

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 2020

FINANCIAL HIGHLIGHTS

- Revenue increased by 5.7%, from approximately RMB6,311.2 million for FY2019 to approximately RMB6,673.4 million for FY2020.
- Profit for the year attributable to the owners of the Company for FY2020 was approximately RMB497.7 million, representing an increase of approximately RMB147.7 million or 42.2%, as compared to that for FY2019.
- The Board resolved not to declare the payment of final dividends for the year ended 31 December 2020.

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 2020 (“**FY2020**”) together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”). These financial results have been reviewed by the audit committee of the Company (the “**Audit Committee**”), approved by the Board and agreed by the Group’s auditor, Grant Thornton Hong Kong Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

		2020	2019
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5 & 6	6,673,435	6,311,200
Cost of sales		<u>(5,236,892)</u>	<u>(5,047,897)</u>
Gross profit		1,436,543	1,263,303
Other income	7	218,421	203,530
Other gains or losses	7	(28,505)	(69,205)
Distribution and selling expenses		(306,728)	(287,893)
Administrative expenses		(424,503)	(396,546)
(Loss)/gain on fair value changes of an investment property		(4,055)	112
Share of profit/(loss) of a joint venture		3,496	(23,107)
Finance costs	8	<u>(160,986)</u>	<u>(202,449)</u>
Profit before income tax	10	733,683	487,745
Income tax expense	9	<u>(219,694)</u>	<u>(128,111)</u>
Profit and total comprehensive income for the year		<u>513,989</u>	<u>359,634</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		497,710	349,998
Non-controlling interests		<u>16,279</u>	<u>9,636</u>
		<u>513,989</u>	<u>359,634</u>
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted (<i>RMB</i>)	12	<u>0.61</u>	<u>0.43</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		4,679,607	4,192,405
Investment property		71,976	143,684
Prepaid lease payments		468,946	397,324
Goodwill		25,606	25,606
Deferred tax assets		51,755	54,209
Interest in a joint venture		188,485	184,989
Deposits for acquisition for property, plant and equipment		302,322	377,914
Deposits and other receivables	13	206,779	214,116
		<u>5,995,476</u>	<u>5,590,247</u>
Current assets			
Inventories	14	635,650	565,709
Trade receivables	15	513,349	519,591
Bills receivables	16	283,255	373,356
Prepayments and other receivables	17	198,996	259,677
Income tax recoverable		37	37
Restricted bank deposits		1,140,427	1,392,414
Bank balances and cash		613,268	719,314
		<u>3,384,982</u>	<u>3,830,098</u>
Current liabilities			
Contract liabilities		121,761	119,478
Trade payables	18	814,320	982,248
Bills payables	19	282,613	303,620
Other payables	20	209,460	259,014
Payables for construction work, machinery and equipment		207,397	167,870
Income tax payable		61,924	73,335
Lease liabilities	21	877	1,092
Deferred income		2,909	14,842
Discounted bills financing	22	1,245,217	1,885,628
Bank borrowings	23	1,972,696	1,987,039
Other borrowings	24	166,501	313,166
Corporate bond	25	99,803	100,000
		<u>5,185,478</u>	<u>6,207,332</u>
Net current liabilities		<u>(1,800,496)</u>	<u>(2,377,234)</u>
Total assets less current liabilities		<u>4,194,980</u>	<u>3,213,013</u>

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Capital and reserves			
Share capital	26	73,779	73,779
Reserves		<u>3,044,991</u>	<u>2,547,281</u>
Equity attributable to owners of the Company		3,118,770	2,621,060
Non-controlling interests		<u>312,914</u>	<u>296,634</u>
Total equity		<u>3,431,684</u>	<u>2,917,694</u>
Non-current liabilities			
Lease liabilities	21	20,098	20,868
Bank borrowings	23	543,516	12,281
Other borrowings	24	113,875	121,609
Corporate bond	25	—	99,265
Deferred income		46,096	35,913
Deferred tax liabilities		<u>39,711</u>	<u>5,383</u>
		<u>763,296</u>	<u>295,319</u>
Total equity and non-current liabilities		<u>4,194,980</u>	<u>3,213,013</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are production/generation and sale of paper products, electricity and steam.

