

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

中國陽光紙業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2002)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

- Revenue decreased by 12.4% from approximately RMB9,538.2 million for FY2022 to approximately RMB8,359.5 million for FY2023.
- Profit for the year attributable to the owners of the Company for FY2023 was approximately RMB393.3 million, representing an increase of approximately RMB187.6 million or 91.2% as compared to that for FY2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sunshine Paper Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2023 (“**FY2023**”) together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5 & 6	8,359,494	9,538,229
Cost of sales		<u>(7,049,635)</u>	<u>(8,374,125)</u>
Gross profit		1,309,859	1,164,104
Other income	7	291,439	318,004
Other gains or losses, net	7	20,127	3,487
Distribution and selling expenses		(403,235)	(401,795)
Administrative expenses		(478,554)	(429,535)
Reversal/(Provision) for expected credit loss (“ECL”) on financial assets, net		20,956	(27,333)
(Loss)/Gain on fair value changes of an investment property		(503)	361
Share of profit/(loss) of a joint venture		10,914	(44,087)
Share of loss of an associate		—	(54,983)
Finance costs	8	<u>(175,577)</u>	<u>(169,344)</u>
Profit before income tax	10	595,426	358,879
Income tax expense	9	<u>(144,134)</u>	<u>(124,334)</u>
Profit for the year		<u>451,292</u>	<u>234,545</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Other comprehensive (expense)/income, net of tax			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(3,832)	1,516
Fair value gain/(loss) on financial assets through other comprehensive income (“FVTOCI”)		<u>743</u>	<u>(599)</u>
Other comprehensive (expense)/income, net of tax		<u>(3,089)</u>	<u>917</u>
Total comprehensive income for the year		<u><u>448,203</u></u>	<u><u>235,462</u></u>
Profit for the year attributable to:			
Owners of the Company		393,309	205,729
Non-controlling interests		<u>57,983</u>	<u>28,816</u>
		<u><u>451,292</u></u>	<u><u>234,545</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		390,220	206,646
Non-controlling interests		<u>57,983</u>	<u>28,816</u>
		<u><u>448,203</u></u>	<u><u>235,462</u></u>
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted (<i>RMB</i>)	<i>12</i>	<u><u>0.39</u></u>	<u><u>0.20</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	<i>Notes</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		5,506,817	5,351,770
Investment property		59,400	66,576
Prepaid lease payments		739,438	733,632
Goodwill		49,746	49,746
Deferred tax assets		63,877	83,462
Interest in an associate		—	—
Interest in a joint venture		146,643	135,729
Deposits for acquisition for property, plant and equipment		251,534	321,028
Financial assets at fair value through profit and loss (“FVTPL”)		249,722	260,725
Deposits and other receivables	13	377,985	356,405
		<u>7,445,162</u>	<u>7,359,073</u>
Current assets			
Biological assets		—	—
Inventories	14	668,788	900,711
Trade receivables	15	564,762	630,665
Bills receivables	16	144,054	284,431
Prepayments and other receivables	17	457,878	493,253
Income tax recoverable		11,176	—
Restricted bank deposits		1,291,397	1,585,112
Bank balances and cash		1,571,918	851,179
		<u>4,709,973</u>	<u>4,745,351</u>
Current liabilities			
Contract liabilities		55,447	68,071
Trade payables	18	1,010,140	1,107,950
Bills payables	19	368,573	287,450
Other payables	20	189,693	225,569
Payables for construction work, machinery and equipment		80,174	142,032
Income tax payable		35,979	1,545
Lease liabilities	21	4,505	3,214
Deferred income		8,526	8,983
Discounted bills financing	22	1,289,377	1,739,953
Bank borrowings	23	2,402,961	2,047,827
Other borrowings	24	268,974	350,134
		<u>5,714,349</u>	<u>5,982,728</u>
Net current liabilities		<u>(1,004,376)</u>	<u>(1,237,377)</u>
Total assets less current liabilities		<u>6,440,786</u>	<u>6,121,696</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Capital and reserves			
Share capital	25	100,445	90,256
Reserves		4,468,993	4,001,671
		<hr/>	<hr/>
Equity attributable to owners of the Company		4,569,438	4,091,927
Non-controlling interests		391,907	334,003
		<hr/>	<hr/>
Total equity		4,961,345	4,425,930
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities	21	67,048	38,491
Bank borrowings	23	954,278	930,673
Other borrowings	24	188,094	453,318
Deferred income		199,490	205,887
Deferred tax liabilities		70,531	67,397
		<hr/>	<hr/>
		1,479,441	1,695,766
		<hr/>	<hr/>
Total equity and non-current liabilities		6,440,786	6,121,696
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the opinion of the Directors, the Company’s controlling shareholder is China Sunrise Paper Holdings Limited (incorporated in the Cayman Islands), whose controlling shareholder is China Sunshine Paper Investments Limited (incorporated in the British Virgin Islands). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” to the annual report.

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

The principal activities of the Group are production/generation and sale of paper products, electricity and steam.

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

The International Accounting Standards Boards (the “**IASB**”) has issued a number of new and amended IFRSs. The Group has adopted all these new and amended IFRSs, which are effective for the accounting period beginning on 1 January 2023:

IFRS 17	Insurance Contracts with related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Except for those mentioned below, the adoption to these new and amended IFRS had no material impact on how the results and the financial position for the current and prior period have been prepared and presented.

Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to IAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. Accounting policy information is material if, when considered together with other information included in entities’s financial statements, it can reasonably be expected to influence decision that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

IFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are applied by the Group on 1 January 2023 and are applied prospectively. The Group revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Issued but not yet effective IFRSs

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective date not yet determined

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

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at FVTOCI, FVTPL and certain properties which are stated at fair value.

