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

2022
Annual Report

*For identification purposes only

Contents

Main Products

White top linerboard is used to provide the outer facing surface of the corrugating medium. It is a combination of linerboard and fluted inner sheet of corrugating medium, which gives the board its rigid structure and stacking strength. White top linerboard is typically used as packaging material for boxes, which require high quality printability and stacking strength.

Coated white top linerboard is a form of white top linerboard comprising a multiple-ply sheet made of a bleached upper ply layer coated writer a coating medium. Such coating allows superior printability by offering better brightness and gloss, and at the same time, delivers excellent ink transfer quality. The coating layer of the coated white top linerboard is much thinner than that of the traditional coated duplex board, and thus, it is considered more environmentally friendly.

Core board is the main material used to produce “cores” which are tubes generally used as the base around which various products, such as paper and yarn, are wound. It is predominantly used to produce durable spindles with the ability to withstand high spinning speeds, and to produce strong paper cores and related products.

Corporate Information

BOARD OF DIRECTORS

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

Non-Executive Director
Ms. Wu Rong

Independent Non-Executive Directors
Ms. Shan Xueyan
Mr. Wang Zefeng
Ms. Jiao Jie

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

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

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

COMPANY SECRETARY
Mr. Chan Yee Ping, Michael

AUTHORISED REPRESENTATIVES
Mr. Wang Dongxing
Mr. Chan Yee Ping, Michael

PRINCIPAL PLACE OF BUSINESS IN CHINA
Changle Economic Development Zone
Weifang 262400
Shandong
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
17/F, Winsan Tower
98 Thomson Road
Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

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

LEGAL ADVISERS AS TO THE LAWS OF HONG KONG

Morgan, Lewis & Bockius
Suites 1902–09, 19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

STOCK CODE

2002

WEBSITE

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世纪阳光
Century Sunshine
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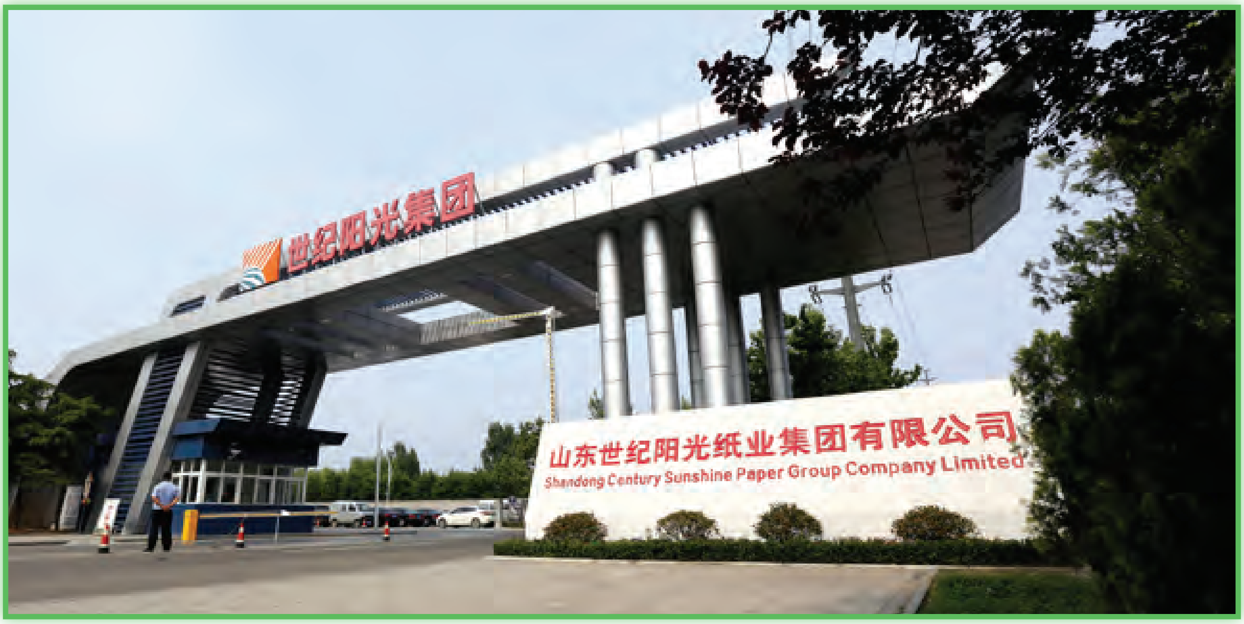
CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Sunshine Paper Holdings Company Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of our Group for the financial year ended 31 December 2022 ("FY2022").



BUSINESS REVIEW:

In 2022, China's economy experienced tremendous downward pressure due to multiple unexpected factors at home and abroad, such as the resurgence of the Covid-19 pandemic and the impact of global geopolitical conflicts. The paper industry was under dual pressure from both upstream and downstream. Specifically, the supply chain disruption caused by the pandemic led to a significant increase in the prices of primary raw and auxiliary materials and energy; and insufficient demand from downstream consumers led to an impediment to price transmission to end users. According to the National Bureau of Statistics, in 2022, the producer price index (PPI) of the paper and paper products industry increased by 0.6% year-on-year while the purchase price of industrial producers for the wood and pulp category increased by 4.5% year-on-year, resulting in a significant squeezing of the profit margins of enterprises in the industry and marking the industry's entry into the bottoming-out period.

In the face of a complex and severe economic situation throughout the year, the Group firmly believed that there are opportunities in times of crisis, just as there will be a "warm spring with blooming flowers" ahead after the "cold winter". With the unremitting efforts of all its cadres and employees under the leadership of its management, the Group adhered to the strategic policy of focusing on business operations and internal management, actively responded to the situation and continued to make innovations, successfully maintaining the steady operation of its existing business. Meanwhile, the Group continued to make breakthroughs in the research and development and application of new products and technologies this year. Thanks to a series of measures taken by the Group, the Group has consistently maintained competitive advantages amidst the new industrial conditions and fierce market competition, steadily improved its position in the industry, and achieved hard-won operating results.

The Group has been committed to enhancing its competitiveness in various aspects such as procurement, production, finance, sales and logistics. In response to the intensified market competition amidst the Covid-19 pandemic, the Group focused on leveraging its core customer resources to enhance its competitiveness in regional markets. The Group has expanded its market share and optimized its customer structure by taking specific measures such as re-analyzing the characteristics of regional markets, continuously strengthening its relationships with core customers, and developing targeted featured products. In the meantime, the Group continued to improve its manufacturing processes, optimize its financial structure, improve its logistics efficiency and optimize its supplier structure. These series of measures to reduce costs and increase efficiency have been unanimously recognised by customers, and have further enhanced the Company's profitability through refined management.

During the reporting period, the Group attached great importance to ecological environmental protection, actively fulfilled its social responsibilities, and continuously improved its governance level. By consistently adhering to its ESG principles, the Group has achieved high-quality development and won numerous accolades. In March 2023, the Group was officially included in the list of Leader in Water Efficiency among Key Water Consumption Enterprises and Industrial Parks in 2022 (2022年重點用水企業、園區水效領跑者名單) by the MIIT and other three ministries, with its various water efficiency indicators being at the top level among selected enterprises in the paper industry. The Group is also the first enterprise in Weifang to receive this honor. In terms of the established high-end packaging paper projects and the research and development of new products, the Group has always focused on core indicators such as resource utilization efficiency and recycling rate in order to minimize its environmental pollution. Meanwhile, the Group enhanced its corporate governance level by continuously improving its various rules and regulations on environmental protection and risk control mechanism during the reporting period.

In 2022, despite the numerous adverse factors such as the impact of the pandemic and weak downstream demand, the Group reported 1,950,000 tonnes of machine-made paper, representing an increase of 28% as compared to 1,520,000 tonnes for the corresponding period last year. The revenue increased to RMB9,538 million, representing an increase of 19.5% as compared to that for the corresponding period last year. These marked that the Group has achieved the production targets for sales volume and revenue set at the beginning of the year. Upholding the philosophy of "scientific, refined and efficient management" in internal management, the Company has demonstrated remarkable management capabilities amidst adverse production conditions and complex market environment. This can be evidenced by the fact that its "administrative expenses, selling expenses, and finance costs" accounted for 10.5% of its revenue, down by 1.9 percentage points from 12.4% for the corresponding period last year, and its inventory turnover rate was 8.4 times, up by 0.9 from 7.5 times for the corresponding period last year.

BUSINESS OUTLOOK:

Although the risk of global economic recession and the impact of geopolitical conflicts will continue to exist in 2023, the Group believes that an orderly recovery will be the main theme this year and the industry is expected to enter a phase of sustained growth. Currently, the paper industry is witnessing the easing of the upward trend or a decrease in the prices of various raw materials, auxiliary materials and energy. This, coupled with smoother price transmission due to a gradual recovery of the demand from end-users driven by China's full opening and policy stimulus, is likely to contribute to a recovery in the profits of papermaking enterprises. In the new year, the Group will seize the opportunity of market recovery to steadily increase the market share of its existing main products. Meanwhile, the Group will also focus on promoting specialty papers and bio-mechanical pulp, and continuously optimize its product mix, in an effort to enhance the profitability of the Company. In addition, the Company will continue to optimize its production processes by continuously enhancing its digital and intelligent level, thus comprehensively improving the management level of the Group.