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

The International Accounting Standards Boards (the “**IASB**”) has issued a number of revised IFRSs. The Group has adopted all these revised IFRSs, which are effective for the accounting period beginning on or after 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

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

Issued but not yet effective IFRSs

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

IFRS 17	Insurance Contracts and related amendments ³
Amendments to IFRS 3	Reference to the Conceptual Framework ⁵
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 16	Covid-19-Related Rent Concessions ⁶
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combination for which the acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

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 new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

These amendments address the accounting issues that arise when existing interbank offered rates included in financial instruments are replaced with alternative benchmark risk-free rates.

The amendments mainly affect the following areas:

- Financial instruments (measured at amortised costs) where the basis for determining the contractual cash flows changes as a result of the interest rate benchmark reform — providing a practical expedient that an entity will not have to derecognise the carrying amount of financial instruments and recognise an immediate gain or loss for changes solely arose from the interest rate benchmark reform, but will instead revise the effective interest rate of the financial instruments;
- Modifications of lease liabilities as a result of the interest rate benchmark reform — providing a similar practical expedient that lessee will remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate, instead of applying the original lease modification guidance in IFRS 16;

- Hedge accounting requirements — permitting changes required by the Reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. In addition, it also provides a temporary relief to entities from having to meet the separately identifiable requirement when an alternative benchmark risk-free rate is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expect the alternative benchmark risk-free rate risk component to become separately identifiable within the next 24 months.
- Additional disclosures — an entity will be required to disclose information about new risks arising from the interest rate benchmark reform and how it manages those risks as well as additional disclosure requirements for transitioning from interbank offered rates to alternative benchmark risk-free rates.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are effective for the annual period beginning on or after 1 January 2021 and apply retrospectively. Earlier application is permitted. As at 31 December 2020, the Group has several bank borrowings carrying interests at prime rates which may be subject to interest rate benchmark reform. The directors expect that the amendments have no 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 on the historical cost except for certain properties which are stated at fair values.

The Group has net current liabilities of approximately RMB1,800,496,000 at 31 December 2020. 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 in 2021, 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 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 over time and at a point in time in the following major product lines and geographical market:

Segments	For the year ended 31 December 2020			
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
— At a point in time	<u>6,445,670</u>	<u>227,765</u>	<u>—</u>	<u>6,673,435</u>
Geographical markets				
— PRC	6,294,791	227,765	—	6,522,556
— Overseas	<u>150,879</u>	<u>—</u>	<u>—</u>	<u>150,879</u>
 Segments	 For the year ended 31 December 2019			
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition				
— At a point in time	6,079,865	230,732	42	6,310,639
— Over time	<u>—</u>	<u>—</u>	<u>561</u>	<u>561</u>
Geographical markets				
— PRC	5,929,487	230,732	603	6,160,822
— Overseas	<u>150,378</u>	<u>—</u>	<u>—</u>	<u>150,378</u>

6. SEGMENT INFORMATION

(a) Operating segments

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

Segment revenue and results

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

For the year ended 31 December 2020

	Paper products						Total RMB'000
	White top linerboard RMB'000	Coated- white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	Other RMB'000	
Revenue from external customers	<u>1,594,691</u>	<u>2,134,681</u>	<u>666,557</u>	<u>2,049,741</u>	<u>227,765</u>	—	<u>6,673,435</u>
Inter-segment revenue	—	—	—	—	<u>527,556</u>	—	<u>527,556</u>
Segment revenue	<u>1,594,691</u>	<u>2,134,681</u>	<u>666,557</u>	<u>2,049,741</u>	<u>755,321</u>	—	<u>7,200,991</u>
Segment profit	<u>469,763</u>	<u>575,626</u>	<u>145,898</u>	<u>170,456</u>	<u>159,608</u>	—	<u>1,521,351</u>
Other segment information: Impairment loss on property, plant and equipment	—	—	—	<u>(27,642)</u>	—	—	<u>(27,642)</u>

For the year ended 31 December 2019

	Paper products						Total RMB'000
	White top linerboard RMB'000	Coated- white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	Other RMB'000	
Revenue from external customers	<u>1,604,714</u>	<u>2,369,807</u>	<u>698,675</u>	<u>1,406,669</u>	<u>230,732</u>	603	<u>6,311,200</u>
Inter-segment revenue	—	—	—	—	<u>508,876</u>	—	<u>508,876</u>
Segment revenue	<u>1,604,714</u>	<u>2,369,807</u>	<u>698,675</u>	<u>1,406,669</u>	<u>739,608</u>	603	<u>6,820,076</u>
Segment profit	<u>342,183</u>	<u>502,206</u>	<u>169,943</u>	<u>193,688</u>	<u>104,752</u>	385	<u>1,313,157</u>
Other segment information: Impairment loss on goodwill	—	—	—	<u>(4,720)</u>	—	—	<u>(4,720)</u>