The Group has net current liabilities of approximately RMB1,004,376,000 at 31 December 2023. The Directors have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the reporting date. In addition, although most of the existing banking facilities will expire in 2024, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing banking facilities upon expiry or to obtain other additional borrowing facilities as necessary. Therefore, the Directors are of the opinion that, taking into account the present available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by the banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

5. REVENUE

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

Disaggregation of revenue from contracts with customers

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

Segments	For the year ended 31 December 2023		
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition			
— At a point in time	<u>7,916,297</u>	<u>443,197</u>	<u>8,359,494</u>
Geographical markets			
— the People Republic of China (the “PRC”)	<u>7,744,568</u>	<u>443,197</u>	<u>8,187,765</u>
— Overseas	<u>171,729</u>	<u>—</u>	<u>171,729</u>
	For the year ended 31 December 2022		
Segments	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition			
— At a point in time	<u>9,133,329</u>	<u>404,900</u>	<u>9,538,229</u>
Geographical markets			
— PRC	<u>8,935,590</u>	<u>404,900</u>	<u>9,340,490</u>
— Overseas	<u>197,739</u>	<u>—</u>	<u>197,739</u>

6. SEGMENT INFORMATION

(a) Reportable segments

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

Segment revenue and results

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

For the year ended 31 December 2023

	Paper products					Subtotal RMB'000	Electricity and steam RMB'000	Total RMB'000
	White top linerboard RMB'000	Coated-white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Corrugated paper RMB'000			
Revenue from external customers	<u>1,644,503</u>	<u>2,079,142</u>	<u>644,127</u>	<u>1,711,985</u>	<u>1,836,540</u>	<u>7,916,297</u>	<u>443,197</u>	<u>8,359,494</u>
Inter-segment revenue						<u>—</u>	<u>930,814</u>	<u>930,814</u>
Segment revenue						<u>7,916,297</u>	<u>1,374,011</u>	<u>9,290,308</u>
Segment profit						<u>1,158,182</u>	<u>347,699</u>	<u>1,505,881</u>
Other segment information: Impairment loss on property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,786)</u>	<u>—</u>	<u>(11,786)</u>	<u>—</u>	<u>(11,786)</u>

For the year ended 31 December 2022

	Paper products							Electricity and steam	Total
	White top linerboard	Coated-white top linerboard	Core board	Specialised paper products	Corrugated paper	Subtotal			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue from external customers	1,954,014	2,368,916	775,556	2,074,914	1,959,929	9,133,329	404,900	9,538,229	
Inter-segment revenue						—	933,906	933,906	
Segment revenue						9,133,329	1,338,806	10,472,135	
Segment profit						1,114,095	120,021	1,234,116	

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, net, distribution and selling expenses, certain administrative expenses, reversal/(provision) for ECL on financial assets, net, (loss)/gain on fair value changes of an investment property, certain finance costs, share of loss of an associate, share of profit/(loss) of a joint venture to paper products segment and does not allocate income tax expense to both the paper products segment and electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit		
Segment profit	1,505,881	1,234,116
Unrealised profit on inter-segment sales	<u>(183,874)</u>	<u>(107,711)</u>
	1,322,007	1,126,405
Administrative expenses	(465,838)	(414,502)
Other income	284,994	316,168
Other gains or losses, net	(18,447)	2,465
Distribution and selling expenses	(403,235)	(401,795)
Finance costs	(155,422)	(143,820)
Reversal/(Provision) for ECL on financial assets, net	20,956	(27,333)
(Loss)/Gain on fair value changes of an investment property	(503)	361
Share of loss of an associate	—	(54,983)
Share of profit/(loss) of a joint venture	<u>10,914</u>	<u>(44,087)</u>
Consolidated profit before income tax	<u><u>595,426</u></u>	<u><u>358,879</u></u>

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

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

(b) Information about major customers

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

(c) Geographical information

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

The Group's operations and non-current assets are substantially located in the PRC. Accordingly, no further analysis on non-current assets (other than deferred tax assets and financial assets at FVTPL) by geographical location is presented.

7. OTHER INCOME AND OTHER GAINS OR LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income:		
Interest income on:		
Bank deposits	39,797	29,867
Loans to third parties	12,640	4,532
The balance with a joint venture (<i>note i</i>)	18,857	22,957
	<u>71,294</u>	<u>57,356</u>
Total interest income		
	<u>71,294</u>	<u>57,356</u>
Rental income from an investment property and other properties	5,360	3,159
Hotel and catering services income	4,491	3,137
Logistics services income	12,435	8,316
Government grants (<i>note ii</i>)	197,859	246,036
	<u>291,439</u>	<u>318,004</u>
Other gains or losses, net:		
Net foreign exchange gains/(losses)	136	(2,374)
Gain from sale of scrap materials, net	7,113	7,108
Loss on disposal and written off of property, plant and equipment	(12,771)	(12,321)
Impairment loss of investment in an associate	—	(245,847)
Change in fair value of FVTPL	(11,003)	241,169
Impairment loss on property, plant and equipment	(11,786)	—
Change in the fair value of biological assets	(537)	—
Sales of carbon emission allowances (<i>note iii</i>)	38,179	—
Others	10,796	15,752
	<u>20,127</u>	<u>3,487</u>

Notes:

- i. During the year ended 31 December 2023, the Group earned interest income from other receivable from 陽光王子 (壽光) 特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd) at a weighted average effective interest rate of 4.79% (2022: 6.00%) per annum, unsecured and repayable after 12 months from the end of the reporting period.
- ii. During the year ended 31 December 2023, the Group were granted and received unconditional government subsidy of approximately RMB177,172,000 (2022: RMB206,777,000) from local government, the amount of which was determined by reference to the amount of value-added tax (“VAT”) paid.
- iii. During the year ended 31 December 2023, the Company’s subsidiary, 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd)* (“**Shengshi Thermoelectricity**”) disposed of its surplus carbon emission allowances of approximately RMB38,179,000 (2022: Nil) through the China’s National Emissions Trading System.

8. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on:		
discounted bills financing	27,484	38,009
bank and other borrowings	167,566	155,954
lease liabilities	<u>2,818</u>	<u>815</u>
	197,868	194,778
Less: Interest capitalised in construction in progress	<u>(22,291)</u>	<u>(25,434)</u>
	<u><u>175,577</u></u>	<u><u>169,344</u></u>

Borrowing costs capitalised during the year ended 31 December 2023 arose from the general borrowing pool and were calculated by applying a capitalisation rate ranging from 4.79% to 6.20% (2022: 4.35% to 6.20%) per annum to expenditure on construction in progress.

9. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC enterprise income tax	122,107	132,399
(Over)/Under provision in previous year	<u>(692)</u>	<u>634</u>
	121,415	133,033
Deferred tax expenses/(credit)	<u>22,719</u>	<u>(8,699)</u>
	<u><u>144,134</u></u>	<u><u>124,334</u></u>

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2022: 25%).

No provision for Hong Kong Profits Tax has been made for each of the years ended 31 December 2023 and 2022 as the Group sustained a loss for tax purpose.

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Wages and salaries	437,374	376,819
Retirement benefits schemes contributions (<i>note</i>)	<u>66,797</u>	<u>65,452</u>
Total staff costs (including the Directors' emoluments)	<u>504,171</u>	<u>442,271</u>
Cost of inventories recognised as an expense	5,024,047	5,786,824
Depreciation of property, plant and equipment		
— right-of-use assets	105,975	74,973
— owned assets	295,783	307,665
Amortisation of prepaid lease payments	17,301	8,055
Auditor's remuneration	2,052	2,052
Lease charges on short term leases	1,503	1,448
Net foreign exchange (gains)/losses	(136)	2,374
Research and development costs	<u>7,931</u>	<u>91,845</u>

Note:

At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: nil).

11. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividend declared for distribution during the year:		
2022 final dividend — Nil per share (2022: 2021 final dividend of HK6.5 cents per share)	—	56,745
2022 special dividend — Nil per share (2022: 2021 special dividend of HK9.5 cents per share)	<u>—</u>	<u>82,935</u>
	<u>—</u>	<u>139,680</u>

The Directors do not recommend the payment of final dividends for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit of RMB393,309,000 (2022: RMB205,729,000) for the year attributable to owners of the Company, and the weighted average number of 998,051,000 (2022: 1,014,467,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for each of the years ended 31 December 2023 and 31 December 2022. The diluted earnings per share equals to the basic earnings per share.

13. DEPOSITS AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other receivables from a joint venture	397,253	429,912
Guarantee deposits for sale and leaseback obligations	11,000	23,625
Loan to a third party (<i>note</i>)	41,888	—
	<u>450,141</u>	<u>453,537</u>
Less: ECL allowance	<u>(72,156)</u>	<u>(97,132)</u>
	<u><u>377,985</u></u>	<u><u>356,405</u></u>

Note: The loan was made to the third party on normal commercial terms. The amounts are unsecured, will be collected after 12 months from the end of the reporting period and carry a fixed interest rate at 5% per annum.

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

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2022	73,285	385,758	459,043
Net changes on the gross amount	<u>(49,660)</u>	<u>44,154</u>	<u>(5,506)</u>
Balance at 31 December 2022 and 1 January 2023	23,625	429,912	453,537
Net changes on the gross amount	<u>29,263</u>	<u>(32,659)</u>	<u>(3,396)</u>
Balance at 31 December 2023	<u><u>52,888</u></u>	<u><u>397,253</u></u>	<u><u>450,141</u></u>

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

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2022	—	85,657	85,657
Allowance during the year	—	11,475	11,475
Balance at 31 December 2022 and 1 January 2023	—	97,132	97,132
Allowance/(Reversal) during the year	1,095	(26,071)	(24,976)
Balance at 31 December 2023	1,095	71,061	72,156

14. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	402,847	539,204
Finished goods	265,941	361,507
	668,788	900,711

15. TRADE RECEIVABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables due from:		
— third parties	579,671	617,168
— a joint venture	5,479	5,774
— a related party	23,194	48,482
	608,344	671,424
Less: ECL allowance	(43,582)	(40,759)
	564,762	630,665

The Group normally allows a credit period of 30 to 45 days (2022: 30 to 45 days) to its trade customers with trading history, otherwise sales on cash terms are required. The Group's sales to related parties are entered into on the same credit terms of sales to independent customers.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	421,149	555,367
31–90 days	111,682	59,362
91–365 days	31,931	15,936
	<u>564,762</u>	<u>630,665</u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the year	40,759	27,320
Allowance during the year	3,471	19,557
Allowance reversed during the year	(648)	(6,118)
At the end of the year	<u>43,582</u>	<u>40,759</u>

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

16. BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bills receivables	<u>144,054</u>	<u>284,431</u>

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

Included in the above balances, bills receivables of RMB1,337,000 (2022: RMB105,376,000) were discounted to banks with recourse. These bills receivables were not derecognised as the title of these bills receivables were not transferred to the banks. On the other hand, discounted bills financing of RMB1,337,000 (2022: RMB105,376,000) was recognised for the cash received from banks.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–90 days	86,379	205,646
91–180 days	55,985	76,848
181–365 days	1,690	1,937
	<u>144,054</u>	<u>284,431</u>

17. PREPAYMENTS AND OTHER RECEIVABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepayments	181,713	196,452
Other receivables	<u>281,771</u>	<u>301,210</u>
	463,484	497,662
Less: ECL allowance	<u>(5,606)</u>	<u>(4,409)</u>
	<u>457,878</u>	<u>493,253</u>

An analysis of other receivables is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
VAT recoverable	68,693	51,936
Deposits	18,549	17,754
Guarantee deposits for sale and leaseback obligations	12,625	5,130
Advance to employees	5,210	5,642
Loans to third parties (<i>note</i>)	168,383	209,754
Others	<u>8,311</u>	<u>10,994</u>
	<u>281,771</u>	<u>301,210</u>

Note: The loans were made to the third parties on normal commercial terms. The amounts are unsecured, will be collected within 12 months from the end of the reporting period and carry a fixed interest rates ranging from 7.5% to 8.0% (2022: 7.5% to 8.0%) per annum.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the year	4,409	1,990
Allowance during the year	<u>1,197</u>	<u>2,419</u>
At the end of the year	<u><u>5,606</u></u>	<u><u>4,409</u></u>

18. TRADE PAYABLES

An analysis of trade payables is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payable due to third parties	<u><u>1,010,140</u></u>	<u><u>1,107,950</u></u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–90 days	793,662	953,146
91–365 days	150,849	116,337
Over 1 year	<u>65,629</u>	<u>38,467</u>
	<u><u>1,010,140</u></u>	<u><u>1,107,950</u></u>

19. BILLS PAYABLES

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0-90 days	209,113	134,540
91-180 days	159,460	142,910
Over 180 days	—	10,000
	<u>368,573</u>	<u>287,450</u>

All the bills payables are of trading nature and will be expired within twelve months (2022: twelve months) from the issue date.