The Group focuses on producing high-quality and multi-purposed packaging paper, including white top linerboard, coated-white top linerboard, core board and corrugated paper. It is also committed to satisfying the need of different customers by intensively cultivating the market under the differentiated development strategy at the same time. On the one hand, with the growing concentration in the industry due to the rising operating threshold of the paper industry, the Group's core product, coated-white top linerboard, is expected to further increase its market share for its advantage of large-scale production and outstanding product performance. On the other hand, with the recovery of market demand, the Group will continue to promote and sell corrugated paper in the market and unleash the production capacity of its corrugated paper project (phase II) to enhance its influence in regional and national markets. With a gradual boom in the industry, the Group is confident that it can continuously enhance its overall strength and industry position by leveraging its technical, product, brand, management and innovation advantages, thus achieving performance growth.

As an innovation-driven production enterprise led by a scientific research team, the Group continues to intensify its efforts in independent innovation and improvement of its research and development system. The Group has built a solid technological foundation for and accumulated practical experiences of innovating product development, production process and information systems. Following its continuing efforts and investments, the bio-mechanical pulp project (Phase I), of which the Group is in possession of all technology patents, has been put into operation and begins to expand production output.

Wang Dongxing
Chairman

Hong Kong, China
30 March 2023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MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

TOTAL REVENUE

Our Group's total revenue for FY2022 was approximately RMB9,538.2 million, representing an increase of approximately RMB1,556.0 million or 19.5% as compared to that of approximately RMB7,982.2 million for FY2021. 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 FY2022.

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

	FY2022		FY2021	
	RMB'000	**%**	RMB'000	%
Sales of paper products				
White top linerboard	**1,954,014**	**20.5**	1,790,888	22.4
Coated-white top linerboard	**2,368,916**	**24.8**	2,440,506	30.6
Core board	**775,556**	**8.1**	791,650	9.9
Corrugated paper	**1,959,929**	**20.6**	1,094,739	13.7
Specialised paper products	**2,074,914**	**21.8**	1,566,763	19.7
Sub-total of paper products	**9,133,329**	**95.8**	7,684,546	96.3
Sales of electricity and steam	**404,900**	**4.2**	297,685	3.7
	9,538,229	**100.0**	7,982,231	100.0

COST OF SALES

Our cost of sales was around RMB8,374.1 million for FY2022, whereas the cost of sales for FY2021 was approximately RMB6,448.5 million. The increase in cost of sales was consistent with the increase in revenue, but higher than the increase in revenue. The significant increase in costs is mainly due to the increase in the cost of raw materials such as waste paper, wood pulp, coal, etc, leading to the decrease in the Group's gross profit and gross profit margin.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit decreased from approximately RMB1,533.7 million for FY2021 to approximately RMB1,164.1 million for FY2022. Gross profit margin for FY2022 was around 12.2%, representing a 7.0 percentage point decrease as compared to that of 19.2% for FY2021.

OTHER PROFIT AND LOSS ITEMS

Other income of approximately RMB318.0 million for FY2022 (FY2021: approximately RMB299.0 million) mainly comprised interest income of approximately RMB57.4 million (FY2021: approximately RMB47.5 million), rental income from an investment property and other properties of approximately RMB3.2 million (FY2021: approximately RMB3.4 million), government grants of approximately RMB246.0 million (FY2021: approximately RMB232.2 million), hotel and catering services income of approximately RMB3.1 million (FY2021: approximately RMB4.0 million) and logistics services income of approximately RMB8.3 million (FY2021: approximately RMB11.9 million).

Other gains of approximately RMB3.5 million for FY2022 (FY2021: other losses of approximately RMB66.1 million) mainly consisted of gain from sale of scrap materials of RMB7.1 million, loss on disposal and written off of property, plant and equipment of RMB12.4 million, net foreign exchange losses of RMB2.4 million, gain on change in fair value of financial assets at fair value through profit and loss of RMB241.2 million, impairment loss of investment in an associate of RMB245.8 million and other profit of RMB15.8 million.

Distribution and selling expenses recorded RMB401.8 million for FY2022 as compared to RMB339.6 million for the corresponding period last year. For FY2022, such expenses represented approximately 4.2% of the total revenue, as compared with approximately 4.3% of the total revenue for FY2021.

Administrative expenses recorded RMB429.5 million for FY2022 as compared to RMB499.4 million for the corresponding period last year. For FY2022, it accounted for approximately 4.5% of the total revenue, as compared with approximately 6.3% of the total revenue for FY2021.

Finance costs recorded approximately RMB169.3 million for FY2022 as compared to approximately RMB149.2 million for the corresponding period last year. For FY2022, it accounted for approximately 1.8% of the total revenue, as compared with approximately 1.9% of the total revenue for FY2021.

During 2022, there was a share of loss of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB44.1 million (FY2021: share of loss of a joint venture of RMB8.7 million) and a share of loss on an associate of RMB55.0 million.

INCOME TAX EXPENSES

Income tax expenses were approximately RMB124.3 million for FY2022 as compared to approximately RMB198.8 million for FY2021.

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 RMB205.7 million for FY2022, representing an decrease of approximately RMB350.9 million from approximately RMB556.6 million for FY2021.

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 FY2022, our Group continued to adopt a conservative approach to financial risk management.

Foreign exchange risks

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

Working capital

Net current liabilities of our Group were approximately RMB1,237.4 million as at 31 December 2022, as compared to approximately RMB1,730.8 million as at 31 December 2021. Current ratio was 0.79 times and 0.71 times, respectively, as at 31 December 2022 and 31 December 2021.

Bank balances and cash, and restricted bank deposits were approximately RMB2,436.3 million as at 31 December 2022, as compared to approximately RMB2,123.1 million as at 31 December 2021.

Inventories were approximately RMB900.7 million as at 31 December 2022, as compared to approximately RMB1,088.2 million as at 31 December 2021. Inventory turnover was 43 days for FY2022, as compared to 49 days for FY2021.

Trade receivables were approximately RMB630.7 million as at 31 December 2022, as compared to approximately RMB527.7 million as at 31 December 2021. Trade receivables turnover for FY2022 was 22 days as compared to 24 days for FY2021.

Trade payables were approximately RMB1,108.0 million as at 31 December 2022, as compared to approximately RMB1,031.3 million as at 31 December 2021. Trade payables turnover for FY2022 was 47 days, as compared to 52 days for FY2021.

Cashflow

Net cash from operating activities amounted to approximately RMB546.4 million for FY2022 (FY2021: approximately RMB1,067.0 million).

Net cash used in investing activities amounted to approximately RMB1,132.6 million for FY2022 (FY2021: approximately RMB1,386.8 million), primarily representing the purchase of property, plant and equipment RMB337.2 million, and additions of deposits for acquisition of property, plant and equipment of RMB321.0 million, etc.

Net cash from financing activities amounted to approximately RMB607.5 million for FY2022 (FY2021: approximately RMB536.0 million), primarily attributable to interest paid of RMB203.0 million, the repayment of bank and other borrowings of RMB3,406.4 million, net proceeds from sale and leaseback transactions of RMB552.3 million and new bank borrowings raised of RMB3,337.1 million, and increase in discounted bills financing of RMB365.6 million etc.

The combined effect of the above resulted in a net increase in cash and cash equivalents of RMB21.3 million for FY2022 (FY2021: Net increase in cash and cash equivalents of RMB216.3 million).

Indebtedness

As at 31 December 2022, the Group's total borrowings was RMB3,823.7 million, an increase of RMB492.3 million from RMB3,331.4 million as at 31 December 2021. The table below sets forth the balances of short and long-term borrowing obligations within the Group as at the date indicated:

	2022 **RMB'000**	2021 RMB'000
Current bank loans	**2,047,827**	2,213,223
Non-current bank loans	**930,673**	536,901
Current other borrowings	**350,134**	248,566
Non-current other borrowings	**453,318**	300,387
Current lease liabilities	**3,214**	1,354
Non-current lease liabilities	**38,491**	31,000
	3,823,657	3,331,431

Analysis of borrowings by currency:

	2022 **RMB'000**	2021 RMB'000
Denominated in RMB	**3,737,387**	3,331,431
Denominated in EUR	**86,270**	—
	3,823,657	3,331,431

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.

Gearing ratio

Our net gearing ratio increased from approximately 29.6% as at 31 December 2021 to approximately 31.4% as at 31 December 2022. The increase in net gearing ratio was mainly driven by the increase in capital and reserves.

Capital expenditure

During FY2022, our capital expenditure was approximately RMB337.2 million (FY2021: RMB698.2 million), which mainly involved the purchase of property, plant and equipment.