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit		
Segment profit	1,521,351	1,313,157
Unrealised profit on inter-segment sales	<u>(97,826)</u>	<u>(83,539)</u>
	1,423,525	1,229,618
Administrative expenses	(411,444)	(381,148)
Other income	215,850	200,374
Other gains or losses	(45,329)	(67,427)
Distribution and selling expenses	(306,728)	(287,893)
Finance costs	(141,632)	(182,784)
(Loss)/gain on fair value changes of an investment property	(4,055)	112
Share of profit/(loss) of a joint venture	<u>3,496</u>	<u>(23,107)</u>
Consolidated profit before income tax	<u><u>733,683</u></u>	<u><u>487,745</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 by geographical location is presented.

7. OTHER INCOME AND OTHER GAINS OR LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income:		
Interest income on:		
Bank deposits	30,725	29,720
The balance with a joint venture (<i>note i</i>)	<u>12,873</u>	<u>14,304</u>
Total interest income	<u>43,598</u>	44,024
Rental income from an investment property and other properties	1,848	1,477
Hotel and catering services income	3,567	—
Logistics services income	8,536	—
Government grants (<i>note ii</i>)	<u>160,872</u>	<u>158,029</u>
	<u>218,421</u>	<u>203,530</u>
Other gains or losses:		
Net foreign exchange losses	(3,737)	(7,413)
Gain from sale of scrap materials, net	27,524	34,586
Loss on disposal and written off of property, plant and equipment	(23,430)	(10,304)
Provision for expected credit loss (“ECL”) on:		
— trade receivables	(7,083)	(2,251)
— other receivables	—	(77,589)
Impairment loss on goodwill	—	(4,720)
Impairment loss on property, plant and equipment (<i>note iii</i>)	(27,642)	—
Bad debt on other receivable	—	(3,126)
Others	<u>5,863</u>	<u>1,612</u>
	<u>(28,505)</u>	<u>(69,205)</u>

Notes:

- i. During the year ended 31 December 2020, the Group earned interest income from other receivable 陽光王子 (壽光) 特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd) at a weighted average effective interest rate of 4.75% per annum (2019: 5.94% per annum).
- ii. During the year ended 31 December 2020, the Company’s subsidiary, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd) (“Century Sunshine”) was granted and received unconditional government subsidy of approximately RMB148,347,000 (2019: RMB154,091,000) 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 2020, the Group carried out impairment assessments of the recoverable amount of certain cash-generating units, which, are subsidiaries involved in paper product segment, as management has determined that indication of impairment exists at the end of the reporting period due to the market performance was worse than expected. The impairment assessments led to the recognition of an impairment loss on property, plant and equipment of RMB27,642,000 that has been recognised in the “other gains or losses” in the Group’s profit or loss.

8. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on:		
Discounted bills financing	53,839	74,846
Bank and other borrowings wholly repayable within five years	136,915	137,947
Lease liabilities	10	25
Corporate bond	<u>12,288</u>	<u>20,275</u>
	203,052	233,093
Less: Interest capitalised in construction in progress	<u>(42,066)</u>	<u>(30,644)</u>
	<u><u>160,986</u></u>	<u><u>202,449</u></u>

Borrowing costs capitalised during the year ended 31 December 2020 arose from the general borrowing pool and were calculated by applying a capitalisation rate ranging from 4.06% to 5.22% (2019: 4.99% to 5.22%) per annum to expenditure on construction in progress.

9. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
PRC enterprise income tax	182,788	151,707
Under provision in previous year	<u>124</u>	<u>2,021</u>
	182,912	153,728
Deferred tax expense/(credit)	<u>36,782</u>	<u>(25,617)</u>
	<u><u>219,694</u></u>	<u><u>128,111</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, other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2019: 25%).

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2020 as the Group did not sustained a loss for tax purpose for both years (2019: No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not have any assessable profits subject to Hong Kong Profits Tax).