20. OTHER PAYABLES

An analysis of other payables is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other payables	93,522	129,993
Other payables due to related parties	25,946	26,439
VAT and other tax payables	58,608	54,863
Other interest payable	10,470	13,078
Accrued payroll and welfare	1,147	1,196
	<u>189,693</u>	<u>225,569</u>

21. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Amounts payable under lease liabilities				
— Within one year	5,247	5,127	4,505	3,214
— In more than one year but not more than two years	5,039	4,990	4,156	3,229
— In more than two years but not more than five years	27,881	16,555	20,932	11,318
— After five years	70,033	30,156	41,960	23,944
	<u>108,200</u>	<u>56,828</u>	<u>71,553</u>	<u>41,705</u>
Less: future finance charges	<u>(36,647)</u>	<u>(15,123)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>71,553</u>	<u>41,705</u>	<u>71,553</u>	<u>41,705</u>
Less: Amount due for settlement within twelve months (shown under current liabilities)			<u>(4,505)</u>	<u>(3,214)</u>
Amount due for settlement after twelve months			<u>67,048</u>	<u>38,491</u>

Note: As at 31 December 2023, lease liabilities amounting to RMB71,553,000 (2022: RMB41,705,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2023, the total cash outflows for the leases are RMB32,152,000 (2022: RMB6,539,000).

22. DISCOUNTED BILLS FINANCING

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

	2023	2022
	RMB'000	RMB'000
Discounted bills receivables from third parties (<i>note a</i>)	1,337	105,376
Discounted bills receivables from subsidiaries of the Company (<i>note b</i>)	1,288,040	1,634,577
Total	1,289,377	1,739,953

Notes:

- a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 16 above, since the title of receivables was not transferred to the lending banks.
- b. These borrowings arose from discounting, with recourse, of intra-group bills receivables, from one component to another of the Group. The Group continues to recognise the carrying amount of the underlying bills receivables since the title of receivables was not transferred to the lending banks. However, the corresponding intra-group bills receivables were eliminated in consolidation against the original bills payables from the bill issuing component of the Group. The elimination is based on the Directors' judgment that the risk and reward associated with these intra-group bills receivables and bills payables remain within the Group. In obtaining the original intra-group bills, bank deposits of RMB847,756,000 (2022: RMB1,211,300,000) were pledged to the issuing banks.

23. BANK BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Secured bank borrowings	1,355,008	558,751
Unsecured bank borrowings	<u>2,002,231</u>	<u>2,419,749</u>
	<u>3,357,239</u>	<u>2,978,500</u>
The borrowings are repayable as follows:		
— Within one year	2,402,961	2,047,827
— In the second year	323,671	691,770
— In the third to fifth years inclusive	<u>630,607</u>	<u>238,903</u>
	3,357,239	2,978,500
Less: Amount due for settlement within one year and shown under current liabilities	<u>(2,402,961)</u>	<u>(2,047,827)</u>
Amount due after one year	<u>954,278</u>	<u>930,673</u>
Total borrowings		
— At fixed rates	2,995,039	2,751,950
— At floating rates	<u>362,200</u>	<u>226,550</u>
	<u>3,357,239</u>	<u>2,978,500</u>
Analysis of borrowings by currency:		
— Denominated in RMB	3,275,490	2,892,230
— Denominated in EUR	<u>81,749</u>	<u>86,270</u>
	<u>3,357,239</u>	<u>2,978,500</u>

Fixed-rate bank borrowings are charged at the rates ranging from 1.70% to 6.30% per annum as at 31 December 2023 (2022: 2.00% to 6.30% per annum).

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

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2023 was 4.01% per annum (2022: 4.52% per annum).

24. OTHER BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current:		
Borrowings from sale and leaseback obligations (<i>note i</i>)	<u>268,974</u>	<u>350,134</u>
Non-current:		
Borrowings from		
— Sale and leaseback obligations (<i>note i</i>)	<u>137,779</u>	403,003
— The Partnership (<i>note ii</i>)	<u>50,315</u>	<u>50,315</u>
	<u>188,094</u>	453,318
Total other borrowings	<u><u>457,068</u></u>	<u><u>803,452</u></u>

Notes:

- i During the year ended 31 December 2023, the Group entered into several sale and leaseback agreements with leasing companies for machinery and equipment (“**Secured Assets**”) amounting to RMB5,860,000 (2022: RMB552,250,000) for a period of 3 years (2022: 2–3 years). Upon maturity, the Group will be entitled to purchase the Secured Assets.

Nominal interest rates underlying all these contracts are at respective contract dates ranging from 4.34% to 7.50% (2022: 4.34% to 7.26%) per annum.

Sale and leaseback obligations of RMB406,753,000 (2022: RMB753,137,000) as at 31 December 2023 were secured by certain of the Group’s machineries, the total carrying amount of which at 31 December 2023 was RMB830,560,000 (2022: RMB1,004,126,000).