Pledge of assets

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities (including bank borrowings, discounted bills financing and bills payables) granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Buildings	611,995	691,127
Plant, machinery and equipment	1,222,704	302,115
Prepaid lease payments	413,229	284,222
Restricted bank deposits	1,585,112	1,293,544
	3,833,040	2,571,008

Capital commitments and contingent liabilities

Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of property, plant and equipment, investment in a partnership and investment cost in an associate were approximately RMB3.7 million, RMB196.3 million and nil as at 31 December 2022 (FY2021: RMB82.2 million, RMB196.3 million and RMB250 million).

As at 31 December 2022, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 4,200 full-time employees in the PRC and Hong Kong as at 31 December 2022. The staff costs for FY2022 were approximately RMB442.3 million. The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets.

Notes to financial ratios:

(1) Inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.

(2) Trade receivables turnover days equal to the average of the opening and closing balances of trade receivables of the relevant year divided by turnover of the relevant year and multiplied by 365 days.

(3) Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.

(4) Current ratio equals current assets divided by current liabilities as of the end of the year.

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

Profit guarantee

Reference is made to the disclosable transaction announcement of the Company dated 10 November 2021 in relation to the acquisition of 45% shareholding interest in Top Speed Energy Holding Ltd. and the issue of the Consideration Shares under the General Mandate (the "Announcement"), the supplemental announcement of the Company dated 4 January 2022 (the "Supplemental Announcement"), and the announcement of the Company dated 21 January 2022 in relation to the completion of acquisition of 45% shareholding interest in Top Speed Energy Holding Ltd. Unless defined otherwise, the words used herein shall have the same meanings as those defined in the Announcement and the Supplemental Announcement.

According to the Sale and Purchase Agreement, the Vendors and the Vendors' Guarantors irrevocably and unconditionally guarantee jointly and severally to the Purchaser that (a) the 2022 Net Profit shall not be less than RMB30,000,000 (the "2022 Guaranteed Profit"); (b) the 2023 Net Profit shall not be less than RMB45,000,000 (the "2023 Guaranteed Profit"); and (c) the 2024 Net Profit shall not be less than RMB54,000,000 (the "2024 Guaranteed Profit" together with the 2022 Guaranteed Profit and 2023 Guaranteed Profit, each the "Guaranteed Profit" and collectively the "Guaranteed Profits").

If the Net Profit in the relevant guarantee period is less than or equal to 70% of the Guaranteed Profit in the corresponding guarantee period, the Vendors and Vendors' Guarantors shall jointly and severally within thirty Business Days from the date on which the relevant Audited Accounts are delivered to the Purchaser repurchase or procure its affiliates to repurchase all the shares of the Target Company which are owned by the Purchaser on such date at the consideration of RMB265,000,000, RMB280,900,000 and RMB297,754,000 for the relevant guarantee period, respectively.

The Company has received the unaudited financial statements of the Target Group as at 31 December 2022. Based on the above unaudited financial statements, the Target Group recorded a book loss, which will not meet 70% of the 2022 Guaranteed Profit. Pursuant to the Sale and Purchase Agreement, if the net profit after tax of the Target Group for the year ended 31 December 2022 ("2022 Actual Net Profit") is less than or equal to 70% of the 2022 Guaranteed Profit, the Vendors and Vendors' Guarantors shall jointly and severally within thirty Business Days from the date on which the 2022 Audited Accounts are delivered to the Purchaser repurchase or procure its affiliates to repurchase all the shares of the Target Company which are owned by the Purchaser on such date at the consideration of RMB265,000,000 and the Board has been communicating with the Vendors and the Vendors' Guarantors pursuant to the terms of the Sale and Purchase Agreement.

The Company will make further announcement in due course in accordance with the requirements of the Listing Rules (including Rule 13.09 and Rule 14.36B of the Listing Rules) as and when further information becomes available, including the exact difference between the 2022 Actual Net Profit and the 2022 Guaranteed Profit, the status of exercise of the Company's right to require the Vendors and the Vendors' Guarantors to repurchase the shares of the Target Company.


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CORPORATE GOVERNANCE REPORT

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Code on Corporate Governance Practices

Our Company is committed to achieve high standard of corporate governance. Our directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Listing Rules during FY2022.

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 FY2022.

THE BOARD

Board responsibilities

Our Board is responsible for the overall development and guidance of our Group. It formulates business strategies and policies for our Group and oversees the effectiveness of management strategies to maximize long-term shareholders' value. Our Group's management team takes charge of the daily operations of our Group. Our Board primarily performs the following duties:

- formulate long-term business strategies;
- approve annual budgets;
- review operating and financial performance;
- discuss and approve acquisition opportunities, investments and significant capital expenses;
- approve the appointment of Directors and the company secretary of our Company; and
- monitor the performance of our Group's management.

The chairman of our Board is responsible for the management and operation of our Board. Our executive Directors (including the chairman of our Board) also take charge of the operations of our Company.

Board composition

For FY2022 and as at the date of this report, the Board comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The members of the Board are as follows:

Chairman:	Mr. Wang Dongxing
Executive Directors:	Mr. Wang Dongxing Mr. Shi Weixin Mr. Wang Changhai Mr. Zhang Zengguo Mr. Ci Xiaolei
Non-executive Director:	Ms. Wu Rong
Independent non-executive Directors:	Ms. Shan Xueyan Mr. Wang Zefeng Ms. Jiao Jie

Our Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of our Company.

Biographical details of our Directors and their respective terms of appointment are set out in the section headed “Directors and Senior Management” of this report.

As to the relationships among our Board members, Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo, Mr. Wang Changhai and Ms. Wu Rong are parties to a concert parties agreement. For further details of their relationship, please refer to notes 1 and 2 of the section headed “Reports of the Directors — Directors’ Interests in Securities”. Other than the relationships between Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo, Mr. Wang Changhai and Ms. Wu Rong, there is no other relationship between other members of our Board.

Retirement of Directors and re-election of Directors

In accordance with the articles of association of our Company (the “Articles”), one third (or if their number is not a multiple of three, the number nearest to but not less than one-third) in number of our Directors shall retire from office by rotation at each annual general meeting of our Company and provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Directors are eligible to offer themselves for re-election at such annual general meeting. Pursuant to Article 87 of the Articles, Mr. Shi Weixin, Mr. Wang Changhai and Mr. Ci Xiadei shall retire from office at the forthcoming annual general meeting of the Company to be held on 31 May 2023 (the “AGM”) and being eligible for re-election, will offer themselves for re-election at the AGM.

Mr. Wang Zefeng and Ms. Jiao Jie has been serving as an independent non-executive Director for more than nine years since November 2007 and January 2014. Pursuant to code provision A.4.3 of the CG Code, (a) serving more than nine years could be relevant to the determination of a non-executive director’s independence; and (b) if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company. Accordingly, Mr. Wang Zefeng and Ms. Jiao Jie will be subject to retirement by rotation and re-election by way of separate resolutions to be approved by the shareholders of the Company in the AGM.

Independence of independent non-executive Directors

Our Company has received from each of our independent non-executive Directors an annual confirmation of his/her independence for FY2022 in accordance with Rule 3.13 of the Listing Rules. Our Company considers all of the independent non-executive Directors are independent.

Board meetings and general meetings

For FY2022, our Company held a total of eleven Board meetings, one annual general meeting. The attendance records of each member of the Board at the Board meetings and the general meeting are set out in the following table:

Director	Board meetings attendance/held	General meetings attendance/held
Executive Directors		
Mr. Wang Dongxing	8/8	1/1
Mr. Shi Weixin	8/8	1/1
Mr. Wang Changhai	8/8	1/1
Mr. Zhang Zengguo	8/8	1/1
Mr. Ci Xiaolei	8/8	1/1
Non-executive Director		
Ms. Wu Rong	8/8	1/1
Independent Non-executive Directors		
Ms. Shan Xueyan	8/8	1/1
Mr. Wang Zefeng	8/8	1/1
Ms. Jiao Jie	8/8	1/1

Directors' training and continuous professional development

Each of our newly appointed Directors is provided with the necessary induction and information to ensure that such Director has a proper understanding of our operations and businesses as well as his responsibilities under the Listing Rules and other relevant regulatory requirements.

Furthermore, from time to time, the company secretary of our Company updates and provides training and written materials on the latest development of the applicable laws, rules and regulations to our Directors.

According to the records maintained by our Company, our Directors received the following training during FY2022:

Director	Type of training attended
Executive Directors	
Mr. Wang Dongxing	A
Mr. Shi Weixin	A
Mr. Wang Changhai	A
Mr. Zhang Zengguo	A
Mr. Ci Xiaolei	A
Non-executive Director	
Ms. Wu Rong	A
Independent Non-executive Directors	
Ms. Shan Xueyan	A
Mr. Wang Zefeng	A
Ms. Jiao Jie	A

Legend:

A — reading materials relating to the operations, businesses and the laws, rules and regulations relevant to our Group, and directors' duties and responsibilities.

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

For the terms of appointment of our non-executive Directors and independent non-executive Directors, please refer to the section headed "Report of the Directors — DIRECTORS — Directors' service contracts" on page 67 of this annual report.

