



China Sunshine Paper Holdings Company Limited
中國陽光紙業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2002



INTERIM REPORT
2022

*For identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Ms. Wu Rong

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Yee Ping, Michael

AUTHORISED REPRESENTATIVES

Mr. Wang Dongxing
Mr. Chan Yee Ping, Michael

PRINCIPAL PLACE OF BUSINESS IN CHINA

Changle Economic Development Zone
Weifang 262400
Shandong
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Winsan Tower
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REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712–1716, 17th Floor
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AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor,
Lee Garden Two,
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Causeway Bay, Hong Kong

LEGAL ADVISERS AS TO THE LAWS OF HONG KONG

Morgan, Lewis & Bockius
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Hong Kong

STOCK CODE

2002

WEBSITE

www.sunshinepaper.com.cn

Operation Review and Outlook

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		
	RMB'000	GP margin (%)	% of total revenue	RMB'000	GP margin (%)	% of total revenue
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	4,395,157	13.9	100	3,807,246	21.0	100

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.

Management Discussion and Analysis

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 and Other Information

CORPORATE GOVERNANCE

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

SUFFICIENCY PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the public float as required under the Listing Rules throughout 1H 2022.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY

As at 30 June 2022, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code:

(a) Long positions in our Company:

Name of Director	Nature of interest	Number of share	Approximate percentage of shareholding
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company ⁽¹⁾	321,687,052	31.51%
	Beneficial owner	18,425,500	1.80%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement ⁽²⁾	3,840,000	0.38%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company ⁽¹⁾	321,687,052	31.51%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement ⁽²⁾	22,265,500	2.18%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company ⁽¹⁾	321,687,052	31.51%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement ⁽²⁾	22,265,500	2.18%
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company ⁽¹⁾	321,687,052	31.51%
	Beneficial owner	3,840,000	0.38%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement ⁽²⁾	18,425,500	1.80%
Mr. Ci Xiaolei	Beneficial owner	929,000	0.09%
Ms. Wu Rong	Interest of a party to an agreement to acquire interest in our Company ⁽¹⁾	321,687,052	31.51%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement ⁽²⁾	22,265,500	2.18%

Corporate Governance and Other Information

Notes:

1. A group of 17 individuals comprising Mr. Chen Xiaojun, Mr. Guo Jianlin, Mr. Li Zhongzhu, Mr. Lu Yujie, Mr. Ma Aiping, Mr. Sang Ziqian, Mr. Shi Weixin, Mr. Sun Qingtao, Mr. Wang Changhai, Mr. Wang Dongxing, Mr. Wang Feng, Mr. Wang Yilong, Mr. Wang Yongqing, Ms. Wu Rong, Mr. Zhang Zengguo, Mr. Zheng Fasheng and Mr. Zuo Xiwei (the "Controlling Shareholders Group") entered into an agreement on 16 June 2006 and as amended by a supplemental agreement on 19 November 2007 (the "Concert Parties Agreement"), pursuant to which each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in China Sunshine Paper Investments Limited ("China Sunshine"), China Sunrise Paper Holdings Limited ("China Sunrise") and any members of our Group (with China Sunshine and China Sunrise, collectively, the "Target Entities") and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by shareholders. As China Sunrise is wholly-owned by China Sunshine, and China Sunshine is wholly-owned by the Controlling Shareholders Group, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code), including Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai, is deemed to be interested in the 321,687,052 Shares held by China Sunrise.
2. Under section 318 of the SFO, Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 22,265,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 3,840,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 18,425,500 Shares held by Mr. Wang Dongxing.