13. DEPOSITS AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other receivables from a joint venture	269,736	273,491
Guarantee deposits for sales and leaseback obligations	<u>18,319</u>	<u>21,901</u>
	288,055	295,392
Less: ECL allowance	<u>(81,276)</u>	<u>(81,276)</u>
	<u><u>206,779</u></u>	<u><u>214,116</u></u>

The following are the movements of ECL allowance of other receivables based on the lifetime ECL (Stage 2) during the year:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	81,276	3,686
Allowance during the year	<u>—</u>	<u>77,590</u>
At the end of the year	<u><u>81,276</u></u>	<u><u>81,276</u></u>

14. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	424,978	394,717
Finished goods	<u>210,672</u>	<u>170,992</u>
	<u><u>635,650</u></u>	<u><u>565,709</u></u>

15. TRADE RECEIVABLES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables due from:		
— third parties	516,800	512,153
— a joint venture	5,148	4,462
— a related party	<u>8,377</u>	<u>13,650</u>
	530,325	530,265
Less: ECL allowance	<u>(16,976)</u>	<u>(10,674)</u>
	<u><u>513,349</u></u>	<u><u>519,591</u></u>

Included in the balance of trade receivables above, there was no pledge of trade receivables for both years.

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–30 days	426,951	474,076
31–90 days	70,642	28,493
91–365 days	15,756	15,667
Over 1 year	—	1,355
	<u>513,349</u>	<u>519,591</u>

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	10,674	9,040
Written off during the year	(781)	(617)
Allowance during the year	7,083	2,251
	<u>16,976</u>	<u>10,674</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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bills receivables	<u>283,255</u>	<u>373,356</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 RMB9,217,000 (2019: RMB49,128,000) 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 RMB9,217,000 (2019: RMB49,128,000) 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	189,852	204,907
91–180 days	55,860	85,515
181–365 days	<u>37,543</u>	<u>82,934</u>
	<u>283,255</u>	<u>373,356</u>

17. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Prepayments	109,881	87,875
Other receivables	<u>89,139</u>	<u>171,826</u>
	199,020	259,701
Less: ECL allowance	<u>(24)</u>	<u>(24)</u>
	<u><u>198,996</u></u>	<u><u>259,677</u></u>

An analysis of other receivables is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
VAT recoverable	55,308	108,694
Deposits	13,704	15,101
Guarantee deposits for sales and leaseback obligations	13,443	39,864
Advance to employees	1,532	2,357
Others	<u>5,152</u>	<u>5,810</u>
	<u><u>89,139</u></u>	<u><u>171,826</u></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	24	25
Reversal during the year	<u>—</u>	<u>(1)</u>
At the end of the year	<u><u>24</u></u>	<u><u>24</u></u>

18. TRADE PAYABLES

An analysis of trade payables is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables due to		
— third parties	814,195	982,193
— a joint venture	125	55
	<u>814,320</u>	<u>982,248</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	779,352	918,114
91–365 days	23,995	55,027
Over 1 year	10,973	9,107
	<u>814,320</u>	<u>982,248</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	113,253	155,120
91–180 days	139,360	68,500
Over 180 days	30,000	80,000
	<u>282,613</u>	<u>303,620</u>

All the bills payables are of trading nature and will be expired within twelve months (2019: twelve months) from the issue date.

20. OTHER PAYABLES

An analysis of other payables is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other payables due to third parties	169,056	115,220
Amount due to a controlling shareholder (<i>note</i>)	1,621	1,165
Amount due to a related party (<i>note</i>)	10,000	10,000
Amount due to a non-controlling shareholder of a subsidiary (<i>note</i>)	24,500	132,629
Amount due to a director (<i>note</i>)	4,283	—
	<u>209,460</u>	<u>259,014</u>

Note: The amount due is unsecured, interest-free and repayable on demand.

21. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amounts payable under lease liabilities				
— Within one year	1,880	2,139	877	1,092
— In more than one year but not more than two years	1,824	3,704	863	1,752
— In more than two years but not more than five years	5,500	9,118	2,889	5,040
— After five years	<u>21,473</u>	<u>17,689</u>	<u>16,346</u>	<u>14,076</u>
	30,677	32,650	20,975	21,960
Less: future finance charges	<u>(9,702)</u>	<u>(10,690)</u>	—	—
Present value of lease obligations	<u>20,975</u>	<u>21,960</u>	20,975	21,960
Less: Amount due for settlement with 12 months (shown under current liabilities)			<u>(877)</u>	<u>(1,092)</u>
Amount due for settlement after 12 months			<u>20,098</u>	<u>20,868</u>

Note: As at 31 December 2020, lease liabilities amounting to RMB20,975,000 (2019: RMB21,960,000) 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 2020, the total cash outflows for the leases are RMB4,964,000 (2019: RMB6,721,000).