AUDIT COMMITTEE

Our 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 financial reporting process, internal control system and risk management of our Company and to provide advice and comments to our Board. The members of the audit committee are all of our independent non-executive Directors. During FY2022, our audit committee held two meetings to review our annual results for FY2021 and interim results for the six months ended 30 June 2022, and our risk management and internal control systems.

REMUNERATION COMMITTEE

Our Board has established a remuneration committee in compliance with the CG Code. The remuneration committee consists of three members, of whom one is an executive Director, namely Mr. Wang Dongxing, and two are independent non-executive Directors, namely Mr. Wang Zefeng and Ms. Shan Xueyan. Mr. Wang Zefeng is the chairman of the remuneration committee. The primary duties of the remuneration committee are to review and give recommendations to our Board in relation to the remuneration and other benefits paid by our Company to our Directors and the senior management of our Group. The remuneration of all our Directors and the senior management of our Group is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. During FY2022, our remuneration committee held one meeting to determine the policy for the remuneration of our executive Directors and assess performance of our executive Directors.

During FY2022, the Remuneration Committee mainly performed the following duty:

- assessing performance of the executive Directors reviewed the Group's remuneration policy and reviewed and approved the remuneration package of the executive Directors and senior management for the year of 2022

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 10 to the consolidated financial statements, respectively.

NOMINATION COMMITTEE

Our Board has established a nomination committee in compliance with the CG Code. The primary duties of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

The nomination committee consists of three members, of whom one is an executive Director, namely Mr. Wang Dongxing, and two are independent non-executive Directors, namely Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Jiao Jie is the chairlady of the nomination committee. During FY2022, our nomination committee held one meeting to review the structure, size and composition of our Board, the retirement of our Directors by rotation and the re-appointment of retiring Directors at the AGM.

The Company has adopted a board diversity policy. The purpose of the policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, which are the measurable objectives for implementing the policy.

The nomination committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the board diversity policy in selection of Board candidates. Board members nomination and appointments will continue to be made on merit basis based on the Company's business needs from time to time while taking into account diversity.

The nomination committee is also responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the policy and the measurable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board.

During FY2022, the nomination committee has considered the board diversity policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the nomination committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the board diversity policy for FY2022.

Board Diversity Policy

Directors have a balanced mix of knowledge and skills, including but not limited to pulp and paper making, overall business management, finance and accounting, mechanical design and law. The Board has a relatively wide range of ages, ranging from 42 years old to 66 years old, and there are both male and female representatives on the Board, with male representatives accounting for 67% and female representatives accounting for 33%. The Board is of the view that our Board satisfies the board diversity policy.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

For FY2022, among the employees of the Group, 75% are male and 25% are female. The board of Directors believes that the current gender proportion is relatively reasonable and has realized gender diversity, and will further evaluate and take effective measures according to business development.

Board committees meetings

Our audit committee, remuneration committee and nomination committee held meetings during FY2022. The attendance records of each member of our audit committee, remuneration committee and nomination committee are set out in the following table:

Director	Audit committee attendance/held	Remuneration committee attendance/held	Nomination committee attendance/held
Executive Directors			
Mr. Wang Dongxing	—	1/1	1/1
Mr. Shi Weixin	—	—	—
Mr. Wang Changhai	—	—	—
Mr. Zhang Zengguo	—	—	—
Mr. Ci Xiaolei	—	—	—
Non-executive Director			
Ms. Wu Rong	—	—	—
Independent Non-executive Directors			
Ms. Shan Xueyan	2/2	1/1	—
Mr. Wang Zefeng	2/2	1/1	1/1
Ms. Jiao Jie	2/2	—	1/1

COMPANY SECRETARY

For FY2022, in accordance with Rule 3.29 of the Listing Rules, Mr. Chan Yee Ping, Michael, the company secretary of our Company, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Chan are set out in the section headed “Directors and Senior Management” of this report.

CORPORATE GOVERNANCE POLICY

Our Board is responsible for developing and reviewing our Company's policies and practices on corporate governance. It reviews and monitors the training and continuous professional development of our Directors and senior management of our Company; reviews and monitors our Company's policies and practices on compliance with legal and regulatory requirements; develops, reviews and monitors the code of conduct applicable to our Company's employees and Directors; and reviews our Company's compliance with the CG Code and the disclosure in this corporate governance report. During FY2022, the Board has carried out such responsibilities during the Board meetings held in the year.

CHAIRMAN AND CHIEF EXECUTIVE

The CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, our Company does not have the position of chief executive. Mr. Wang Dongxing is the chairman of our Board. Mr. Wang Changhai was the general manager of Shandong Century Sunshine Paper Group Co., Ltd ("Century Sunshine"), the principal operating subsidiary of our Group for FY2022. As such, our Company has complied with Code 2.1 of the CG Code in respect of the appointment of chairman and chief executive.

AUDITOR'S REMUNERATION

For FY2022, we have engaged the auditor of our Company for audit services only. The fee paid or payable to the auditor of our Company in respect of the audit services and non-audit services (including interim review and continuing connected party) provided amounted to approximately RMB2.1 million and RMB0.3 million, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board acknowledges that it has overall responsibility for our Group's risk management and internal control systems and for reviewing their effectiveness. The Company has an internal audit and control department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

During FY2022, our Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The audit committee of our Company also performs regular review of our Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of our Group. Such review in FY2022 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. Our Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of our Group, based on which the priority of the risks was determined.

(3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, our Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

Our Directors acknowledge their responsibility for preparing the consolidated financial statements for FY2022, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibility of the external auditor of our Company on the consolidated financial statements of our Group are set out in the independent auditor's report on pages 77 to 82 of this annual report.

SHAREHOLDERS' RIGHTS

Under Article 58 of the Articles, in addition to annual general meeting, one or more shareholders of our Company holding 10% or more of the paid up capital of our Company carrying the right of voting at general meetings of our Company have the right to require an extraordinary general meeting to be called by our Board through written requisition, provided that on the date of requisition, such shareholder or shareholders are holding 10% or more of the paid up capital of our Company. Such extraordinary general meeting called may transact any business specified in the said written requisition and such meeting shall be held within two calendar months after the deposit of the written requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the shareholder or shareholders requesting the meeting may do so in the same manner and all reasonable expenses incurred by such shareholder or shareholders as a result of the failure of our Board to convene such meeting shall be reimbursed by our Company. The same procedures apply to any proposal to be tabled at the annual general meeting for adoption.

We value opinions from our shareholders and acknowledge the importance of communication with our shareholders. We have a section titled "Investors Relations" on our Company's website www.sunshinepaper.com.cn where shareholders may access the published information, announcements and circulars of our Company. Shareholders who have enquiries may also send us email to the email accounts as disclosed in the "Investors Relations" on our Company's website. The Board has reviewed the shareholders' communication policy during the year,and confirmed that these policies have been effectively implemented.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There are no significant changes to the constitutional documents of our Company during FY2022.

Environmental, Social and Governance Report

REPORTING PRINCIPLES

Company information and principal activities

As a leading Chinese papermaking enterprise in the market of white top linerboards and coated-white top linerboards, the Group has ranked among the top 75 in the world's paper industry for five consecutive years since 2017. The Group focuses on the production and sales of high-quality, multipurposed, and ecofriendly packaging paper products, including white top linerboard, coated-white top linerboard, core board and high-grade corrugated paper.

Reporting Scope and Reference Guidelines

This environmental, social and governance report of our Group for 2022, which describes our comprehensive performance of major products in environmental, social and governance ("ESG") aspects, is disclosed to the stakeholders with reference to the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Guide"), the reporting scope of which is consistent with that for the previous year.

Materiality:	the most important environmental and social issues are determined from the perspectives of major equity owners and stakeholders following analysis;
Quantitative:	key performance indicators are reported on a quantitative basis, with explanations using data and appropriate words, before improvement targets are established;
Balance:	the Group's comprehensive overall performance in environmental, social and governance aspects is reported on an objective basis;
Consistency:	consistent methods to disclose statistics are used to make data comparable.

The content of this report was jointly prepared by the relevant responsible persons for the ESG practices of the Group and important stakeholders, representing the collective efforts made by the management and employees from the safety management center, environmental department, human resource management center, environment and energy department, quality control department, marketing department, procurement management center, enterprise management department, and financial department, which was finally approved by the board of directors to ensure the truthfulness and accuracy of the content, which can generate values for all stakeholders.

Reporting Period

Unless otherwise specified, this ESG report covers the overall performance of the Group for the period from 1 January 2022 to 31 December 2022.

CORPORATE SUSTAINABLE DEVELOPMENT GOVERNANCE

Green Production Concept

"Green, low-carbon, energy-saving, and emission-reducing methods" represents the concept that has been advocated and practised by the Group throughout the production process, and we have dedicated ourselves to the full utilisation of renewable resources and waste paper, which are used as our major raw materials for the production of high quality packaging paper, to diminish its impact on the overall environment, as well as the logging activities. Meanwhile, we constantly strengthen each and every fundamental aspect of our management, and establish, bit by bit, a scientific, highly-sophisticated and professional management structure and we have obtained the Environmental Management System Certificate, which will facilitate a polished performance in corporate and social responsibilities.

