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## CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

中國陽光紙業控股有限公司\*

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

**(Stock Code: 2002)**

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

#### FINANCIAL HIGHLIGHTS

- Revenue was RMB3,956.6 million for 1H 2024, representing a decrease by approximately 6.0% from RMB4,208.4 million for 1H 2023.
- Gross profit was RMB566.4 million for 1H 2024, representing a decrease by approximately 11.3% from RMB638.3 million for 1H 2023.
- Profit attributable to the owners of the Company for 1H 2024 decreased by approximately 1.7% to RMB189.4 million, as compared to RMB192.6 million for 1H 2023.

#### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sunshine Paper Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (“**1H 2024**”) together with the comparative figures for the corresponding period of last year (“**1H 2023**”).

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

	Notes	Unaudited	
		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Revenue	4 & 5	3,956,623	4,208,395
Cost of sales		(3,390,221)	(3,570,084)
Gross profit		566,402	638,311
Other income	6	173,152	144,459
Other gains or losses, net	6	42,707	15,930
Distribution and selling expenses		(186,470)	(196,162)
Administrative expenses		(222,289)	(221,779)
Provision for expected credit loss (“ECL”) on financial assets, net		(373)	(1,179)
Loss on fair value changes of an investment property		(74)	(1,076)
Share of loss of a joint venture		(566)	(6,313)
Finance costs	7	(88,727)	(97,975)
Profit before income tax	9	283,762	274,216
Income tax expense	8	(65,848)	(50,652)
Profit for the period		217,914	223,564
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		(2,402)	(990)
Fair value (loss)/gain on financial assets at fair value through other comprehensive income (“FVOCI”)		(72)	796
Total comprehensive expense, net of tax		(2,474)	(194)
Total comprehensive income for the period		215,440	223,370
Profit for the period attributable to:			
Owners of the Company		189,440	192,645
Non-controlling interests		28,474	30,919
		217,914	223,564
Total comprehensive income for the period attributable to:			
Owners of the Company		186,966	192,451
Non-controlling interests		28,474	30,919
		215,440	223,370
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted (RMB)	11	0.18	0.19

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		5,486,602	5,506,817
Investment property		59,326	59,400
Prepaid lease payments		730,788	739,438
Goodwill		49,746	49,746
Deferred tax assets		85,671	63,877
Interest in an associate		—	—
Interest in a joint venture		146,077	146,643
Deposits for acquisition for property, plant and equipment		288,523	251,534
Financial assets at fair value through profit and loss (“FVTPL”)		248,852	249,722
Deposits and other receivables		336,618	377,985
		7,432,203	7,445,162
<b>Current assets</b>			
Biological assets		5,907	—
Inventories		614,136	668,788
Trade receivables	12	742,117	564,762
Bills receivables	13	160,897	144,054
Prepayments and other receivables		535,496	457,878
Income tax recoverable		11,739	11,176
Restricted bank deposits		1,230,183	1,291,397
Bank balances and cash		1,358,323	1,571,918
		4,658,798	4,709,973
<b>Current liabilities</b>			
Contract liabilities		20,944	55,447
Trade payables	14	903,242	1,010,140
Bills payables	15	443,641	368,573
Other payables		177,665	189,693
Payable for construction work, machinery and equipment		80,572	80,174
Income tax payables		46,757	35,979
Lease liabilities	16	5,085	4,505
Deferred income		9,493	8,526
Discounted bills financing	17	1,136,731	1,289,377
Bank borrowings	18	2,242,038	2,402,961
Other borrowings	19	196,503	268,974
		5,262,671	5,714,349
<b>Net current liabilities</b>		<b>(603,873)</b>	<b>(1,004,376)</b>
<b>Total assets less current liabilities</b>		<b>6,828,330</b>	<b>6,440,786</b>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Capital and reserves</b>			
Share capital	20	<b>94,581</b>	100,445
Reserves		<b>4,661,823</b>	4,468,993
Equity attributable to owners of the Company		<b>4,756,404</b>	4,569,438
Non-controlling interests		<b>420,381</b>	391,907
<b>Total equity</b>		<b>5,176,785</b>	4,961,345
<b>Non-current liabilities</b>			
Lease liabilities	16	<b>66,430</b>	67,048
Bank borrowings	18	<b>1,157,843</b>	954,278
Other borrowings	19	<b>126,332</b>	188,094
Deferred income		<b>226,574</b>	199,490
Deferred tax liabilities		<b>74,366</b>	70,531
		<b>1,651,545</b>	1,479,441
<b>Total equity and non-current liabilities</b>		<b>6,828,330</b>	6,440,786

## **NOTES**

### **1. GENERAL INFORMATION**

China Sunshine Paper Holdings Company Limited (the “Company”) is a limited company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 RMB603,873,000 as at 30 June 2024. 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 2023.