Save as disclosed above, as at 30 June 2022, neither the chief executive nor any of the Directors of our Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

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

So far as we, the Directors and chief executive of our Company, are aware, as at 30 June 2022, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) (other than the Director or chief executive of our Company) in the Shares, underlying Shares or debentures of our Company which were required to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	321,687,052	31.51%
China Sunshine ⁽¹⁾	Long	Interest of a controlled corporation	321,687,052	31.51%
Controlling Shareholders Group ⁽²⁾	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	31.51%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	22,265,500	2.18%
Pinnacle Innovation EBRF Limited ⁽³⁾	Long	Beneficial interest	107,171,186	10.50%
Prosnav Holding Limited ⁽³⁾	Long	Interest of a controlled Corporation	115,652,359	11.33%
Prosnav Holdings Limited ⁽³⁾	Long	Interest of a controlled Corporation	115,652,359	11.33%
Chance Leader Group Limited ⁽³⁾	Long	Interest of a controlled Corporation	115,652,359	11.33%
Mr. Huang Liwei ⁽³⁾	Long	Interest of a controlled Corporation	115,652,359	11.33%
Ms. Li Yanjun ⁽³⁾	Long	Spouse interest	115,652,359	11.33%

Notes:

1. As China Sunshine owns the entire interest of China Sunrise, China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise.
2. Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the Target Entities and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunshine owns the entire interest of China Sunrise, and the Controlling Shareholders Group owns the entire interest of China Sunshine, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code) is deemed to be interested in the 321,687,052 Shares

Corporate Governance and Other Information

held by China Sunrise. Further, Mr. Wang Dongxing is interested in 18,425,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 3,840,000 Shares as beneficial owner. Other members of the Controlling Shareholder Group, being member of the Concert Parties Agreement, are deemed to be interested in such Shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the SFO.

- Each of Pinnacle Innovation EBRF Limited and Pinnacle Innovation Ming Limited is a wholly owned subsidiary of Prosnav Holding Limited. Prosnav Holding Limited is owned as to 99.80% by Prosnav Holdings Limited which is a wholly owned subsidiary of Chance Leader Group Limited. Mr. Huang Liwei is the sole shareholder of Chance Leader Group Limited. Ms. Li Yanjun is the spouse of Mr. Huang Liwei. Each of Mr. Huang Liwei, Ms. Li Yanjun, Chance Leader Group Limited, Prosnav Holdings Limited and Prosnav Holding Limited is therefore deemed to be interested in the Shares held by Pinnacle Innovation EBRF Limited and Pinnacle Innovation Ming Limited by virtue of the SFO, being 115,652,359 Shares.

Save as disclosed above, as at 30 June 2022, the Directors and the chief executive of our Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of our Company which would require to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

SHARE AWARD SCHEME

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

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

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

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

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

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

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date. As at the date of this report, the remaining life of the Share Award Scheme is approximately 4 years and 10 months.

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

No Awards were granted during 1H 2022.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 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 of an associate		(9,358)	—
Share of (loss)/profit of a joint venture		(22,726)	9,635
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

As at 30 June 2022

	Notes	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	12	5,256,264	5,119,019
Investment property	12	66,965	66,215
Prepaid lease payments		742,241	620,999
Goodwill	13	37,406	37,406
Deferred tax assets		94,107	59,744
Interest in an associate	14	311,028	—
Interest in a joint venture		157,090	179,816
Deposits for acquisition for property, plant and equipment		282,052	419,875
Deposits and other receivables		403,235	373,386
		7,350,388	6,876,460
Current assets			
Inventories		1,018,038	1,088,205
Trade receivables	15	677,511	527,742
Bills receivables	16	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
Current liabilities			
Contract liabilities		102,731	121,962
Trade payables	17	1,206,129	1,031,253
Bills payables	17	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	18	1,420	1,354
Deferred income		7,826	6,045
Discounted bills financing	19	1,599,058	1,374,325
Bank borrowings	20	2,172,232	2,213,223
Other borrowings	20	265,971	248,566
		6,118,682	5,882,600
Net current liabilities		(1,602,282)	(1,730,782)
Total assets less current liabilities		5,748,106	5,145,678

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Capital and reserves			
Share capital	21	90,407	80,944
Reserves		3,960,141	3,698,653
<hr/>			
Equity attributable to owners of the Company		4,050,548	3,779,597
Non-controlling interests		322,158	304,974
<hr/>			
Total equity		4,372,706	4,084,571
<hr/>			
Non-current liabilities			
Lease liabilities	18	29,365	31,000
Bank borrowings	20	821,919	536,901
Other borrowings	20	312,830	300,387
Deferred income		131,524	137,319
Deferred tax liabilities		79,762	55,500
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		1,375,400	1,061,107
<hr/>			
Total equity and non-current liabilities		5,748,106	5,145,678