ESG Management Policy and Statement of the Board

The Group established a leading ESG management team comprised of the board of directors, which is fully responsible for setting the strategic direction of the Group's ESG aspects, while ensuring the effectiveness of ESG risk control and internal control mechanisms. In addition, short-term, medium-term and long-term development directions are established, while the risks and opportunities of the Group's important ESG issues are subject to assessment. The relevant risk management and internal control systems are put under review to ensure their effectiveness, and information technologies are utilized to establish and improve the internal control and supervision systems. Furthermore, independent third-party institutions will be appointed to conduct assessments of the relevant aspects, as part of our efforts to seek professional advice from external experts.

The Group has always adhered to the highest level of environmental standards. Continuous efforts have been made to enhance the construction of environmental-friendly facilities and our investment in environmental conservation. With good implementation of the environmental management requirements stipulated in the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Regulation on the Administration of Permitting of Pollutant Discharges, as well as other regional laws and regulations and emission standards, we have become a resource- and environmental-friendly corporation.

The Board supervises the senior management of the Group to continue optimizing the governance structure by promoting the implementation of ESG measures, and receiving regular reports from the ESG task force to lead the Group in the green, sustainable and healthy development. The Executive Directors are fully responsible for the implementation of the main tasks related to safety and environmental protection. The Executive Directors and heads of various functional departments hold special seminars on material issues such as the environment, society, and sustainable development to identify, assess, and select issues of significant importance to the Group. Subsequently, strategies and plans are formulated to address these issues.

The heads of functional departments of the Group regularly hold management meetings with the executive directors to report on operational progress, including progress towards ESG-related goals, and a dedicated task force is established to follow up high-risk issues.

Scope of material issues	
Environmental	Sewage discharge Gas emissions Solid waste Use of Resources Environment and Natural Resources Climate Change
Employment and Labour Standard	Employment and Employee Benefits Health and Safety Labour Standard Development and Training
Operation Management	Supply chain management Product Responsibility Anti-corruption Community Investment

Stakeholder Engagement

Stakeholder engagement represents an important path for the Group to understand the opinions of different stakeholders on the progress of ESG management of the Group. The Group stresses great importance to stakeholder engagement and appreciates amicable relationships with customers, suppliers, employees, investors, and other stakeholders. Stakeholders can express their opinions and recommendations to the Group through the following channels to encourage the Group to make progress in the ESG development.

Stakeholders	Communication Channels
Customers	Customer service hotline Regular visit by our sales team Customer feedback meeting
Suppliers and partners	Onsite inspection Regular review Supplier Exchange fairs Anti-commercial bribery agreement
Employees	Departmental meeting Employee interview Employee activities Employee training Internal complaint email
Shareholders and investors	AGM Annual report and interim report Corporate website Operating results roadshow presentation
Government and regulatory bodies	Meeting and interview policy consultation

During 2022, besides being selected into the 2022 list of provincial water-saving enterprises and the national list of “Water Efficiency Leader in the Papermaking Industry”, the Group was included in the list of pilot entities that improve the amateur life of employees, which fully demonstrates we have earned social recognition.

The Board is fully responsible for the ESG strategy and reporting. During the reporting year, the Group was not aware of any violation of laws or regulations related to environmental protection. The Group will continue to pay attention to and practice issues that are closely related to the ESG aspects, and commit itself to improving the management and utilization of resources, energy and water. In the meantime, the Company will continue to enhance its research, development, and production capabilities for environmental products in response to new challenges arising from the changing supply chain of global resources and energy safety.

ENVIRONMENTAL

A1. Emissions

The Group has been committed to the treatment of waste water, exhaust gas and solid waste during the production process, by establishing and designing an efficient emissions treatment system that continues with stable operation and improvement.

The Group is equipped with environmental engineers, sewage treatment workers, environmental monitoring personnel and other technical backbones. Based on the principle of “protection and prevention first, comprehensive management, public participation, accountability”, an accountability system for environmental protection has been established to clarify the responsibilities of the Company and relevant responsible personnel. In order to respond to environmental emergencies, the Company has formulated the environmental emergency response plan, pursuant to which, we regularly organize inspections on environmental safety hazards, conduct emergency drills and arrange sessions to update our staff on the latest development of environmental protection laws and regulations. Our Group will make unremitting efforts to comply with both national and local regulations on environmental protection and implement any decision made on energy conservation and emission reduction issues. In addition, the Group has a comprehensive emission monitoring and control system in place and has formulated a self-monitoring program for pollutants to regularly monitor pollutants such as waste water, exhaust gas and noise generated by the Group to ensure the up-to-standard discharge of all pollutants and to reduce the impact on the environment.

Sewage Disposal

The Group adopts internationally leading production technologies for paper making, which are comprised of advanced water-saving technologies such as multi-disc white water graded reuse, cascade utilization, steam condensed water recovery, equipment sealing water system recovery, and reuse of reclaimed water after sewage treatment, which can effectively reduce the generation and discharge of wastewater at source. In the same time, the establishment of two water treatment engineering, designed by Paques of the Netherlands, was completed by the Group; boosted a daily capacity of 55,000 m^3 and applied the pre-treatment process+ anaerobic removal + aerobic removal + flocculation technique — the most effective wastewater treatment solution worldwide. With our water reuse rate of above 95% and our clean production practices in terms of clean water consumption, integrated energy consumption and bone dry fibre consumption all within the Level B Standard of China, we had simultaneously incorporated water treatment, water conservation, energy conservation, and low carbon emissions into our production that contributed to reduction of wastewater pollutants and conservation of resources as well as our production cost reduction. In order to further reduce the emission of odor gas in the process of sewage treatment, the Group invested more than RMB70 million in 2021 to upgrade the facilities for controlling odor during the sewage treatment and build a new aeration tank to realize the fully enclosed operation of the front-end process of sewage treatment and effectively reduce the emission of odor gas. During 2022, its operation remained in good conditions.

In 2022, environmental indicators in discharged wastewater of the Group (including chemical oxygen demand (COD), ammonia nitrogen, total nitrogen, total suspended matter (SS), chroma, biochemical oxygen demand, the potential of hydrogen (pH), etc.) have met the emission standards.

The Group's discharge is indirect, and the wastewater is discharged into downstream sewage treatment plants through the municipal pipe network for further treatment. During the reporting period, the emissions of major pollutants discharged by the Group into downstream sewage treatment plants and the total discharge targets for 2023 (based on the requirements of the pollutant discharge license) were as follows:

Discharge	**Volume of discharge for 2022*** (tons)	**Volume of discharge per ton of paper** (tons/ 10 thousand tons of paper)	**Volume of discharge for 2021** (tons)	**Volume of discharge per ton of paper** (tons/ 10 thousand tons of paper)
COD	901	4.76	721.63	4.47
Ammonia nitrogen	4.221	0.02	3.26	0.02
total nitrogen	80.8	0.42	64.95	0.40

* The discharge is measured by automatic online monitoring equipment

In the coming years, the Group will continue to comply with the control requirements of total discharge amount of the pollutant discharge license to ensure that environmental indicators in discharged wastewater (including chemical oxygen demand (COD) of less than 1,394.32 tons/year, ammonia nitrogen of less than 95.93 tons/year, total nitrogen of less than 346.62 tons/year, total suspended matter (SS), chroma, biochemical oxygen demand, the potential of hydrogen (pH), etc.) meet the emission standards.

Gas emissions

The Group runs a self-operated thermal power station to ensure that there is a sufficient steam and electricity supply in the course of production. All the boilers in the thermal power station are circulating fluidized bed boilers, which can effectively incinerate various coal types, thus reducing energy consumption at the source and mitigate the effects exerted on the environment.

Sulphur dioxide: The Group adopted the "limestone and gypsum wet method", with an actual desulfurization efficiency of over 99% the emission concentration of which is far below the national emission standard of 35mg/m^3.

Nitrogen Oxides: The "boiler low-NOx combustion + SNCR (non- catalytic reduction) method" is adopted by the Group for nitrogen oxides. The most advanced domestic spray technology was adopted to further increase the contact area of flue gas and denitration agent, as a result of which, the denitration efficiency was increased from 75% to 90% and the emission concentration of nitrogen oxides could continuously maintain at below 40mg/m^3, which completely complied with the requirement of the emission concentration of nitrogen oxides of less than 50mg/m^3 stipulated in Shandong Province Air Pollutants Discharge Standards for Coalburned Power Plant (DB37/664–2019) implemented on 1 January 2020.

Particulates: The Group applied "electrostatic dedusting + wet electrostatic dedusting method", resulting in a substantially lower emission concentration as compared to the national standard of 5mg/m^3. The Group adopts enclosed and fully-automatic dust suppression coal shed to avoid the problem of dust pollution in the process of coal loading and unloading, warehousing and transportation, which can better protect the surrounding environment and further improve the working and living environment of employees.