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Discounted bills receivables from third parties (<i>note a</i>)	9,217	49,128
Discounted bills receivables from a joint venture	—	500
Discounted bills receivables from subsidiaries of the Company (<i>note b</i>)	<u>1,236,000</u>	<u>1,836,000</u>
Total	<u><u>1,245,217</u></u>	<u><u>1,885,628</u></u>

Notes:

- a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 16 above, since the title of receivables was not transferred to the lending banks.
- b. These borrowings arose from discounting, with recourse, of intra-group bills receivables, from one component to another of the Group. The Group continues to recognise the carrying amount of the underlying bills receivables since the title of receivables was not transferred to the lending banks. However, the corresponding intra-group bills receivables were eliminated in consolidation against the original bills payables from the bill issuing component of the Group. The elimination is based on the Directors' judgment that the risk and reward associated with these intra-group bills receivables and bills payables remain within the Group. In obtaining the original intra-group bills, bank deposits of RMB790,500,000 (2019: RMB1,206,840,000) were pledged to the issuing banks.

23. BANK BORROWINGS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Secured bank borrowings	560,781	273,100
Unsecured bank borrowings	<u>1,955,431</u>	<u>1,726,220</u>
	<u>2,516,212</u>	<u>1,999,320</u>
The borrowings are repayable as follows:		
— Within one year	1,972,696	1,987,039
— In the second year	255,165	1,965
— In the third to fifth years inclusive	<u>288,351</u>	<u>10,316</u>
	2,516,212	1,999,320
Less: Amount due for settlement within one year and shown under current liabilities	<u>(1,972,696)</u>	<u>(1,987,039)</u>
Amount due after one year	<u>543,516</u>	<u>12,281</u>
Total borrowings		
— At fixed rates	1,727,731	727,575
— At floating rates	<u>788,481</u>	<u>1,271,745</u>
	<u>2,516,212</u>	<u>1,999,320</u>
Analysis of borrowings by currency:		
— Denominated in RMB	<u>2,516,212</u>	<u>1,999,320</u>

Fixed-rate borrowings are charged at the rates ranging from 2.00% to 7.80% per annum as at 31 December 2020 (2019: 4.07% to 6.53% per annum).

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

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2020 was 4.70% per annum (2019: 5.13% per annum).

24. OTHER BORROWINGS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current		
Borrowings from		
— Weifang City Investment Co., Ltd.* (<i>note i</i>) (<i>濰坊市投資集團有限公司</i>) (“ Weifang City Investment ”)	—	6,000
— Shandong Lehua Group Co., Ltd.* (<i>山東樂化集團有限公司</i>) (“ Shandong Lehua Group ”) (<i>note ii</i>)	—	50,000
— Sale and leaseback obligations (<i>note iii</i>)	<u>166,501</u>	<u>257,166</u>
	<u>166,501</u>	<u>313,166</u>
Non-current		
Borrowings from		
— Sale and leaseback obligations (<i>note iii</i>)	<u>113,875</u>	<u>121,609</u>
	<u>280,376</u>	<u>434,775</u>

Notes:

- i The borrowing from Weifang City Investment, an unconnected third party, is unsecured and repayable on demand. The effective interest annual rate for the year ended 31 December 2019 was 6.65% per annum.
- ii. The borrowing from Shandong Lehua Group, an unconnected third party, is unsecured and repayable for one year. The effective interest annual rate for the year ended 31 December 2019 was 7.00% per annum.
- iii. During the year ended 31 December 2020, the Group entered into several sales and leaseback agreements with leasing companies for machinery and equipment (“Secured Assets”) amounting to RMB174,889,000 (2019: RMB176,000,000) for a period of 2–3 years (2019: 2–3 years). Upon maturity, the Group will be entitled to purchase the Secured Assets.

Nominal interest rates underlying all these contracts are at respective contract dates ranging from 4.69% to 7.16% (2019: 4.75% to 7.43%) per annum.

Sale and leaseback obligations of RMB280,376,000 (2019: RMB378,775,000) as at 31 December 2020 were secured by certain of the Group’s machineries, the total carrying amount of which at 31 December 2020 was RMB770,119,000 (2019: RMB750,928,000).