- ii In accordance with the Limited Partnership Agreement and Equity Investment Agreement, which were duly passed by way of poll at the extraordinary general meeting of the Company held on 28 December 2020, the Group would contribute up to approximately RMB395,000,000 in total to 濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業 (有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership))* (the “**Partnership**”), while the Partnership would contribute up to RMB500,000,000 into the Group in exchange for a subsidiary’s shares. Details of the transaction are set out in the Company’s circular dated 10 December 2020. As at the year ended 31 December 2023, the Partnership has contributed approximately RMB251,500,000 (2022: RMB251,500,000) to the Group, which RMB50,315,000 (2022: RMB50,315,000) recorded as other borrowing. The Group has further approximately RMB196,315,000 (2022: RMB196,315,000) capital commitment to the Partnership.

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

25. SHARE CAPITAL

		Number of shares	Share capital HK\$'000
Authorised:			
Ordinary shares of HK\$0.10 each			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023		<u>2,000,000,000</u>	<u>200,000</u>
	Number of shares	Share capital HK\$'000	Shown in the consolidated financial statements RMB'000
Issued and fully paid:			
At 1 January 2022	905,164,000	90,516	80,944
Allotment (<i>Note i</i>)	115,652,359	11,565	9,463
Shares repurchased and cancelled (<i>Note ii</i>)	<u>(1,686,000)</u>	<u>(169)</u>	<u>(151)</u>
At 31 December 2022 and 1 January 2023	1,019,130,359	101,912	90,256
Shares repurchased and cancelled (<i>Note ii</i>)	(51,276,000)	(5,128)	(4,550)
Share subscription (<i>Note iii</i>)	<u>162,000,000</u>	<u>16,200</u>	<u>14,739</u>
At 31 December 2023	<u>1,129,854,359</u>	<u>112,984</u>	<u>100,445</u>

Notes:

- (i) During the year ended 31 December 2022, the Company acquired of 45% equity interest in the Top Speed Energy Holding Limited 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.

- (ii) The Company repurchased its 51,276,000 (2022: 1,686,000) ordinary shares of HK\$0.10 each at an aggregate share capital of HK\$5,128,000 (equivalent to approximately RMB4,550,000) (2022: HK\$169,000 (equivalent to approximately RMB151,000)) during the year ended 31 December 2023 and all of these shares were then cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve. The premium paid on the repurchase shares was charged against the retained earnings.

- (iii) On 22 November 2023, the Company allotted and issued 162,000,000 shares at the subscription price of HK\$2.48 per subscription share. A share premium, net of issuing expenses, of approximately HK\$385 million (equivalent to approximately RMB350,568,000) had credited to share premium account. The net proceeds of approximately HK\$401 million (equivalent to approximately RMB365,307,000), after deduction of transaction costs of HK\$236,000 (equivalent to approximately RMB215,000), are intended to be used for the general working capital of the Group. Details of the subscription of new shares were set out in the Company's announcements dated 14 July 2023 and 22 November 2023.

BUSINESS REVIEW

In FY2023, with the macroeconomy recovering from the impact of the COVID-19 pandemic and geopolitical conflicts, the effects on the supply chain were significantly mitigated, including a steady decrease in prices of upstream energy, raw materials, and global shipping. However, conspicuous constraints on economic growth remained, including a weak momentum in the Chinese market's total demand recovery, as well as an insufficient external demand triggered by a weak global economic recovery. The paper industry also faced multiple pressures in 2023, including decreasing raw material prices, weakened total demand from downstream sectors, and intensified competition within the industry. According to data from the National Bureau of Statistics, in 2023, the ex-factory price for the paper and paper products industry decreased by 5.3% year-on-year, with the purchase price of wood and paper pulp decreasing by 3.1% year-on-year. The production of machine-made paper and cardboard nationwide was 144.055 million tons, representing a year-on-year increase of 6.6%. The operating income of enterprises above a designated size in the paper and paper products industry amounted to RMB1,392.62 billion, representing a year-on-year decrease of 2.4%, while the total profit reached RMB50.84 billion, representing a year-on-year increase of 4.4%, which indicated that the industry has entered a stage of accelerated restructuring.

Faced with the severe economic situation, all executives and employees of the Group have risen to the challenge, bravely forging ahead with determination. They have closely focused on the management theme of "Precision, Innovation, and Breakthrough", making significant progress in cost reduction and efficiency improvement, actively promoting technological innovation, implementing targeted marketing efforts for greater effectiveness, and striving to achieve management breakthroughs. This has enabled the Company to maintain a stable and healthy development. The Group has always unwaveringly implemented the innovation development strategy, with a market-oriented approach and customer-centric focus, to achieve differentiated product production and market development. In 2023, the Group accelerated the research and development of new products. For internal management, the Group has consistently promoted lean production management, driving continuous improvement in internal governance through informatization, digitalization, and intelligentization, and constantly enhancing operational efficiency and quality. For external marketing, the Group has always implemented a customer-centric approach, embracing the business philosophy of creating value for customers and being customer-oriented. It has transitioned from satisfying customer needs to creating customer needs, in order to satisfy customer's low-volume, personalized, and customized requirements, thereby ensuring value creation for customers. Due to a series of measures taken by the Group, it has always maintained a competitive advantage and differentiated features in a fiercely competitive market, steadily improving its industry position and successfully achieving the business objectives of the Company.

Confronted with a complex and ever-changing market competition, the Group primarily focused for this year on strengthening both the procurement and sales efforts, with an aim to achieve high efficiency in terms of procurement and remarkable performance in terms of sales. In terms of procurement, the Group has implemented refined procurement management, closely monitored the market trends and improved its negotiation proactiveness to achieve maximized benefits. Additionally, in terms of bulk material procurement, the Group has challenged conventional thinking, diversified sourcing channels, eliminated “hidden barriers” to entry. By adopting a flexible entry process with strict screening, the Group setup a transparent procurement window to effectively counteract the impact of the rapid decline in raw material prices this year, thereby enhancing profit level. In terms of sales, the Group has consistently adhered to a strategy of major client and differentiated market positioning. By focusing on the specific needs of its core customer groups, the Group offered high cost-effective products and proactive services and continuously innovated and optimized new product pre-sales and market promotion models, achieving breakthroughs in sales. Additionally, in terms of production, finance and logistics, the Company adhered to the philosophy of “perseverance leads to success”. By adopting a range of ongoing upgrade and improvement measures, the Group has boosted its market competitiveness and enhanced customer satisfaction.