The Group achieved the goal of ultra-low emissions of sulphur dioxide, nitrogen oxides as well as particulates, which can effectively improve environmental quality. During the reporting period, the emission indicators for various gases were as follows:

Type of emissions	unit	Emissions for 2022*	Emission intensity in 2022 (tons/10 thousand tons of paper)	Emissions for 2021*	Emission intensity in 2021 (tons/10 thousand tons of paper)
SO_2	Ton	59.9	0.1907	63.79	0.40
NOx	Ton	284.9	0.9072	263.98	1.64
Particulate	Ton	9.2	0.0293	5.93	0.037

Emissions are measured by automatic online monitoring equipment

The Group's greenhouse gas (GHG) emissions mainly come from coal-fired power generation in its own power plants and purchased electricity consumption in the production process. In line with the national dual carbon target of "carbon peaking" and "carbon neutral", the Group has built 2*B30MW heat and electricity co-generation units since 2018. In 2021, the phase II of the expansion project of the new heat and electricity co-generation units of the Group was fully put into operation, which effectively reduces the unit consumption rate, energy consumption and CO2 emissions.

During the relevant period, the Group's GJG emissions were as follows:

GHG emissions	2022	2022 Intensity (tons/unit output)	2021	2021 Intensity (tons/unit output)
Emissions (tons of CO_2 equivalent)	1,941,111	0.67	1,852,645	1.15
Direct emissions	1,671,397	0.53	1,674,289	1.04
Indirect emissions	269,714	0.14	178,356	0.11

Calculation of GHG emissions is based on the "Reporting Guidelines for the Calculation and Reporting of Greenhouse Gas Emissions from Enterprises (Power Generation Facilities)", and conversion factors come from the third-party monitoring report, and the default value in the "Reporting Guidelines for the Calculation and Reporting of Greenhouse Gas Emissions from Enterprises (Power Generation Facilities)".

In 2023, as the neighboring enterprises will continue to expand their production, it is expected that there will be a slight increase in the amount of steam used. However, the Group continues to study and research the most advanced emission reduction methods in the PRC at present, consult and exchange with a number of environmental protection technology companies in respect of emission reduction measures and the improvement of the process level.

The emissions of air pollutants planned to be achieved in 2023 are as follows:

CO_2

Total amount of coal consumed will be 603,400 tonnes of standard coal, translated into 1,630,000 tonnes of CO2.

SO_2

Total SO2 emission amount will be 55.6 tonnes and the measured concentration of emission will be $9mg/m^3$.

NOx

Total NOx emission amount will be 272 tonnes and the measured concentration of emission will be $42mg/m^3$.

Particulate

Total particulate emission amount will be 8.5 tonnes and the measured concentration of emission will be $0.75mg/m^3$.

Solid Waste

Two types of solid waste generated in the course of operation of the Group are mainly non-hazardous waste generated during paper manufacturing and domestic waste generated by daily administrative work. The disposal measures of the four main types of solid wastes generated are as follows:

1. Sludge: Sludge is mainly generated in the process of sewage treatment, and will be transported to Changle Shengshi Thermoelectricity Co., Ltd, a subsidiary of the Company, for incineration with coal. By such process, it could generate steam and electricity for our production, realizing the reutilization of sludge.

2. Coal ash and cinder: Coal ash and cinder are mainly produced by our self-operated thermal power station and will be sold to qualified units as raw materials for building materials to achieve secondary utilization.

3. Waste plastic: Some waste plastics and iron nails sorted out in the process of waste paper pulping will be recycled and disposed by the qualified partners of the Group to realize the recycling of solid waste.

4. Hazardous waste: Some hazardous waste generated from equipment maintenance, forklift trucks and other processes in the operation of the Group will be regulated and managed in strict compliance with State's laws and regulations on hazardous waste management. The storage location, account book, transfer and disposal complied with the requirements of the "Hazardous Waste Standardized Management Indicator System". We appoint qualified units to carry out detoxification treatments on a regular basis.

Name of solid waste	unit	Generation in 2022*	Generation in 2021*
Sludge	tons	97,707	85,015
Coal Ash and cinder	tons	299,707	317,326
Waste plastic	tons	66,316	24,182
Hazardous Waste	tons	45	26

* *The output is based on the data obtained from the Company's internal measuring equipment, and all measuring equipment is regularly calibrated.*

In 2022, the Group materialized resource recycling, waste reduction and harmless treatment for all of its solid wastes and achieved zero discharge.

In the coming years, we will continue to take effective measures to meet zero discharge standards in the coming years to reduce the impact on the environment.

For the purposes of zero emissions, the Group performed detailed classification, designated storage, and standardized transfer of solid waste so generated based on the solid waste pollution control principles of harmless treatment, waste reduction, and resource recycling. For the waste generated during papermaking, the Group has established the “Solid Waste Management System” and “Hazardous Waste Management System” to classify the waste generated by the Group’s activities and clarify the treatment operation process. Furthermore, guidelines are provided for, and records are required for, the storage, transport and disposal of waste to ensure the safety and compliance of the treatment process.

A2. Use of Resources

Under the energy policy of “implementing clean production in compliance with laws and regulations; optimizing energy structure to achieve comprehensive process control; developing green paper industry to realize scientific circular development (遵守法律法規，推行清潔生產；優化能源結構，全面過程控制；科學循環發展，建設綠色紙業)”, the Group actively promotes circular economy and improves the utilization of resources by virtue of advancement in technology and system innovation. The Group makes good use of reclaimed water recycle and residual heat utilization to realize the graded utilization of energy while implementing “waste treatment by waste” and “waste reuse” to reduce the amount of external waste discharge and to build an ecological friendly first-class international papermaking enterprise with sustainable development.

The Group pays close attention to energy consumption during our production activities. In order to reduce the energy consumption in the production process, in 2014, the Group implemented an energy system optimization project for the production line, which mainly adopted energy- saving and consumption reduction measures such as eliminating energy-consuming equipment (e.g. replacing inefficient motors with inverter motors, replacing energy-saving lighting fixtures, eliminating refrigeration equipment, replacing vacuum pumps with turbine fans, etc.), and recycling residual heat from dry section to further reduce the energy consumption of tons of products. The project was unanimously recognized by the relevant authorities of the PRC and selected as a key project of energy conservation and a major demonstration project of circular economy and resource conservation in 2014. In 2019, the Group also established and obtained ISO50001 Energy Management System. In 2019, the Company was recognized by the Ministry of Industry and Information Technology as a national “green factory” after a selection process. In 2021, the Company was recognized by the Ministry of Industry and Information Technology as a national “Green Supply Chain” after a selection process. The three products of white top linerboard, coated white top linerboard and core board of the Company were recognized as “green products” by the Ministry of Industry and Information Technology. From 2019 to 2021, in response to the government’s grand goal of “carbon peaking and carbon neutrality” under the principle where non-fossil energy consumption and carbon emissions are reduced, the Company utilizes an area of 40,000 square meters of unused roof of the plant and the unused space on the roof of the raw material shed to install 275Wp polysilicon photovoltaic modules to form a photovoltaic power generation facility with a total installed capacity of 1.9 MW,. In 2022, the annual consumption of photovoltaic power generation amounted to approximately 2 million kwh, resulting in the reduction of approximately1800tCO2 in the annual carbon emissions.

In terms of the use of water resources, as the Group's production water is mainly tap water approved by the local government and filed with the relevant authorities, there is any issue in sourcing water that is fit for purpose. In order to reduce the waste of water resources, the Group actively promotes reclaimed water recycle technology and installs an advanced water recycling system in each production line to reduce wastewater generation from the source. In addition, the Group has built a domestic advanced wastewater treatment facility for effective treatment of generated wastewater and most of the wastewater is recycled for production after being treated, with a recycling rate of more than 75%, effectively reducing the consumption of fresh water. In 2022, the Company was selected as a "Water Efficiency Leader" by the Ministry of Industry and Information Technology for its excellent performance in water conservation and water reuse.

In 2022, the Group's water conservation was 10,439,737 tons and consumption of fresh water per ton of paper was 5.52 tons per ton of paper, which was much higher than the national 1st grade standard of 17 tons per ton of paper according to the requirement of the Evaluation Indicator System for Clean Production in Pulp and Paper Industry (紙漿造紙行業清潔生產評價指標體系).

In the next five years, the Group will control the consumption of fresh water per ton of paper to no more than 6 tons per ton of paper.

To achieve the aforesaid targets, the Group will give priority to the purchase of high-efficiency equipment and the renovation of electricity-using facilities to reduce energy consumption. We will also adopt effective energy measurement, monitoring, statistics and assessment systems, incorporate energy management into daily production and operation management, and set up dedicated positions to help the Group strictly supervise the energy consumption of import and export, production system and non-production system.

In terms of packaging materials, the Group's products are mainly packed with kraft packaging paper and stretch film for the purpose of avoiding contamination or damage to the products. During the reporting period, the amount of major packaging materials used by the Group was 1,762 tons, of which kraft packaging paper accounted for 78.6% and the remaining was plastic packaging. The Group will also continue to adopt the principles of simple packaging and green packaging to reduce the impact on the environment.