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

25. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bond on 23 July 2014. The final offering size of the seven-year corporate bond was RMB500,000,000 with annual coupon rate of 8.19%. The corporate bond is guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's investment property and property, plant and equipment of RMB71,976,000 and RMB87,178,000 respectively (2019: investment property and construction in progress of RMB143,684,000 and RMB19,892,000 respectively). RMB100,000,000 had been repaid during the year and the remaining balance will be repaid in the year 2021.

26. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised: Ordinary shares of HK\$0.10 each At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>2,000,000,000</u>	<u>200,000</u>
	Number of shares	Share capital <i>HK\$'000</i>
Issued and fully paid: At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>819,362,000</u>	<u>81,936</u>
		Shown in the consolidated financial statements <i>RMB'000</i>
		<u>73,779</u>

27. COMPARATIVE FIGURES

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

BUSINESS REVIEW

In 2020, the global impact of coronavirus disease (“COVID-19”) and the continuation of U.S.-China trade tension imposed severe challenges to the entire paper manufacturing industry and even the global economy. In the midst of such complicated and changing external environment, the Group closely focused on its philosophy of “quality and efficiency improvement”, and made unswerving efforts to develop the market, improve efficiency and reduce costs, to reinforce the foundation of lean management. We have integrated internal and external resources by adopting effective measures, thereby achieving satisfactory performance growth.

Confronted with fierce industry competition caused by the pandemic, the sales team of the Group carried out precisely targeted domestic market development and maintenance strategies, maintained the stability of overseas markets, strengthened cooperation and communication with end customers, and continuously explored new markets for the launch of new products, to maintain a good market share. In 2020, the Group reported a high sales volume of approximately 1,450,000 tonnes of machine-made paper (including approximately 180,000 tonnes of corrugated paper from the new production lines), representing an increase of approximately 10.7% as compared to 1,310,000 tonnes for last year.

Meanwhile, the Group continued to promote the group-based centralized procurement model, safeguarded the supply share of suppliers with competitive advantages in the regions where we have advantages, stepped up efforts to identify suppliers, and continuously adjusted and optimized its product process to reduce its production costs. Leveraging the comparatively loose financial policies during the pandemic, we doubled down negotiations with banks and other financial institutions, to continuously reduce finance costs. Relying on the information-based tools, we constantly improved our management standard and work efficiency. In 2020, the Group achieved a net profit attributable to the controlling shareholders of RMB497.7 million, representing a growth of approximately 42.2% as compared to RMB350.0 million for the corresponding period last year.

BUSINESS OUTLOOK

The PRC’s packaging and papermaking industry will continue to suffer from the ongoing adverse impact of the pandemic on the global economy, and the gradual tightening of environmental protection policies by the PRC such as zero imports of waste paper and plastic bag ban. The Group will actively expand and diversify its upstream business and seek alternative raw materials to continuously reduce production costs while ensuring product quality. Meanwhile, we will continue to strengthen our safety and environmental protection management and fulfill our corporate social responsibilities to achieve green and sustainable development.

Following the commencement of the new corrugated paper production line, the Group will constantly provide its customers with diversified products and the information-based tools will promote the steady development of enterprises. Given the development room for the paper-making industry in the long run, the Group shall seize development opportunities and proceed with appropriate expansion, to continually enhance our comprehensive competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

Our Group's total revenue for FY2020 was approximately RMB6,673.4 million, representing an increase of approximately RMB362.2 million or 5.7% as compared to that of approximately RMB6,311.2 million for FY2019. The increase in revenue mainly resulted from the growth in sales quantity.

Sales of electricity and steam continued to account for a low single digit percentage of our Group's total revenue for FY2020.

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

	FY2020		FY2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of paper products				
White top linerboard	1,594,691	23.9	1,604,714	25.4
Coated-white top linerboard	2,134,681	32.0	2,369,807	37.5
Core board	666,557	10.0	698,675	11.1
Specialised paper products	2,049,741	30.7	1,406,669	22.3
Sub-total of paper products	6,445,670	96.6	6,079,865	96.3
Sales of electricity and steam	227,765	3.4	230,732	3.6
Other	—	—	603	0.1
	<u>6,673,435</u>	<u>100.0</u>	<u>6,311,200</u>	<u>100.0</u>

Cost of sales

Our cost of sales was around RMB5,236.9 million for FY2020, whereas the cost of sales for FY2019 was approximately RMB5,047.9 million. Cost of sales for FY2020 was in line with the increasing trend of total revenue in general.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB1,263.3 million for FY2019 to approximately RMB1,436.5 million for FY2020. Gross profit margin for FY2020 was around 21.5%, representing a 1.5 percentage point increase as compared to that of 20.0% for FY2019.