The condensed consolidated interim financial statements on pages 16 to 40 were approved by the board of directors on 29 August 2022 and are signed on its behalf by:

Wang Dongxing
Director

Wang Changhai
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company												
	Share capital RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Assets revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Financial assets fair value reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2020 (audited)	73,779	610	722,957	(2,776)	86,656	7,015	312,321	1,078	—	1,917,130	3,118,770	312,914	3,431,684
Issuance of shares (note 21)	7,165	—	98,005	—	—	—	—	—	—	—	105,170	—	105,170
Transactions with owners	7,165	—	98,005	—	—	—	—	—	—	—	105,170	—	105,170
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	—	331,348	331,348	3,346	334,694
At 30 June 2021 (unaudited)	80,944	610	820,962	(2,776)	86,656	7,015	312,321	1,078	—	2,248,478	3,555,288	316,260	3,871,548
At 31 December 2021 (audited)	80,944	610	820,962	(2,776)	86,656	7,015	375,630	1,078	(856)	2,410,334	3,779,597	304,974	4,084,571
Capital contribution by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	109	109
Issue of shares for acquisition of an associate (note 21)	9,463	—	210,924	—	—	—	—	—	—	—	220,387	—	220,387
Declared dividend (note 10)	—	—	—	—	27,944	—	—	—	—	(139,680)	(111,736)	—	(111,736)
Transaction with owners	9,463	—	210,924	—	27,944	—	—	—	—	(139,680)	108,651	109	108,760
Profit for the period	—	—	—	—	—	—	—	—	—	162,727	162,727	17,075	179,802
Other comprehensive income Fair value loss on financial assets at FVOCI	—	—	—	—	—	—	—	—	(427)	—	(427)	—	(427)
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	(427)	162,727	162,300	17,075	179,375
At 30 June 2022 (unaudited)	90,407	610	1,031,886	(2,776)	114,600	7,015	375,630	1,078	(1,283)	2,433,381	4,050,548	322,158	4,372,706

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	370,333	799,092
Tax paid	(103,919)	(110,212)
<i>Net cash from operating activities</i>	266,414	688,880
Investing activities		
Interest received	11,421	13,999
Proceeds from disposal of property, plant and equipment	11,341	5,345
Purchase of property, plant and equipment	(55,170)	(53,175)
Addition of prepaid lease payments	—	(1,029)
Advance to a joint venture	(226,994)	(174,666)
Repayment from a joint venture	201,042	60,933
Additions of deposits on property, plant and equipment	(282,051)	(424,512)
Investment of an associate	(36,939)	—
(Addition)/Return of guarantee deposits for lease liabilities	(3,500)	5,400
Increase in restricted bank deposits	(275,823)	(294,650)
<i>Net cash used in investing activities</i>	(656,673)	(862,355)
Financing activities		
Interest paid	(107,290)	(94,994)
Repayment to a director	—	(4,283)
Repayment to a controlling shareholder	(29)	(143)
New bank borrowings raised	2,156,423	1,770,670
New other borrowings raised	—	52,815
Repayment of bank borrowings	(1,912,396)	(1,716,613)
Repayment of other borrowings	(130,152)	(87,048)
Increase in discounted bills financing	224,733	326,686
Repayment of lease liabilities	(1,569)	(1,133)
Proceeds from sale and lease back transactions	160,000	210,000
Capital contribution from non-controlling interests	109	—
Dividend paid	(92,617)	—
Issuing cost of shares	—	(2,304)
Proceeds from issuance of shares	—	107,474
<i>Net cash from financing activities</i>	297,212	561,127
Net (decrease)/increase in cash and cash equivalents	(93,047)	387,652
Cash and cash equivalents at beginning of the period, represented by bank balances and cash	829,572	613,268
Cash and cash equivalents at end of the period	736,525	1,000,920

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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 RMB’000	Electricity and steam RMB’000	Total RMB’000
Timing of revenue recognition			
— At a point in time	4,199,401	195,756	4,395,157
Geographical markets			
— PRC	4,097,226	195,756	4,292,982
— Oversea	102,175	—	102,175