During FY2023, the Group has always attached great importance to ecological environmental protection, actively fulfilled its social responsibilities, and continuously improved its governance level. By consistently adhering to its ESG principles, the Group has achieved high-quality development and won numerous accolades, such as “Water Efficiency Leader” and “Water-saving Benchmark Enterprise in Shandong Province”. In terms of the traditional high-end packaging paper projects business, the Group has always focused on core indicators such as resource utilization efficiency and recycling rate in order to minimize its environmental pollution. In terms of the research and development of new products, the Company not only took economic benefits into account, but also placed significant emphasis on the social and environmental benefits of new products, to continuously enhance the green and sustainable development capabilities of its product portfolio. Additionally, during the reporting period, the Group enhanced its corporate governance level by continuously improving its various rules and regulations on environmental protection and risk control mechanism.

In 2023, the Company adhered to the strategy of differentiated and high-end product positioning, with each segment business progressing steadily. For FY2023, the Group reported 2.013 million tons of machine-made paper, representing an increase of 3.1% as compared to 1.953 million tons during the same period in 2022. However, affected by the general downward adjustment of sales prices in the industry, the Group generated revenue of RMB8,359.5 million, representing a year-on-year decrease of 12.4%. Despite the complex market environment and intense market competition, the Company continued to enhance its management capabilities, and achieved profit for the year attributable to the owners of RMB393.3 million, representing a year-on-year increase of 91.2%.

BUSINESS OUTLOOK

In 2024, despite the fading of the pandemic, the global economy is still enveloped in the risk of recession. Compounded by the uncertainty of geopolitical conflicts, the global macroeconomic recovery experiences greater pressure. However, with the China's efforts to expand domestic demand, optimize structure, and boost confidence through proactive policies, the China's economy is experiencing a positive rebound. The Group believes that a more robust recovery will be the main theme for economic in 2024. For the paper industry, the prices of various raw materials, auxiliary materials, and energy have rebounded from the bottom, while the demand for premium high-end packaging papers and various specialty papers in the end market is expected to recover. This will contribute to a rapid recovery of profits for paper companies that possess strength, advantages, and distinctive features. In the new year, the Group will seize the opportunities of market structure adjustment to steadily increase the market share of existing main products. Meanwhile, the Group will also focus on promoting various new types of specialty papers. In terms of the industrial chain, the Company will continue to extend its presence in both upstream and downstream segments, in an effort to enhance the overall profitability of the Company. In addition, the Company will continue to optimize its production processes by continuously enhancing its digital and intelligent level, thus comprehensively improving the management level of the Group.

The Group focuses on producing high-quality and multi-purposed 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. On one hand, with the rising operating threshold of the paper industry, the competition within the industry is expected to escalate and the paper industry will see a growing concentration. In this context, as the core product of the Group, white top linerboard stands out with its strong competitive edge of large-scale production, outstanding product performance and the potential for further increase in market share. On the other hand, driven by China's industrial and consumer upgrades, there is a high demand for environmentally friendly and green specialty papers across different sectors. The Group will continue its efforts in the R&D and mass production of new specialty papers, leveraging the advantages of the Company in the R&D and innovation of differentiated paper products to continuously enhance its brand influence in the PRC market. With a gradual boom in the industry, the Group is confident that it can continuously enhance its overall strength and industry position by leveraging its technical, product, brand, management and innovation advantages, thus achieving performance growth.

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. The Group continues to focus on ensuring the security of raw material supply and the achievement of China's "dual carbon" goals. It is actively engaged in researching and overcoming the technical challenges related to a new type of energy plant. The R&D of new products is aimed at multiple applications such as production of pulp and paper, feed silage and food additive as well as pellet combustion. This enables the efficient utilization of marginal land, aids in continuously lowering raw material costs, generates income from Carbon Sink, and optimizes the financial structure of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

Our Group's total revenue for FY2023 was approximately RMB8,359.5 million, representing an decrease of approximately RMB1,178.7 million or 12.4% as compared to that of approximately RMB9,538.2 million for FY2022. The decrease in revenue mainly resulted from the reduction in sales price.

Sales of electricity and steam continued to account for a low single digit percentage of our Group's total revenue for FY2023.

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

	FY2023		FY2022	
	RMB'000	%	RMB'000	%
Sales of paper products				
White top linerboard	1,644,503	19.7	1,954,014	20.5
Coated-white top linerboard	2,079,142	24.9	2,368,916	24.8
Core board	644,127	7.7	775,556	8.1
Corrugated paper	1,836,540	22.0	1,959,929	20.6
Specialised paper products	1,711,985	20.4	2,074,914	21.8
Sub-total of paper products	7,916,297	94.7	9,133,329	95.8
Sales of electricity and steam	443,197	5.3	404,900	4.2
	<u>8,359,494</u>	<u>100</u>	<u>9,538,229</u>	<u>100.0</u>

Cost of sales

Our cost of sales was around RMB7,049.6 million for FY2023, representing a decrease of approximately 15.8% as compared to the cost of sales for FY2022 of approximately RMB8,374.1 million. The decrease in cost of sales was consistent with the decrease in revenue, but greater than the decrease in revenue. The decrease in costs is mainly due to the decrease in the cost of raw materials such as waste paper, wood pulp, coal, etc, leading to the increase in the Group's gross profit and gross profit margin.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB1,164.1 million for FY2022 to approximately RMB1,309.9 million for FY2023. Gross profit margin for FY2023 was around 15.7%, representing a 3.5 percentage point increase as compared to that of 12.2% for FY2022.