Other profit and loss items

Other income of approximately RMB218.4 million for FY2020 (FY2019: approximately RMB203.5 million) mainly comprised interest income of approximately RMB43.6 million (FY2019: approximately RMB44.0 million), rental income from an investment property and other properties of approximately RMB1.8 million (FY2019: approximately RMB1.5 million), government grants of approximately RMB160.9 million (FY2019: approximately RMB158.0 million), hotel and catering services income of approximately RMB3.6 million (FY2019: nil) and logistics services income of approximately RMB8.5 million (FY2019: nil).

Other losses of approximately RMB28.5 million for FY2020 (FY2019: approximately RMB69.2 million) mainly consisted of provision for expected credit loss on trade receivables of RMB7.1 million, gain from sale of scrap materials of RMB27.5 million, loss on disposal and written off of property, plant and equipment of RMB23.5 million, net foreign exchange losses of RMB3.7 million, impairment loss on property, plant and equipment of RMB27.6 million and other gains of RMB5.9 million.

Distribution and selling expenses recorded RMB306.7 million for FY2020 as compared to RMB287.9 million for the corresponding period last year. For FY2020, such expenses represented approximately 4.6% of the total revenue, as compared with approximately 4.6% of the total revenue for FY2019.

Administrative expenses recorded RMB424.5 million for FY2020 as compared to RMB396.5 million for the corresponding period last year. For FY2020, it accounted for approximately 6.4% of the total revenue, as compared with approximately 6.3% of the total revenue for FY2019.

Finance costs recorded approximately RMB161.0 million for FY2020 as compared to approximately RMB202.4 million for the corresponding period last year. For FY2020, it accounted for approximately 2.4% of the total revenue, as compared with approximately 3.2% of the total revenue for FY2019. The decrease was mainly due to the reduction in borrowing interest rate and the discount rate.

During 2020, there was a share of profit of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB3.5 million (FY2019: share of loss of a joint venture of RMB23.1 million). The main reasons for the improvement of the profitability of the joint venture are the operation technology of the new production line and the gradual stability of the market.

Income tax expenses

Income tax expenses were approximately RMB219.7 million for FY2020 as compared to approximately RMB128.1 million for FY2019.

Profit for the year

As a result of the above factors, we recorded a profit for the year attributable to the owners of our Company of approximately RMB497.7 million for FY2020, representing an increase of approximately RMB147.7 million from approximately RMB350.0 million for FY2019.

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 FY2020, our Group continued to adopt a conservative approach to financial risk management.

Market risks

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

Working capital

Net current liabilities of our Group were approximately RMB1,800.5 million as at 31 December 2020, as compared to approximately RMB2,377.2 million as at 31 December 2019. Current ratio was 0.65 times and 0.62 times, respectively, as at 31 December 2020 and 31 December 2019.

Bank balances and cash, and restricted bank deposits were approximately RMB1,753.7 million as at 31 December 2020, as compared to approximately RMB2,111.7 million as at 31 December 2019.

Inventories were approximately RMB635.7 million as at 31 December 2020, as compared to approximately RMB565.7 million as at 31 December 2019. Inventory turnover was 42 days for FY2020, as compared to 48 days for FY2019.

Trade receivables were approximately RMB513.3 million as at 31 December 2020, as compared to approximately RMB519.6 million as at 31 December 2019. Trade receivables turnover for FY2020 was 28 days as compared to 30 days for FY2019.

Trade payables were approximately RMB814.3 million as at 31 December 2020, as compared to approximately RMB982.2 million as at 31 December 2019. Trade payables turnover for FY2020 was 63 days, as compared to 73 days for FY2019.

Cashflow

Net cash from operating activities amounted to approximately RMB948.9 million for FY2020 (FY2019: approximately RMB1,472.8 million).

Net cash used in investing activities amounted to approximately RMB375.3 million for FY2020 (FY2019: approximately RMB772.5 million), primarily representing the purchase of property, plant and equipment and prepaid lease payment of RMB423.2 million and 55.5 million, and additions of deposits for acquisition of property, plant and equipment of RMB227.0 million, etc.