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

4. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

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

5. SEGMENT INFORMATION

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

(a) Segment result

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

	Unaudited For the six months ended 30 June 2022							Total RMB'000
	Paper products					Subtotal RMB'000	Electricity and steam 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	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	953,115	1,197,618	408,982	842,324	797,362	4,199,401	648,765	4,848,166
Segment profit	162,897	266,220	40,765	72,040	47,143	589,065	66,752	655,817

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment result (Continued)

	Unaudited For the six months ended 30 June 2021							
	Paper products							
	White top linerboard RMB'000	Coated- white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Corrugated paper RMB'000	Subtotal RMB'000	Electricity and steam RMB'000	Total RMB'000
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	843,904	1,210,287	364,067	708,480	555,527	3,682,265	386,106	4,068,371
Segment profit	253,244	385,473	72,139	80,858	18,563	810,277	30,029	840,306

(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 expenses to both the paper product segment and the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (CONTINUED)

(b) Reconciliation of segment profit (Continued)

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income on:		
Bank deposits	23,211	13,999
Loans to third parties	2,237	—
The balance with a joint venture (note i) (note 23(a))	11,263	8,549
Total interest income	36,711	22,548
Government grants (note ii)	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	3,760	5,964
	149,300	126,341
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 (note iii)	14,729	2,285
	21,598	(32,496)

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 Company has received RMB9,700,000 compensation of fire loss of inventories from insurance company.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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 wholly repayable within five years	82,403	66,980
Lease liabilities	291	8
Corporate bond	—	4,272
	107,432	96,381
Less: Interest capitalised in construction in progress	(20,296)	(19,355)
	87,136	77,026

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: 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
Current income tax		
People's Republic of China ("PRC") Enterprise Income Tax	100,878	126,370
Deferred tax expense	(10,101)	2,157
Charge for the period	90,777	128,527

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Wages and salaries	209,398	203,491
Retirement benefits schemes contributions	29,142	27,841
Total staff costs (including directors' emoluments)	238,540	231,332
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

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

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

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB14,578,000 (six months ended 30 June 2021: RMB30,689,000) for proceeds of RMB11,341,000 (six months ended 30 June 2021: RMB5,345,000), resulting in a loss on disposal of RMB3,237,000 (six months ended 30 June 2021: RMB25,344,000).

In addition, during the current interim period, the Group acquired approximately RMB28,990,000 (six months ended 30 June 2021: RMB34,556,000) of property, plant and equipment (excluding construction in progress), and approximately RMB308,426,000 (six months ended 30 June 2021: RMB300,735,000) on construction in progress in order to maintain its manufacturing capabilities, which included interest capitalisation of approximately RMB20,296,000 (six months ended 30 June 2021: RMB19,355,000).

The Group's investment property as at the end of the current interim period was remeasured to fair value by reference to a valuation performed by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at on the basis of capitalisation of net rental income derived from the existing tenancy agreements with allowance for the reversionary income potential of the property and by making reference to comparable sales evidence as available in the relevant market, as appropriate. During the current interim period, increase in fair value of investment property of RMB750,000 has been recognised directly in profit or loss for the six months ended 30 June 2022 (six months ended 30 June 2021: decrease in fair value of RMB5,468,000).

13. GOODWILL

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
CGU A	18,692	18,692
CGU B (note)	11,800	11,800
CGU C	6,914	6,914
	37,406	37,406

Note: The calculation of the goodwill arising from the acquisition is provisional due to inadequate time and travel restriction. For its allocation to cash generating units by operating segment will be finalised when the fair value of acquired assets and assumed liabilities will be finalised.

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For the six months ended 30 June 2022

14. 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 per ordinary share amounting to approximately RMB220,386,000 (equivalent to approximately HK\$269,354,000) and by cash of RMB100,000,000.

15. TRADE RECEIVABLES

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

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

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

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

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16. BILLS RECEIVABLES

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

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
0-90 days	142,174	82,715
91-180 days	68,674	27,257
181-365 days	1,123	62,016
	211,971	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 19).