Other profit and loss items

Other income of approximately RMB291.4 million for FY2023 (FY2022: approximately RMB318.0 million) mainly comprised interest income of approximately RMB71.3 million (FY2022: approximately RMB57.4 million), rental income from an investment property and other properties of approximately RMB5.4 million (FY2022: approximately RMB3.2 million), government grants of approximately RMB197.9 million (FY2022: approximately RMB246.0 million), hotel and catering services income of approximately RMB4.5 million (FY2022: approximately RMB3.1million) and logistics services income of approximately RMB12.4 million (FY2022: approximately RMB8.3 million).

Other gains of approximately RMB20.1 million for FY2023 (FY2022: other losses of approximately RMB3.5 million) mainly consisted of gain from sale of scrap materials of RMB7.1 million, loss on disposal and written off of property, plant and equipment of RMB12.8 million, net foreign exchange gain of RMB0.1 million, loss on change in fair value of financial assets at fair value through profit and loss of RMB11.0 million, change in fair value loss of biological assets of RMB0.5 million, sales of carbon emission allowances RMB38.2 million and other profit of RMB10.8 million.

Distribution and selling expenses recorded RMB403.2 million for FY2023 as compared to RMB401.8 million for FY2022. For FY2023, such expenses represented approximately 4.8% of the total revenue, as compared with approximately 4.2% of the total revenue for FY2022.

Administrative expenses recorded RMB478.6 million for FY2023 as compared to RMB429.5 million for the corresponding period last year. For FY2023, it accounted for approximately 5.7% of the total revenue, as compared with approximately 4.5% of the total revenue for FY2022.

Finance costs recorded approximately RMB175.6 million for FY2023 as compared to approximately RMB169.3 million for the corresponding period last year. For FY2023, it accounted for approximately 2.1% of the total revenue, as compared with approximately 1.8% of the total revenue for FY2022.

During FY2023, there was a share of profit of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB10.9 million (FY2022: share of loss of a joint venture of RMB44.1million).

Income tax expenses

Income tax expenses were approximately RMB144.1 million for FY2023 as compared to approximately RMB124.3 million for FY2022.

Profit for the year

As a result of the above factors, the Group recorded a profit for the year attributable to the owners of our Company of approximately RMB393.3 million for FY2023, representing an increase of approximately RMB187.6 million from approximately RMB205.7 million for FY2022.

Significant investments

During FY2023, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During FY2023, there was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company.

Liquidity and financial resources

Treasury policy

Our working capital requirement and capital expenditure are financed by a combination of cash generated from our operations and bank and other borrowings. It is our Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During FY2023, our Group continued to adopt a conservative approach to financial risk management.

Foreign exchange risks

As the functional and reporting currencies of our Group are Renminbi, there are significant foreign exchange differences arising from the translation of financial statements by individual companies. In addition, as our Group conducts business transactions which are principally denominated in Renminbi, the exchange rate risk at our Group's operational level is not significant. Nevertheless, the management continues to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when needed.

Working capital

Net current liabilities of our Group were approximately RMB1,004.4 million as at 31 December 2023, as compared to approximately RMB1,237.4 million as at 31 December 2022. Current ratio was 0.82 times and 0.79 times, respectively, as at 31 December 2023 and 31 December 2022.

Bank balances and cash, and restricted bank deposits were approximately RMB2,863.3 million as at 31 December 2023, as compared to approximately RMB2,436.3 million as at 31 December 2022.

Inventories were approximately RMB668.8 million as at 31 December 2023, as compared to approximately RMB900.7 million as at 31 December 2022. Inventory turnover was 41 days for FY2023, as compared to 43 days for FY2022.

Trade receivables were approximately RMB564.8 million as at 31 December 2023, as compared to approximately RMB630.7 million as at 31 December 2022. Trade receivables turnover for FY2023 was 26 days as compared to 22 days for FY2022.

Trade payables were approximately RMB1,010.1 million as at 31 December 2023, as compared to approximately RMB1,108.0 million as at 31 December 2022. Trade payables turnover for FY2023 was 55 days, as compared to 47 days for FY2022.

Cashflow

Net cash from operating activities amounted to approximately RMB1,405.6 million for FY2023 (FY2022: approximately RMB546.4 million).

Net cash used in investing activities amounted to approximately RMB118.0 million for FY2023 (FY2022: approximately RMB1,132.6 million), primarily representing the purchase of property, plant and equipment RMB218.4 million, and additions of deposits for acquisition of property, plant and equipment of RMB293.8 million, etc.

Net cash used in financing activities amounted to approximately RMB559.8 million for FY2023 (FY2022: net cash from financing activities amounted to approximately RMB607.5 million), primarily attributable to interest paid of RMB200.5 million, the repayment of bank and other borrowings of RMB3,020.2 million, net proceeds from sale and leaseback transactions of RMB5.9 million and new bank borrowings raised of RMB3,046.7 million, and decrease in discounted bills financing of RMB450.6 million etc.

The combined effect of the above resulted in a net increase in cash and cash equivalents of RMB727.8 million for FY2023 (FY2022: RMB21.3 million).

Gearing ratio

Our net gearing ratio decreased from approximately 31.4% as at 31 December 2022 to approximately 20.6% as at 31 December 2023. The decrease in net gearing ratio was mainly driven by the increase in capital and reserves.

Capital expenditure

During FY2023, our capital expenditure was approximately RMB535.3 million (FY2022: RMB783.8 million), which mainly involved the additions on property, plant and equipment and land use rights.

Pledge of assets

For FY2023, the aggregate carrying amount of our assets pledged was approximately RMB3,833.2 million. (FY2022: approximately RMB3,833.0 million). The pledge of assets are mainly used for bank borrowings, other borrowings discounted bills financing and bills payables.

Capital commitments and contingent liabilities

Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of property, plant and equipment and investment in a partnership were approximately RMB91.2 million and RMB196.3 million as at 31 December 2023 (FY2022: RMB3.7 million and RMB196.3 million).

As at 31 December 2023, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 4,100 full-time employees in the PRC and Hong Kong as at 31 December 2023. The staff costs for FY2023 were approximately RMB504.2 million. The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets.