### **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for biological assets, which are measured at fair value less costs to sell and financial assets at FVOCI, FVTPL and investment properties which are measured at fair value.

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amended International Financial Reporting Standards ("IFRSs") which are effective as of 1 January 2024.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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.

For those new and amended IFRSs which are not yet effective and have not been early adopted by the Group, the Group is in the process of making an assessment of the impact of these new standards and amendments to existing standards upon initial application.

#### 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 2024		
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Timing of revenue recognition</b>			
— At a point in time	<u>3,729,815</u>	<u>226,808</u>	<u>3,956,623</u>
<b>Geographical markets</b>			
— People's Republic of China ("PRC")	<u>3,671,073</u>	<u>226,808</u>	<u>3,897,881</u>
— Oversea	<u>58,742</u>	<u>—</u>	<u>58,742</u>
Segments	Unaudited For the six months ended 30 June 2023		
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Timing of revenue recognition</b>			
— At a point in time	<u>3,981,445</u>	<u>226,950</u>	<u>4,208,395</u>
<b>Geographical markets</b>			
— PRC	<u>3,919,911</u>	<u>226,950</u>	<u>4,146,861</u>
— Oversea	<u>61,534</u>	<u>—</u>	<u>61,534</u>

## 5. SEGMENT INFORMATION

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

### (a) Segment revenue and results

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

		Unaudited						
		For the six months ended 30 June 2024						
		Paper products						
	White top linerboard <i>RMB'000</i>	Coated- white top linerboard <i>RMB'000</i>	Core board <i>RMB'000</i>	Specialised paper products <i>RMB'000</i>	Corrugated paper <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	757,880	931,273	289,329	880,807	870,526	3,729,815	226,808	3,956,623
Inter-segment revenue						—	430,049	430,049
Segment revenue						<u>3,729,815</u>	<u>656,857</u>	<u>4,386,672</u>
Segment profit						<u>473,528</u>	<u>183,596</u>	<u>657,124</u>

  

		Unaudited						
		For the six months ended 30 June 2023						
		Paper products						
	White top linerboard <i>RMB'000</i>	Coated- white top linerboard <i>RMB'000</i>	Core board <i>RMB'000</i>	Specialised paper products <i>RMB'000</i>	Corrugated paper <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	836,354	1,043,059	317,828	884,050	900,154	3,981,445	226,950	4,208,395
Inter-segment revenue						—	469,777	469,777
Segment revenue						<u>3,981,445</u>	<u>696,727</u>	<u>4,678,172</u>
Segment profit						<u>575,945</u>	<u>145,408</u>	<u>721,353</u>

**(b) Reconciliation of segment profit**

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit</b>		
Segment profit	<b>657,124</b>	721,353
Unrealised profit on inter-segment sales	<b>(86,316)</b>	(101,516)
	<b>570,808</b>	619,837
Other income	<b>172,264</b>	142,779
Other gains or losses, net	<b>20,561</b>	16,398
Distribution and selling expenses	<b>(186,470)</b>	(196,162)
Administrative expenses	<b>(215,854)</b>	(214,765)
Provision for ECL on financial assets, net	<b>(373)</b>	(1,179)
Loss on fair value changes of an investment property	<b>(74)</b>	(1,076)
Share of loss of a joint venture	<b>(566)</b>	(6,313)
Finance costs	<b>(76,534)</b>	(85,303)
<b>Consolidated profit before income tax</b>	<b>283,762</b>	274,216