Net cash used in financing activities amounted to approximately RMB679.6 million for FY2020 (FY2019: approximately RMB505.2 million), primarily attributable to interest paid of RMB198.4 million, the repayment of bank and other borrowings of RMB3,327.6 million, offset in part by the net proceeds from other borrowings of RMB174.9 million and new bank borrowings raised of RMB3,515.2 million, etc.

The combined effect of the above resulted in a net decrease in cash and cash equivalents of RMB106.0 million for FY2020 (FY2019: Net increase in cash and cash equivalents of RMB195.1 million).

Gearing ratio

Our net gearing ratio increased from approximately 18.6% as at 31 December 2019 to approximately 33.9% as at 31 December 2020. The increase in net gearing ratio was mainly driven by the increase in bank borrowings.

Capital expenditure

During FY2020, our capital expenditure was approximately RMB478.6 million (FY2019: RMB316.7 million), which mainly involved the purchase of equipment and land for our new corrugated paper production line, as well as the construction of ancillary facilities.

Pledge of assets

For FY2020, the aggregate carrying amount of our assets pledged was approximately RMB2,347.5 million. (FY2019: approximately RMB2,763.9 million).

Capital commitments and contingent liabilities

Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of property, plant and equipment was approximately RMB207.1 million as at 31 December 2020 (FY2019: RMB342.3 million).

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 RMB395.0 million in total to 濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業(有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership)*) (the “**Partnership**”), while the Partnership would contribute up to RMB500.0 million into the Group in exchange for a subsidiary’s equity. Details of the transaction are set out in the Company’s circular dated 10 December 2020. As at the year ended 31 December 2020, the Group has contributed RMB1,185,000 to the Partnership, which recorded under other receivables in note 17. Subsequent to the reporting date, the Group has contributed RMB197.5 million to the Partnership, while the Partnership has contributed RMB251.5 million to the Group.

As at 31 December 2020, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 4,520 full-time employees in the PRC and Hong Kong as at 31 December 2020 (4,430 as at 31 December 2019). The staff costs for FY2020 were approximately RMB377.5 million, representing an increase of RMB3.5 million over FY2019 of approximately RMB374.0 million. The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets.

Notes to financial ratios:

- (1) Inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.
- (2) Trade receivables turnover days equal to the average of the opening and closing balances of trade receivables of the relevant year divided by turnover of the relevant year and multiplied by 365 days.
- (3) Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.
- (4) Current ratio equals current assets divided by current liabilities as of the end of the year.

- (5) Net gearing ratio equals total of borrowings, corporate bond and leases liabilities, net of bank balances and cash, and restricted bank deposits divided by total equity as of the end of the year.

EVENTS AFTER THE REPORTING PERIOD

On 15 March 2021, two subsidiaries of the Group (as the lessees) entered into a finance lease agreement with Minsheng Financial Leasing Co., Ltd.* (民生金融租賃股份有限公司) (as the lessor), pursuant to which, the latter has agreed to, among other things, (i) acquire the certain leased assets from the lessees for an aggregate consideration of RMB150,000,000 and (ii) lease the leased assets to the lessees for a lease term of 3 years. Details of the transaction are set out in the announcement of the Company dated 15 March 2021.

At the expiry of the lease term, the Lessees shall obtain the ownership of the leased assets from the Lessor at no consideration.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2020, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of their respective securities.

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximizing shareholders' interests. Our Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules during FY2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all Directors by our Company to confirm that all Directors have complied with the Model Code during FY2020.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise our Company's financial reporting process, internal control and risk management system, and provide advice and comments to our Board. The Audit Committee, comprising Ms. Shan Xueyan (Chairlady), Mr. Wang Zefeng and Ms. Jiao Jie, has reviewed the annual results for FY2020 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with our management and our Company's external auditor.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's annual results for FY2020 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure. The financial information set out in this announcement has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, Grant Thornton Hong Kong Limited.

DIVIDEND

The Board resolved not to declare the payment of final dividends for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The register of members of our Company will be closed from 24 May 2021 to 28 May 2021, both days inclusive, for the purpose of determining entitlement to attend the AGM, during which no transfer of shares of our Company will be registered. 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 21 May 2021.

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 FY2020 containing all the information required by Appendix 16 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be dispatched to the Shareholders and published on our website at www.sunshinepaper.com.cn 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

Shandong, China, 26 March 2021

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

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

Non-executive director: *Ms. Wu Rong*

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

* *For identification purposes only*