The Group manages its bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, bills receivable are classified as financial assets at FVOCI (recycling) in accordance with IFRS 9 and are stated at fair value. The fair value is based on the net present value as at 30 June 2022 from expected timing of endorsements and discounting at the interest rates for the respective bills receivable. The fair value is within level 2 of the fair value hierarchy.

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17. TRADE AND BILLS PAYABLES

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

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

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For the six months ended 30 June 2022

18. 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	29,524	31,801	22,783	24,465
	45,262	47,619	30,785	32,354
Future finance charges on lease liabilities	(14,477)	(15,265)	—	—
Present value of lease liabilities	30,785	32,354	30,785	32,354
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,420)	(1,354)
Amount due for settlement after 12 months			29,365	31,000

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).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

19. 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 (note a)	67,778	30,725
Discounted bills receivables from subsidiaries of the Company (note b)	1,531,280	1,343,600
Total	1,599,058	1,374,325

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 16, 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.

20. BANK AND OTHER BORROWINGS

(a) 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.

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20. BANK AND OTHER BORROWINGS (CONTINUED)

(b) 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 (note i)	255,971	238,566
— the spouse of a director (note 23(b))	10,000	10,000
	265,971	248,566
Non-current:		
Borrowings from		
— Sale and leaseback obligations (note i)	262,515	250,072
— the Partnership (note ii)	50,315	50,315
	312,830	300,387
Total other borrowings	578,801	548,953

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 潍坊市世紀陽光新舊動能轉換股權投資基金合夥企業 (有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership))* (the "Partnership"), while the Partnership would contribute up to RMB500.0 million into the Group in exchange for a subsidiary's shares. Details of the transaction are set out in the Company's circular dated 10 December 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 22.

Notes to the Condensed Consolidated Interim Financial Statements

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21. SHARE CAPITAL

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

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 per ordinary share amounting to approximately RMB220,386,000 (equivalent to approximately HK\$269,354,000) and by cash of RMB100,000,000.

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22. CAPITAL COMMITMENTS

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

23. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30 June 2022 RMB'000	2021 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary	97,502	45,523
Interest income earned from a joint venture (note 6)	11,263	8,549
Provision of goods and services to a joint venture	13,822	15,292

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For the six months ended 30 June 2022

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Trade receivables from		
— a joint venture	3,104	3,089
— non-controlling shareholder of a subsidiary (note i)	30,302	17,315
	33,406	20,404
Other receivables from		
— a joint venture (note ii)	328,440	300,101
Other payables due to		
— a controlling shareholder (note i)	1,449	1,478
Other borrowings		
— the spouse of a director (note iii)	10,000	10,000

Notes:

- i) The balance is unsecured, interest-free and repayable on demand.
- ii) The balance will be collected after 12 months from the end of the reporting period, see note 6 (i) for more details.
- iii) The balance is unsecured, interest-free and repayable within 1 year.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Short term employee benefit	3,377	14,729
Retirement benefit scheme contributions	58	80
	3,435	14,809

24. LEASE COMMITMENTS

The Group as lessee

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Within one year	806	162

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24. LEASE COMMITMENTS (CONTINUED)

The Group as lessor

Property rental income earned during the period was RMB1,706,000 (six months ended 30 June 2021: RMB1,826,000). All of the properties held have committed tenants for the next 1 to 3 years.

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

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Within one year	1,401	1,360
In the second to fifth years	528	1,066
	1,929	2,426

25. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the period ended 30 June 2022, certain PRC banks agreed to extend the due dates of the Group's bank borrowings of approximately RMB364,679,000 for one year when they fall due in year 2023.
- (b) On 26 July 2022, one subsidiary of the Group (as the lessees) entered into a finance lease agreement with Yangtze United Financial Leasing Co., Limited. (長江聯合金融租賃有限公司) (as the lessor), pursuant to which, the latter has agreed to, among other things, (i) acquire the certain leased assets from the lessees for an aggregate consideration of RMB150,000,000 and (ii) lease the leased assets to the lessees for a lease term of 3 years. Details of the transaction are set out in the announcement of the Company dated 26 July 2022. At the expiry of the lease term, the Lessees shall obtain the ownership of the leased assets from the Lessor at no consideration.