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

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



## 6. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on:		
Bank deposits	33,589	20,161
Loan to third parties	6,181	8,062
The balance with a joint venture ( <i>note i</i> )	9,249	9,685
	<hr/>	<hr/>
Total interest income	49,019	37,908
	<hr/>	<hr/>
Government grants ( <i>note ii</i> )	114,882	97,027
Rental income	890	1,187
Hotel and catering service income	2,400	2,395
Logistics service income	5,961	5,942
	<hr/>	<hr/>
	173,152	144,459
	<hr/> <hr/>	<hr/> <hr/>
Other gains or losses, net:		
Gain from sale of scrap materials, net	16,642	12,654
Change in fair value of FVTPL	(870)	2,807
Change in fair value of biological assets	145	—
Loss on disposal and written-off of property, plant and equipment	(3,457)	(9,363)
Net foreign exchange (losses)/gains	(3,672)	1,413
Sale of carbon emission allowances ( <i>note iii</i> )	22,712	—
Others	11,207	8,419
	<hr/>	<hr/>
	42,707	15,930
	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- i. During the six months ended 30 June 2024, 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 4.79% per annum (six months ended 30 June 2023: 4.79% per annum), unsecured and repayable after 12 months from the end of the reporting period.
- ii. During the six months ended 30 June 2024, the Group were granted and received unconditional government subsidies of approximately RMB76,534,000 (six months ended 30 June 2023: RMB89,391,000) from local government, the amounts of which were determined by reference to the amount of value-added tax (“VAT”) paid.
- iii. During the six months ended 30 June 2024, the Company’s subsidiary, 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd)\* disposed of its surplus carbon emission allowances of approximately RMB22,712,000 (six months ended 30 June 2023: Nil) through the China’s National Emissions Trading System.

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

## 7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest expenses on:		
discounted bills financing	12,535	16,841
bank and other borrowings	80,775	87,205
lease liabilities	1,406	631
	<u>94,716</u>	<u>104,677</u>
Less: Interest capitalised in construction in progress	<u>(5,989)</u>	<u>(6,702)</u>
	<u><u>88,727</u></u>	<u><u>97,975</u></u>

Borrowing costs capitalised during the six months ended 30 June 2024 arose on the general borrowing pool and were calculated by applying capitalisation rates ranging from 4.79% to 5.28% (six months ended 30 June 2023: 4.79% to 6.20%) per annum to expenditure on construction in progress.

## 8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Current income tax</b>		
PRC Enterprise Income Tax	83,807	57,925
Deferred tax expense	<u>(17,959)</u>	<u>(7,273)</u>
Charge for the period	<u><u>65,848</u></u>	<u><u>50,652</u></u>

Under the Law of the PRC 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 2024 and 2023 as the Group sustained a loss for tax purpose.

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	199,230	195,589
Retirement benefits schemes contributions	34,322	33,782
	<u>233,552</u>	<u>229,371</u>
Total staff costs (including directors' emoluments)		
	<u>233,552</u>	<u>229,371</u>
Amortisation of prepaid lease payments	8,650	8,651
Cost of inventories recognised as an expense	2,425,845	2,638,920
Depreciation of property, plant and equipment		
— right-of-use assets	3,354	2,321
— owned assets	223,793	197,274
Research and development expenses	614	4,045
	<u>614</u>	<u>4,045</u>

## 10. DIVIDENDS

During the six months ended 30 June 2024, no final dividend in respect of the year ended 31 December 2023 was approved and paid to the equity shareholders of the Company (six months ended 30 June 2023: nil).

The board of directors resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2024 was based on the profit of RMB189,440,000 (six months ended 30 June 2023: RMB192,645,000) for the period attributable to owners of the Company, and the weighted average number of approximately 1,065,144,000 (six months ended 30 June 2023: 992,946,000) ordinary shares in issue during the six months ended 30 June 2024.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2024 and 2023. The basic earnings per share equals to the diluted earnings per share.

## 12. 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 ECL allowance, based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2023</b> <b>RMB'000</b>
0–30 days	525,862	421,149
31–90 days	187,013	111,682
91–365 days	29,242	31,931
	<u>742,117</u>	<u>564,762</u>

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

	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	<b>Audited</b> <b>Year</b> <b>ended</b> <b>31 December</b> <b>2023</b> <b>RMB'000</b>
At the beginning of the period/year	43,582	40,759
Allowance recognised during the period/year	907	3,471
Allowance reversed during the period/year	(693)	(648)
	<u>43,796</u>	<u>43,582</u>

## 13. BILLS RECEIVABLES

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2023</b> <b>RMB'000</b>
0–90 days	121,326	86,379
91–180 days	34,818	55,985
181–365 days	4,753	1,690
	<u>160,897</u>	<u>144,054</u>

As at 30 June 2024, the Group has bills receivables of RMB3,731,000 (31 December 2023 (Audited): RMB1,337,000), which 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, the Group has recognised the cash received upon the discounting as discounted bills financing.