Notes to financial ratios:

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2023, the Company repurchased a total of 115,986,000 ordinary shares of HK\$0.1 per share through The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of approximately HK\$308,416,800. A total of 51,276,000 ordinary shares were repurchased and cancelled on 1 March 2023, 23 March 2023 and 29 May 2023. As at the date of this announcement, the remaining 64,710,000 ordinary shares were not yet cancelled.

Details of shares repurchased during FY2023 are set out as follows:

Date of repurchase	No. of shares repurchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate consideration paid (HK\$'000)
03 January 2023	1,100,000	2.14	2.11	2,337
04 January 2023	990,000	2.17	2.12	2,137
05 January 2023	1,306,000	2.17	2.12	2,798
06 January 2023	1,030,000	2.17	2.13	2,198
10 January 2023	1,400,000	2.14	2.11	2,986
11 January 2023	1,404,000	2.14	2.12	3,004
12 January 2023	936,000	2.15	2.12	1,997
13 January 2023	942,000	2.12	2.12	1,997
27 January 2023	2,962,000	2.10	2.03	6,143
30 January 2023	1,052,000	2.15	2.08	2,230
31 January 2023	950,000	2.14	2.10	2,013
01 February 2023	2,078,000	2.15	2.10	4,437
02 February 2023	840,000	2.15	2.12	1,795
03 February 2023	910,000	2.15	2.12	1,946
06 February 2023	1,346,000	2.13	2.09	2,856
07 February 2023	1,200,000	2.13	2.12	2,555
08 February 2023	1,394,000	2.14	2.11	2,973
09 February 2023	1,872,000	2.14	2.13	3,997
10 February 2023	1,862,000	2.15	2.13	3,984
13 February 2023	844,000	2.14	2.12	1,800
14 February 2023	1,786,000	2.16	2.13	3,825
15 February 2023	486,000	2.17	2.12	1,047
16 February 2023	2,330,000	2.21	2.16	5,113
17 February 2023	1,416,000	2.21	2.17	3,091
20 February 2023	810,000	2.24	2.15	1,785
21 February 2023	2,418,000	2.22	2.15	5,298
22 February 2023	1,892,000	2.22	2.19	4,172
23 February 2023	2,622,000	2.23	2.16	5,757
02 May 2023	1,306,000	2.78	2.74	3,605
03 May 2023	560,000	2.79	2.74	1,553

Date of repurchase	No. of shares repurchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate consideration paid (HK\$'000)
04 May 2023	1,962,000	2.82	2.75	5,470
05 May 2023	2,904,000	2.80	2.74	8,066
08 May 2023	1,134,000	2.79	2.75	3,142
09 May 2023	1,614,000	2.79	2.76	4,483
10 May 2023	1,306,000	2.90	2.72	3,655
11 May 2023	312,000	2.79	2.71	858
06 December 2023	2,966,000	2.98	2.94	8,766
07 December 2023	1,310,000	3.05	2.99	3,962
08 December 2023	128,000	3.03	2.98	386
11 December 2023	5,910,000	3.11	3.02	18,290
12 December 2023	15,242,000	3.13	2.98	47,574
14 December 2023	11,500,000	3.10	2.93	35,425
15 December 2023	3,846,000	2.90	2.83	11,024
19 December 2023	9,506,000	2.83	2.77	26,590
20 December 2023	13,302,000	2.77	2.73	36,543
21 December 2023	1,000,000	2.77	2.72	2,753
	<u>115,986,000</u>			<u>308,416</u>

The Board believes that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2023.

SUBSCRIPTION OF NEW SHARES UNDER 2023 GENERAL MANDATE

On 14 July 2023 (after trading hours), the Company and Hong Kong Paper Sources Co., Limited (香港紙源有限公司, “**HK Paper Sources**”) entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Company has conditionally agreed to allot and issue and HK Paper Sources has conditionally agreed to subscribe for 162,000,000 ordinary shares of the Company at the subscription price of HK\$2.480 per subscription share (the “**Subscription**”).

All the conditions precedent set out in the Subscription Agreement have been fulfilled and the completion took place on 22 November 2023 in accordance with the terms and conditions of the Subscription Agreement. A total of 162,000,000 ordinary shares have been successfully allotted and issued under the general mandate granted by the shareholders at the annual general meeting of the Company held on 31 May 2023 (the “**2023 General Mandate**”).

For further details, please refer to the announcements of the Company dated 14 July 2023 and 22 November 2023.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As at date of this announcement, the Group has no significant events after the reporting period.

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximizing shareholders’ interests. Our Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) during FY2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all Directors by our Company to confirm that all Directors have complied with the Model Code during FY2023.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise our Company’s financial reporting process, internal control and risk management system, and provide advice and comments to our Board. The Audit Committee, comprising Ms. Zhang Tao (Chairlady), Mr. Wang Zefeng and Ms. Jiao Jie, has reviewed the annual results for FY2023 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with our management and our Company’s external auditor.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the Group's annual results for FY2023 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure. The financial information set out in this announcement has been reviewed by the Audit Committee, approved by the Board.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by Grant Thornton in this respect was limited and did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by Grant Thornton in this announcement.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The register of members of our Company will be closed from 25 June 2024 to 28 June 2024, both days inclusive, for the purpose of determining entitlement to attend the annual general meeting to be held on 28 June 2024 (the "**AGM**"), during which no transfer of shares of our Company will be registered. The record date for entitlement to attend and vote at the AGM is 28 June 2024. In order to qualify for attending and voting at the AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 24 June 2024.

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

PUBLICATION OF RESULTS

This announcement of results has been published on our website at www.sunshinepaper.com.cn and the website of the Stock Exchange at www.hkexnews.hk. The annual report of our Company for FY2023 containing all the information required by Appendix D2 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be dispatched to the shareholders (if requested) and published on our website at www.sunshinepaper.com.cn and the website of the Stock Exchange at www.hkexnews.hk in due course.

APPRECIATION

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

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

Hong Kong, China, 28 March 2024

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

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

Non-executive director: *Ms. Wu Rong and Mr. Zhang Xiaohui*

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

** For identification purposes only*