading to pressure on the profitability of the enterprises in the PRC.

Confronted by the changing pandemic conditions, the Company made active responses to challenges brought by new pandemic and economic conditions following the ongoing effort of the cadres and employees of the Group under the leadership of the Group’s management. By persisting in the strategy and policy of focusing on business operations and internal management, the Company continued to promote research on and investments in new products and technologies in addition to sustaining sound operation of the existing business. These initiatives enabled the Company to maintain its competitive advantages and achieve good profitability amidst the new industrial conditions and fierce market competition.

In response to the current economic pressure, weak market demands, fierce industrial competition, and sharp increase in raw material prices, the Group has improved its competitiveness in all aspects of procurement, production, finance, sales and logistics. Specific measures comprised of actively expanding sales channels, improving production processes, optimizing financial structure, maintaining customer relationships, and improving logistics efficiency. Earning recognition among customers for its efforts to reduce costs and boost efficiency, the Group maintained a comparatively ideal market share and stabilized its profitability.

During 1H 2022, the Company strongly promoted energy conservation and environmental protection, on one hand by facilitating the operation of bio-mechanical pulp project that will play a positive role in protecting the ecological environment and achieving the “Dual Carbon” goals, and on the other hand by improving the rules and regulations on environmental protection of its established high-end packaging paper projects, aiming to further enhance the level of ecological protection of the Company.

For 1H 2022, the Group reported 940,000 tonnes of machine-made paper, representing an increase of 28.1% as compared to 734,000 tonnes for the corresponding period last year. The revenue increased to RMB4,199.4 million, representing an increase of 14.0% as compared to that for the corresponding period last year.

## **BUSINESS OUTLOOK**

Due to the resurgent Covid-19 pandemic and unpredictable geopolitical conditions, pricing of wood pulp, shipping costs and energy costs have been increasing, which significantly increased the raw material costs in the paper industry, and caused negative impacts on the raw materials supply and products transportation of the Group. Confronted by the complicated macroeconomic conditions, the Group will constantly explore new alternative raw materials to become a pioneer of new paper-making raw materials, and keep optimising processes to become integrator of new processes.

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 need of different customers by intensively cultivating the market under the differentiated development strategy at the same time. With the growing concentration in the industry due to the rising operating threshold of the paper industry, the Group's core product, coated-white top linerboard, is expected to further increase its market share. In addition, as the second production line of the new corrugated paper project saw a ramp-up in production capacity, the Group will further optimize its product portfolio. Looking ahead to the second half of the year, the environment of the industry is expected to recover to some extent based on historical experience, as the price of upstream raw materials fall and the downstream consumption recovers on a sequential basis. In the face of a more challenging economic environment, the Group is confident that it will be able to cope with the various challenges it may face by virtue of efficient and sound management capabilities.

As an innovation-driven production enterprise led by a scientific research team, the Group continues to intensify its efforts in independent innovation and improvement of its research and development system. The Group has built a solid technological foundation for and accumulated practical experiences of innovating product development, production process and information systems. Following its continuing efforts and investments, the 200,000-tonne bio-mechanical pulp project (Phase I), of which the Group is in possession of all technology patents, is successfully put into operation and begins to expand production output, which is expected to become a new growth engine for the Group. The Group focuses on producing specialty papers and is actively developing various high-value products with bio-mechanical pulp. In the future, the Group will continue to attach importance to research and development by further enhancing the intelligence application capacity, so as to provide customers with high-quality products, while promoting our own sustainable development.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue**

For 1H 2022, our Group's total revenue was RMB4,395.2 million, representing an increase of 15.4% as compared to that of RMB3,807.2 million for 1H 2021.

Sales volume of paper products increased during 1H 2022. Sales of paper products increased by 14.0% to RMB4,199.4 million for 1H 2022 with sales volume of around 940,000 tonnes, as compared to that of RMB3,682.3 million and around 734,000 tonnes for 1H 2021.

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

	1H 2022			1H 2021		
	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>% of total revenue</i>
White top linerboard	953,115	17.1	21.7	843,904	30.0	22.2
Coated-white top linerboard	1,197,618	22.2	27.2	1,210,287	31.8	31.8
Core board	408,982	10.0	9.3	364,067	19.8	9.5
Specialised paper products	842,324	8.6	19.2	708,480	11.4	18.6
Corrugated paper	797,362	5.9	18.1	555,527	3.3	14.6
Subtotal of sales of paper products	4,199,401	14.0	95.5	3,682,265	22.0	96.7
Sales of electricity and steam	195,756	10.3	4.5	124,981	7.8	3.3
Total revenue	<u>4,395,157</u>	<u>13.9</u>	<u>100</u>	<u>3,807,246</u>	<u>21.0</u>	<u>100</u>

#### Cost of sales

Cost of sales was RMB3,785.0 million for 1H 2022, representing an increase of 25.9% as compared with that of RMB3,006.5 million for 1H 2021. The increase in cost of sales was consistent with the increase in revenue, but higher than the increase in revenue.