#### 14. TRADE PAYABLES

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2023</b> <b>RMB'000</b>
0–90 days	707,533	793,663
91–365 days	115,155	150,849
Over 1 year	<u>80,554</u>	<u>65,628</u>
	<u><b>903,242</b></u>	<u><b>1,010,140</b></u>

#### 15. BILLS PAYABLES

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2023</b> <b>RMB'000</b>
0–90 days	247,010	209,113
91–180 days	<u>196,631</u>	<u>159,460</u>
	<u><b>443,641</b></u>	<u><b>368,573</b></u>

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

## 16. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Amounts payable under lease liabilities				
Within one year	6,077	5,247	5,085	4,505
More than one year but not more than two years	5,994	5,039	4,899	4,156
More than two years but not more than five years	30,107	27,881	22,477	20,932
After five years	64,941	70,033	39,054	41,960
	<u>107,119</u>	<u>108,200</u>	<u>71,515</u>	<u>71,553</u>
Less: Future finance charges	(35,604)	(36,647)	—	—
Present value of lease liabilities	<u>71,515</u>	<u>71,553</u>	<u>71,515</u>	<u>71,553</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(5,085)</u>	<u>(4,505)</u>
Amount due for settlement after 12 months			<u>66,430</u>	<u>67,048</u>

As at 30 June 2024, lease liabilities amounting to RMB71,515,000 (31 December 2023 (Audited): RMB71,553,000) 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 current interim period, the total cash outflows for the leases are RMB5,926,000 (six months ended 30 June 2023: RMB20,106,000).

## 17. DISCOUNTED BILLS FINANCING

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Discounted bills receivables from third parties ( <i>note a</i> )	3,731	1,337
Discounted bills receivables from subsidiaries of the Company ( <i>note b</i> )	<u>1,133,000</u>	<u>1,288,040</u>
<b>Total</b>	<u>1,136,731</u>	<u>1,289,377</u>

*Notes:*

- a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 13, 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. In obtaining the original intra-group bills, bank deposits of RMB814,734,000 (31 December 2023 (Audited): RMB847,756,000) were pledged to the issuing banks.

## 18. BANK BORROWINGS

During the six months ended 30 June 2024, the Group obtained new loans amounting to RMB1,745,921,000 (six months ended 30 June 2023: RMB1,751,385,000), and repaid loans amounting to RMB1,703,279,000 (six months ended 30 June 2023: RMB1,712,722,000). The newly raised loans bear interest from 1.6% to 4.75% per annum (six months ended 30 June 2022: 2.00% to 6.30%). At 30 June 2024, certain of the Group's property, plant and equipment and land use rights of RMB2,097,527,000 (31 December 2023 (Audited): RMB2,541,816,000) were pledged to secure bank borrowings granted to the Group.

## 19. OTHER BORROWINGS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Current:		
Borrowings from		
— Sale and leaseback obligations ( <i>note i</i> )	<u>196,503</u>	<u>268,974</u>
Non-current:		
Borrowings from		
— Sale and leaseback obligations ( <i>note i</i> )	<u>51,017</u>	137,779
— The Partnership ( <i>note ii</i> )	<u>75,315</u>	<u>50,315</u>
	<u><b>126,332</b></u>	<u>188,094</u>
Total other borrowings	<u><b>322,835</b></u>	<u>457,068</u>

*Notes:*

- (i) During the period ended 30 June 2024, the Group entered into several sales and leaseback agreements with leasing companies for machinery and equipment (“Secured Assets”) amounting to nil (31 December 2023 (Audited): RMB5,860,000 for a period of 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% (31 December 2023 (Audited): 4.34% to 7.50%) per annum.

- (ii) In accordance with the Limited Partnership Agreement and Equity Investment Agreement, which were duly passed by way of poll at the extraordinary general meeting of the Company held on 28 December 2020 (the “EGM”), the Group would contribute up to RMB395,000,000 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 30 June 2024, the Partnership has contributed RMB276,500,000 (31 December 2023 (Audited): RMB251,500,000) to the Group, which RMB75,315,000 (31 December 2023 (Audited): RMB50,315,000) recorded as other borrowing. The Group has further RMB196,315,000 (31 December 2023 (Audited): RMB196,315,000) capital commitment to the Partnership, which set out in note 21.