Energy	Unit	Consumption for 2022	Intensity	Consumption for 2021	Intensity
Coal	standard coal equivalent	618,420	0.33	590,514	0.37
Water	tons	10,439,737	5.52	9,433,949	5.85
Packing materials	tons	1,762	0.001	2,005	0.001

A3. Environment and Natural Resources

The Group's business activities are closely related to the environment and natural resources. As a recycled papermaking company that uses waste paper as its main raw material, in order to in line with the national energy conservation and environmental protection policy, the Group focuses on the recycling of waste paper, which can greatly reduce deforestation, save national forest resources and reduce the impact of man-made activities on the natural environment, so as to make outstanding contributions to the protection of forest resources.

Playing an active role in promoting environmental protection and efficient use of resources, the Group monitored the potential impacts of our business operations on the environment on a real-time basis and promoted green office and production in adherence to four basic principles, namely, "reduce", "reuse", "recycle" and "replace", in order to minimize the impact of our operations on the environment.

A4. Climate Change

With the increasing global greenhouse effect, the trend of global warming is becoming increasingly apparent, and natural disasters such as rainstorm, floods and earthquakes are frequent worldwide, which are potential risks to the Group's business activities. To cope with the increasingly serious climate threats, the management of the Group regularly assesses the potential risks that may result from climate change in its production and operation and takes preventive and contingency measures.

The plant of the Group is strategically located and designed in accordance with national safety requirements such as earthquake prevention and lightning protection, which can effectively copy with extreme weather conditions. At the same time, an extreme weather emergency response leadership team has been established and an extreme weather emergency response plan has been formulated by the Group, which stipulates the functions of each member, early warning actions and emergency measures. In daily activities, the Group organizes regular training and drills for employees to improve their alertness and ability to respond to disasters. The leadership team of the Group can quickly assess the impact of extreme weather such as typhoon, rainstorm, lightning, hail and flood, and take appropriate safety measures and provide safe places for our employees to take shelter temporarily, so as to ensure the safety of our employees and avoid the loss of production machinery. In addition, each plant is equipped with thermal power stations and backup power supply to ensure continuous stability of the plant and reduce the risk of production suspension due to regional power outages.

In 2022, the Group did not experience any shutdown losses or employee injury caused by climate change and natural disasters.

In the coming years, the management of the Group will regularly assess the potential risks that may be caused by climate change in production and operations, and take preventive and countermeasures.

B. SOCIAL

Employment and Labor Practices

The Group adheres to the corporate core value of "a people-oriented approach for the happiness of labour", and makes continuous efforts in the protection of employees' legal rights and interests, health and safety maintenance, career development and training, etc., to enhance employees' sense of achievement, gain, existence, security, growth and responsibility, and to maximize benefits for employees.

B1. Employment and Employee Benefits

The Group conducts its recruitment and hiring in strict compliance with Labour Law of the People's Republic of China. The emolument policy of our employees is aimed at attracting, retaining and motivating talented individuals. The principle behind the policy is to determine the employees' remuneration according to their job positions and performance, which reflects market standards; an organised adjustment would be made every year in accordance with the circumstances. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards.

The Group has established a comprehensive employee welfare system, and has formulated and firmly implemented rules and regulations on employee rights and interests such as the "Employee Attendance Management System (員工考勤管理制度)", "Compensation Management System(薪酬管理制度)" and "Labour Relations Management System (勞動關係管理制度)" During the reporting period, the Group found no major violations related to employment and employee benefits.

Employees may also be entitled to certain welfare benefits, such as "five insurances and one fund", and various statutory paid leaves (maternity leave, breast-feeding leave, marriage leave, bereavement leave, paternity leave and home leave etc.), meal allowance, housing allowance, allowance for certain titles, subsidies for further education, longevity pay and festive holidays.

The Group provides comfortable and healthy employee dormitories equipped with central air-conditioning and broadband to fully guarantee the living environment of employees, and employees can also apply for welfare rental housing. At the same time, the Company provides free commuter buses and living facilities such as bathing and laundry rooms, indoor basketball halls, table tennis rooms, billiard rooms, and electronic reading rooms, as well as cultural and sports leisure places.

The Group arranges working hours of employees in strict compliance with the provisions of laws, ensuring that no more than 8 working hours one day, and implements "Three sets in operation; one set idle (四班三運轉)" working model in production workshop, safeguarding the rest time of frontline employees to the greatest extent.

Our Group conducts regular review and updating on its staff manual. Contents of the manual include the key corporate information of the Group, our policy, procedures, career promotion path, compensation and welfare, occupational safety and health, complaint filing and reporting procedures.

Our Group assures employees a safe, healthy and comfortable work environment and gradually establishes a system of career development planning for employees, regardless of age, gender and ethnicity. It should serve as a platform of self- realization for employees and inspire them to enhance work efficiency.

The Group offers equal opportunities to employees with regard to recruitment, training and development, promotion, and benefit. We strive to eliminate any kind of discriminations that are based on gender, ethnicity, religious belief, race, age, marriage status, family status, disability, pregnancy or other prohibited factors stipulated in relevant laws that they are vulnerable to discrimination or being deprived of equal opportunities. Our Group also thoroughly recognizes the importance of recruiting employees of different age, gender and race in corporate development, and has established a comprehensive "Anti-discrimination and Anti-harassment Management System (《反歧視、反騷擾管理制度》)".

What is more is that we have a trade union and a mutual fund that represent the common good of majority workforce, so that the people-oriented and caring culture could be put into practice. In 2022, more than RMB119,000 of mutual funds were issued to relieve the economic pressure of employees and enhance their sense of belonging. We also invited professionals to conduct online and offline psychological counseling for employees to help them reduce life and work stress and improve their self-coordination ability.

In 2022, the Group had a total of 4,176 employees, of which 3,127 were male employees and 1,049 were female employees, all of whom were employed on a full-time basis. 25% of the employees were under 30 years old, 69% were between 30 and 50 years old and 6% were over 50 years old. The Group's main production bases are concentrated in Shandong Province, where 86.6% of the employees are employed, and the remaining 13.4% are concentrated in Liaoning Province, Jilin Province, Tianjin City and Shanghai City.

The employee turnover rate for the year by gender: 28.8% for male employees and 8.5% for female employees; by age group: 14.7% for those under 30 years old, 18.8% for those between 30 and 50 years old, and 3.8% for those over 50 years old; and by region: 29.8% in Shandong Province, 7.5% outside Shandong Province.

Employee structure

	2022		2021	
	Number	Percentage	Number	Percentage
Total number of employees	4,176	100%	4,170	100%
By gender				
Male	3,127	75%	3,134	75%
Female	1,049	25%	1,036	25%
By age				
Under 30 years old	1,044	25%	1,167	28%
30–50 years old	2,881	69%	2,710	65%
Over 50 years old	251	6%	293	7%
By region				
Shandong Province	3,616	86.6%	3,586	86%
Outside Shandong Province	560	13.4%	584	14%

Employee turnover rate

	2022		2021	
	Number	Percentage	Number	Percentage
By gender				
Male	1,203	28.8%	692	16.6%
Female	355	8.5%	163	3.9%
By age				
Under 30 years old	614	14.7%	521	12.5%
30–50 years old	785	18.8%	300	7.2%
Over 50 years old	159	3.8%	34	0.8%
By region				
Shandong Province	1,244	29.8%	817	19.6%
Outside Shandong Province	314	7.5%	38	0.9%

B2. Health and Safety

Our Group regularly reviews the health and safety procedures for employees to safeguard their wellbeing. Our employees are entitled to a free annual occupational health check-up. Our Group boosts the employees' safety awareness with briefing, training, information and reminders. After induction, employees are required to complete a safety education training, with a passing score in their assessments as the pre-requisite for securing the positions. Our group conducts fire drills, evacuation and escape exercises on a regular basis in order to enhance the employees' safety awareness and their emergency response capacity.

The Group has taken up social insurance including work injury insurance for all employees in accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Regulations on Work Injury Insurance. Furthermore, relevant departments such as the safety department and the security department are established to strictly implement the relevant safety regulations and codes formulated by the Group, including Safety Accident Management System, Fire Safety Management System, Hazardous Chemical Safety Management System, and Special Operator Management System.

Data on occupational safety	**2022**	**2021**	**2020**
Number of work-related fatalities	0	1	0
Lost days due to work injury	1,521	1,019	356

During the reporting period, in the face of new challenges brought about by the repeated spread of the Omicron virus, the Group and its subsidiaries responded positively by implementing more targeted pandemic prevention and control measures and providing sufficient living and pandemic prevention materials. By fully and strictly implementing various pandemic prevention requirements, the Group always prioritized the safety and health of its employees. During the spread of Omicron, employees' rights such as medical leave were guaranteed, and the Company did not suffer any employee fatalities due to Omicron.