#### Gross profit and gross profit margin

The gross profit of our Group decreased from RMB800.7 million for 1H 2021 to RMB610.1 million for 1H 2022. The profit margin of the Group decreased during the period as compared with the corresponding period last year, from 21.0% for 1H 2021 to 13.9% for 1H 2022.

#### Other profit and loss items

Other income of RMB149.3 million for 1H 2022 (1H 2021: RMB126.3 million) mainly consisted of interest income on bank deposits of RMB23.2 million, interest income earned from a joint venture of RMB11.3 million, interest income on loans to third parties of RMB2.2 million, government grants of RMB105.7 million, rental income of RMB1.7 million, hotel and catering service income of RMB1.4 million and logistics service income of RMB3.8 million.

Other gains of RMB21.6 million for 1H 2022 (1H 2021: other losses of RMB32.5 million) mainly consisted of gain from sale of scrap materials of RMB14.6 million, loss of disposal of property, plant and equipment of RMB3.2 million, net foreign exchange losses of RMB1.7 million, provision for expected credit loss on other receivables of RMB8.9 million, reversal of expected credit loss on trade receivables of RMB6.1 million, and other gains of RMB14.7 million.

Distribution and selling expenses was RMB190.0 million for 1H 2022, as compared with RMB160.5 million for 1H 2021. As a percentage against revenue, it increased from 4.2% for 1H 2021 to 4.3% for 1H 2022.

Administrative expenses was RMB202.0 million for 1H 2022, representing an increase of 2.0% as compared with RMB197.9 million for 1H 2021. As a percentage against revenue, it decreased from 5.2% for 1H 2021 to 4.6% for 1H 2022.

Finance costs was RMB87.1 million for 1H 2022, representing an increase of 13.1% as compared with RMB77.0 million for 1H 2021. As a percentage against revenue, it was essentially in line with the 1H 2021, both of which were 2.0%.

During 1H 2022, there was a share of loss of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB22.7 million (1H 2021: share of profit of RMB9.6 million) and a share of loss on an associate of RMB9.4 million.

#### **Income tax expense**

Our income tax expense decreased from RMB128.5 million for 1H 2021 to RMB90.8 million for 1H 2022. Effective tax rate for 1H 2022 and 1H 2021 was 33.5% and 27.7%, 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 RMB162.7 million for 1H 2022 (1H 2021: RMB331.3 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 2022, our Group had restricted bank deposits, cash and bank balances of RMB2,305.9 million (31 December 2021: RMB2,123.1 million). The debt of the Group comprised of bank and other borrowings and lease liabilities total RMB3,603.7 million as at 30 June 2022 (31 December 2021: RMB3,331.4 million). Net gearing ratio increased from 29.6% as at 31 December 2021 to 29.7% as at 30 June 2022.

Inventories decreased from RMB1,088.2 million as at 31 December 2021 to RMB1,018.0 million as at 30 June 2022. Inventory turnover was 51 days for 1H 2022, as compared to 41 days for 1H 2021.

Trade receivables increased from RMB527.7 million as at 31 December 2021 to RMB677.5 million as at 30 June 2022. Trade receivables turnover was 25 days for 1H 2022 and 1H 2021. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded an increase from RMB1,031.3 million as at 31 December 2021 to RMB1,206.1 million as at 30 June 2022. Trade payable turnover was 54 days for 1H 2022, as compared to 51 days for 1H 2021.

Current ratio increased from 0.71 times as at 31 December 2021 to 0.74 times as at 30 June 2022.

#### ***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 and obligations under finance leases, 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 2022, our capital expenditure was approximately RMB55.2 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 2022, 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 RMB258.9 million.

There was no contingent liabilities as at 30 June 2022.

### **Pledge of assets**

As at 30 June 2022, the carrying amount of our assets of RMB3,024.9 million were pledged as collateral or security for our Group's bank loans and lease liabilities.

### **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**

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 (the "**Listing Rules**") throughout 1H 2022.

## **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. The Company has made specific enquiries with all Directors, and all Directors have confirmed that they have complied with the Model Code throughout 1H 2022.

## 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 2022 and discussed the financial matters with the management of the Company.

## EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 4,500 employees as at 30 June 2022. The staff costs for 1H 2022 were RMB238.5 million (1H 2021: RMB231.3 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 2022 (1H 2021: nil).

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 indirectly holds 45% of the total issued share capital in the Target Company and the Target Company becomes an associate company of the Company.

During 1H 2022, 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.

## **PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sunshinepaper.com.cn](http://www.sunshinepaper.com.cn)) and the interim report containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to our shareholders, our business associates and all our employees for their continuous support.

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

Weifang, China, 29 August 2022

As at the date of this announcement, the Directors 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*