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

## 20. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$’000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2023, 31 December 2023, 1 January 2024 (audited) and 30 June 2024 (unaudited)	2,000,000,000	200,000



	Number of shares	Share capital <i>HK\$'000</i>	Shown in the condensed consolidated statement of financial position <i>RMB'000</i>
Issued and fully paid:			
At 1 January 2023 (audited)	1,019,130,359	101,912	90,256
Share repurchased and cancelled ( <i>note i</i> )	(51,276,000)	(5,128)	(4,550)
Share subscription ( <i>note ii</i> )	<u>162,000,000</u>	<u>16,200</u>	<u>14,739</u>
At 31 December 2023 and 1 January 2024 (audited)	1,129,854,359	112,984	100,445
Share repurchased and cancelled ( <i>note i</i> )	<u>(64,710,000)</u>	<u>(6,471)</u>	<u>(5,864)</u>
At 30 June 2024 (unaudited)	<u><b>1,065,144,359</b></u>	<u><b>106,513</b></u>	<u><b>94,581</b></u>

*Notes:*

- (i) During the year ended 31 December 2023, the Company repurchased its 115,986,000 ordinary shares of HK\$0.10 each at an aggregate consideration of HK\$11,599,000 (equivalent to approximately RMB10,414,000). The Company cancelled 51,276,000 ordinary shares during the year ended 31 December 2023 and further cancelled 64,710,000 ordinary shares during the six months ended 30 June 2024. 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.
- (ii) 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.

## 21. CAPITAL COMMITMENTS

	Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
Capital expenditure contracted for in the condensed consolidated interim financial statements in respect of acquisition of:		
— property, plant and equipment	100,016	91,244
— investment cost in a partnership	<u>196,315</u>	<u>196,315</u>
	<u><b>296,331</b></u>	<u><b>287,559</b></u>

## BUSINESS REVIEW

In 1H 2024, the global economy continued its weak recovery trend. Driven by the continuing policy support, the overall macroeconomic performance remained stable at home. Boosted by exports in 1H 2024, the manufacturing sector demonstrated its resilience, but continued to face structural issues such as overproduction and insufficient demand. To maintain sales, companies inevitably resorted to more flexible pricing strategies in response to cutthroat market competition, with a significant increase in challenges against their profitability. Meanwhile, considering restructuring industry chains and improving industry supply as long-term challenging missions, we believe that it is essential to maintain strategic focus with confidence in development, aggressively enhance internal capabilities to counter risks, and identify opportunities amid the “stagnation”. As for the paper industry, prices of raw materials stabilized in the first half of the year, leading to certain improvements in operating conditions. According to data from the National Bureau of Statistics, in 1H 2024, the ex-factory price for the paper and paper products industry decreased by 4.6% year-on-year, with the purchase price of wood and paper pulp decreasing by 3.7% year-on-year. The production of machine-made paper and cardboard nationwide was 76.613 million tons, representing a year-on-year increase of 11.8%. The operating income of enterprises with a certain size in the paper and paper products industry amounted to RMB699.21 billion, representing a year-on-year increase of 6.0%, while the total profit reached RMB22.79 billion, representing a year-on-year increase of 104.9%.

In a complicated and changing economic landscape, all executives and employees of the Group followed through the management theme of “continuous innovation, quality improvement, and breakthrough through lean management” formulated at the beginning of the year, and focused on various work aspects, including cost reduction and efficiency improvement, market cultivation, lean management, management innovation, and team building. Their efforts led to the healthy and stable development of the Company. With customer demand at the core, the Group continued to enhance product quality and production efficiency, meet customer needs, and enhance the Group’s core competitiveness. Furthermore, being an adherent of market-oriented innovation, the Group vigorously advanced the research and development of various new paper products and their market expansion, as part of our quest for new growth opportunities. For internal management, the Group has consistently promoted lean production management, driving continuous improvement in internal governance through informatization, digitalization, and intelligentization. By empowering our business operations with digital technologies, we continued to enhance 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 through meticulous market cultivation, while deepening the market development at an accelerated pace, in order to satisfy customer’s low-volume, personalized, and customized

requirements. 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 with an overall stable performance.

During 1H 2024, the Group 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 achieved high-quality development and won numerous accolades, such as “Green Production Advocate” and “Zero-Waste Factory”. In terms of the traditional high-end packaging paper projects business, the Group always focused on core indicators such as resource utilization efficiency and recycling rate in order to minimize its environmental pollution, while steadily advancing the crystallization of our vision. 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, and strengthen our technological reserve. Additionally, during 1H 2024, the Group enhanced its corporate governance level by continuously improving its various rules and regulations on environmental protection and risk control mechanism.

During 1H 2024, the Company consistently adhered to the strategy of differentiated and high-end product positioning, with each segment business progressing steadily. The Group reported 1.0146 million tons of machine-made paper, representing an increase of 6.58% as compared to 0.952 million tons for the same period last year. Despite the complex market environment and intense market competition, the Company continued to enhance its management capabilities. By seizing the favorable opportunity presented by the national reduction of the LPR (Loan Prime Rate), the Company continued to lower financing costs through multiple channels. Despite decreased revenue, the proportion of financing costs to revenue decreased from 2.3% in the same period last year to 2.2% in the current period, indicating sustained improvement in our financial conditions. The inventory turnover rate increased from 4.5 times in the same period last year to 5.3 times in 1H 2024, effectively reducing inventory pressure and enhancing operational efficiency within the Company.

## **BUSINESS OUTLOOK**

Looking ahead to the second half of the year, the domestic consumption environment is expected to improve as a result of the continuing policy support, which in return will favor the recovery of the paper industry. However, against the backdrop of weak consumption expectations and production-side oversupply, profitability necessitates that companies should further refine their focus on their core businesses, optimize assets, and engage in lean management. The Group will persist in its strengths in innovation, scale, and management, enhancing its ability to withstand risks. Simultaneously, it will make steady progress in optimizing its business structure, and identify opportunities in niche markets to continuously enhance the Group’s profitability. In the second half of the year,

the Group will remain attentive to market opportunities, rigorously implement strategic planning, focus on core operations, and steadily strengthen its existing market share in key products. Furthermore, the Group will intensify the promotion efforts in various new specialty paper products, continually improving the Company's profit structure. In terms of the industry chain, the Company will continue to extend its presence in both upstream and downstream segments, while continuing to enhance the core competitive strengths 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.

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. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

For 1H 2024, our Group's total revenue was RMB3,956.6 million, representing a decrease of 6.0% as compared to that of RMB4,208.4 million for 1H 2023. The decrease in revenue mainly resulted from the reduction in sales price.

Sales volume of paper products increased during 1H 2024. Sales of paper products decreased by 6.3% to RMB3,729.8 million for 1H 2024 with sales volume of around 1,014,600 tonnes, as compared to that of RMB3,981.4 million and around 952,000 tonnes for 1H 2023.

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

	1H 2024			1H 2023		
	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>% of total revenue</i>
White top linerboard	757,880	16.5	19.2	836,354	17.4	19.9
Coated-white top linerboard	931,273	13.8	23.5	1,043,059	22.4	24.8
Core board	289,329	18.2	7.3	317,828	10.5	7.5
Specialised paper products	880,807	11.2	22.3	884,050	15.0	21.0
Corrugated paper	870,526	7.9	22.0	900,154	5.8	21.4
Subtotal of sales of paper products	3,729,815	12.7	94.3	3,981,445	14.5	94.6
Sales of electricity and steam	226,808	28.0	5.7	226,950	20.9	5.4
Total revenue	3,956,623	14.3	100	4,208,395	15.2	100

### Cost of sales

Cost of sales was RMB3,390.2 million for 1H 2024, representing an decrease of 5.0% as compared with that of RMB3,570.1 million for 1H 2023. The decrease in cost of sales was consistent with the decrease in revenue.

### Gross profit and gross profit margin

The gross profit of our Group decreased from RMB638.3 million for 1H 2023 to RMB566.4 million for 1H 2024. The gross profit margin of the Group decreased during the period as compared with the corresponding period last year, from 15.2% for 1H 2023 to 14.3% for 1H 2024.

## **Other profit and loss items**

Other income of RMB173.2 million for 1H 2024 (1H 2023: RMB144.5 million) mainly consisted of interest income on bank deposits of RMB33.6 million, interest income earned from a joint venture of RMB9.2 million, interest income on loans to third parties of RMB6.2 million, government grants of RMB114.9 million, rental income of RMB0.9 million, hotel and catering service income of RMB2.4 million and logistics service income of RMB6.0 million.

Other gains or losses of RMB42.7 million for 1H 2024 (1H 2023: RMB15.9 million) mainly consisted of gain from sale of scrap materials of RMB16.6 million, loss on disposal and written-off of property, plant and equipment of RMB3.4 million, net foreign exchange losses of RMB3.6 million, loss on fair value changes of FVTPL of RMB0.9 million, gain on the fair value changes of biological assets of RMB0.1 million, sales of carbon emission allowances of RMB22.7 million and other gains of RMB11.2 million.

Distribution and selling expenses was RMB186.5 million for 1H 2024, as compared with RMB196.2 million for 1H 2023. As a percentage against revenue, it was essentially in line with the 1H 2023, both of which were 4.7%.

Administrative expenses was RMB222.3 million for 1H 2024, representing an increase of 0.2% as compared with RMB221.8 million for 1H 2023. As a percentage against revenue, it increased from 5.3% for 1H 2023 to 5.6% for 1H 2024.

Finance costs was RMB88.7 million for 1H 2024, representing a decrease of 9.4% as compared with RMB98.0 million for 1H 2023. As a percentage against revenue, it decreased from 2.3% for 1H 2023 to 2.2% for 1H 2024.

During 1H 2024, there was a share of loss of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB0.6 million (1H 2023: share of loss of RMB6.3 million).

## **Income tax expense**

Our income tax expense increased from RMB50.7 million for 1H 2023 to RMB65.8 million for 1H 2024. Effective tax rate for 1H 2024 and 1H 2023 was 23.2% and 18.5%, 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 RMB189.4 million for 1H 2024 (1H 2023: RMB192.6 million).

## **Significant investments**

During 1H 2024, the Group did not hold any significant investment.

## **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

During 1H 2024, there was no material acquisition or disposal of subsidiaries or associates or joint ventures of the Company.

## **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 2024, our Group had restricted bank deposits, cash and bank balances of RMB2,588.5 million (31 December 2023: RMB2,863.3 million). The debt of the Group comprised of bank and other borrowings and lease liabilities total RMB3,794.2 million as at 30 June 2024 (31 December 2023: RMB3,885.9 million). Net gearing ratio increased from 20.6% as at 31 December 2023 to 23.3% as at 30 June 2024.

Inventories decreased from RMB668.8 million as at 31 December 2023 to RMB614.1 million as at 30 June 2024. Inventory turnover was 34 days for 1H 2024, as compared to 41 days for 1H 2023.

Trade receivables increased from RMB564.8 million as at 31 December 2023 to RMB742.1 million as at 30 June 2024. Trade receivables turnover was 30 days and 28 days for 1H 2024 and 1H 2023, respectively. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded a decrease from RMB1,010.1 million as at 31 December 2023 to RMB903.2 million as at 30 June 2024. Trade payable turnover was 51 days for 1H 2024, as compared to 52 days for 1H 2023.

Current ratio increased from 0.82 times as at 31 December 2023 to 0.89 times as at 30 June 2024.

### ***Notes to financial ratios***

- (1) Inventory turnover days equal to 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 to 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 to 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 to current assets divided by current liabilities as of the end of the period.
- (5) Net gearing ratio equals to a total of bank borrowing, other borrowings and leases liabilities, 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 2024, our capital expenditure was approximately RMB102.9 million, which mainly involved the purchase of equipment and land for our new production line, as well as the construction of ancillary facilities.

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

As at 30 June 2024, 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 RMB296.3 million.

There was no contingent liabilities as at 30 June 2024.

### **Pledge of assets**

As at 30 June 2024, the carrying amount of our assets of RMB3,327.7 million were pledged as collateral or security for our Group's bank and other loans, discounted bills financing, bills payable and lease liabilities.

### **Foreign exchange risks**

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

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

## **CORPORATE GOVERNANCE**

The Company is committed to achieve a high standard of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. The Company has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout 1H 2024.



## **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 C3 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 2024.

## **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. Zhang Tao, Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Zhang Tao is the chairlady of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2024 and discussed the financial matters with the management of the Company.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had approximately 4,200 employees as at 30 June 2024. The staff costs for 1H 2024 were RMB233.6 million (1H 2023: RMB229.4 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 2024 (1H 2023: nil).

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

An aggregate of 64,710,000 ordinary shares repurchased by the Company in December 2023 were cancelled on 21 June 2024.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) during 1H 2024.

As at 30 June 2024, the number of treasury shares held by the Company is nil.

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

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

## **APPRECIATION**

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

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

Weifang, China, 30 August 2024

As at the date of this announcement, the Directors are:

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

*Non-executive Directors:*              *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*