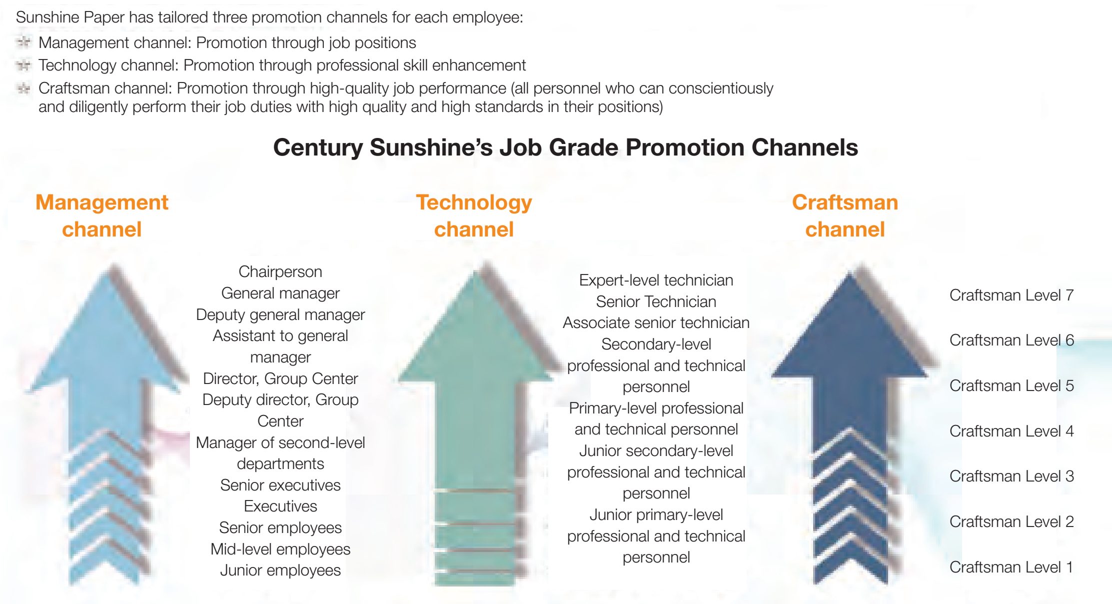
B3. Development and Training

The Group believes that talents are the cornerstone of corporate development and growth. All of our newly recruited employees are required to attend an induction training so as to familiarize themselves with the essence of our corporate culture, including core values, company motto and working attitude.

The Group continues to implement the talent development strategy. Adhering to the principle of "external recruitment and internal cultivation", with internal cultivation as the main, supplemented by external recruitment, the Group integrates existing training resources, to carry out a number of education and teaching activities in terms of professional knowledge, quality development, skill training, technology research and development, business management, etc., to enhance the personal education and vocational skills of employees. The Group also strengthens the cultivation of technical talents and skilled talents, stimulates the innovative vitality and high-quality development of the Group, and promotes technological progress and industrial upgrading and transformation, to achieve a win-win situation in the development of employees and the Company.

In order to support the realization of the talent strategy, the Group will strengthen its remuneration management, and to be more specific, establish a competitive and motivating remuneration management system, with the remuneration policy being tilted to key positions and core positions; establish a staff performance management system to achieve the reform on performance management system, which will highlight the evaluation of personal performance and personal contribution; establish and improve career development channels for employees to create a platform for the development of employees; establish a complete talent echelon system through systematic talent training. Based on different professions and levels, the Company establishes a systematic and perfect training system to fully empower employees. The Group will integrate its existing training resources and set up a "Sunshine Training School" to promote the improvement of employees'skills and abilities through training, and promote and guide employees to improve work efficiency and work enthusiasm through systems such as remuneration, performance, and career development.

In terms of personal career development of employees, the Group offers three promotion channels, namely management development channel, professional technology promotion channel, and craftsman promotion development channel, which correspond to the three ways of management position promotion, professional skills promotion, and high-quality performance promotion, to provide employees with a variety of personal promotion development paths, and encourage the improvement and development of employees.



To cultivate a healthy and upbeat value preference among employees and accumulate greater positive energy for development, our Group organized a wide range of activities, such as employee skills competition, pacesetter contest, IWD sports activities, tug-of-war competition for employees, young singer competition, basketball league for employees, outdoor training activities, photography exhibitions and seminars for fresh graduates, etc. The above activities enriched the cultural life of the employees and fostered corporate solidarity.

External training includes special training camp for young cadres, team leader training course and Sunshine Future Elites Special Training Course (陽光未來精英特訓班). During the year, a total of 143 participants from the Group joined the external trainings with capital expenditure of approximately RMB849,000.

During the year, the Group organized a total of 3,439 internal trainings, and a total of 104,945 participants joined such trainings, among which 430 were senior management; 1,832 were middle-level management. The percentages of female employees trained and male employees trained were 100% and 100%, respectively, while the proportions of senior management and middle management in the employees trained were 100% and 100%, respectively. The Company ensured that each employee received equal access to the benefits of our training programs.

In terms of training hours, the Group carried out 4,149 hours of training in total during the year, with average training hours of 24 hours per employee, among which average training hours of male employees were 24 hours, average training hours of female employees were 24 hours; 134 hours were attended by senior management; 134 hours were attended by middle-level management.

In terms of the types of training, the Group carried out a total of 31,795 of professional skills training; 31,424 participants joined safety training; 19,700 participants joined general management training; and 22,035 participants joined conceptual guidance and professional ethics training.

In addition to on-site training, the Group carried out online course learning with the help of Sunshine Network Academy, so that more employees can enjoy the Group's training benefits. The number of Sunshine Network Academy accounts in 2022 increased by 39.23% compared to 2021, with a login rate of 77.79%, enabling each individual's capabilities to be continuously enhanced.

The strategy of emphasizing talents has achieved fruitful results. In the 2022 Shandong Provincial Light and Textile Industry Staff Innovation and Value Creation Competition (全省輕紡行業職工創新創效競賽), Century Sunshine Paper Group was selected as one of the "All-staff Innovation Enterprise in the Light and Textile Industry in Shandong Province (山東省輕紡行業全員創新企業)", and Wang Lixin Worker Model Craftsman Innovation Studio (王立新勞模工匠創新工作室) was awarded the "Shandong Province Innovation Studio for Model Workers and Craftsmen Talent in the Light and Textile Industry (山東省輕紡行業勞模和工匠人才創新工作室)".

B4. Labor Standards

The Group has strictly adhered to the requirements of Labour Law of the People's Republic of China in terms of employment management, and there was no child labour or forced labour in the operation of our Group during the reporting period. The Group carried out recruitment exercises and employee management in strict accordance with the relevant regulations. Each employee shall fill in a recruitment form for the collecting of relevant data and information, which will be verified by our human resources department to avoid any inaccurate information. By doing so, we are able to recruit suitable candidates in accordance with work requirements and the applicants' expectations.

During the year, the Group did not find anything which constituted a material breach of the aforesaid labour standards and other relevant laws and regulations.

Operation Management

B5. Supply Chain Management

The Group has established strict supplier access management system, status management system, performance evaluation management system, procured material trial system, bidding management system, etc. and corresponding online processes to supervise the management process. The Group also formulate an elimination mechanism to achieve a virtuous circle of the supplier pool and create a healthy and fair supplier cooperation atmosphere.

As our suppliers of raw and auxiliary materials come from the United States, Southeast Asia and China, the Group adheres to the principles of optimal cost effectiveness, low carbon, green, and environmental protection to exercise the quality control over suppliers. Suppliers are required to provide detailed and comprehensive company basic information, relevant qualifications, main raw materials and sources, legality of employment, quality certification system, warehousing and logistics, production and manufacturing related information, sales, product quality management, ecological environment, supporting services, etc., all of which are required to meet the Group's production requirements, quality requirements and stable supply. Selection of the best suppliers is based on on-site evaluation, market ranking, supply level of the same industry, and others. The Group will also strengthen the long-term strategic and sustainable cooperation between the two parties by means of supplier performance evaluation, supplier interview mechanism, regular safety training, and informatization training.

Our supplier access process: for the admission of new suppliers in different categories, they are required to fill in basic information forms and admission data lists, and our procurement management center then conducts a qualification review for admission based on different dimensions. For instance, to protect the legitimate rights and interests and safety interests of workers during construction activities, it is necessary to provide performance of similar projects in the past three years, qualification certificate of the construction enterprise, safety certificate of the main person in charge, safety production permits, safety agreements, special operation certificates, on-site personnel safety training records, construction personnel insurance payment materials, construction emergency plans, identification of hazardous sources, on-site hazard warning signs and safety disclosure. Admission of new materials is based on the principles of increasing efficiency at lower costs, reducing the labor intensity of operators, and improving safety to promote the trial of materials.

Our supplier inspection and evaluation process: prior to trial of materials, an evaluation team, which is comprised of members from the procurement management center, the user department, or the functional department, shall conduct on-site evaluation of the comprehensive situation of enterprises in strict compliance with the supplier inspection management system for production, project, trade, agent, coal, on-site construction and installation suppliers. The procurement management center and functional department or user department shall complete the factory inspection and evaluation report on such suppliers and score it, before the procurement management center submits the supplier evaluation process and classifies the supplier based on the evaluation results. Suppliers with a score below 60 are considered unqualified, 60–70 points are qualified suppliers, 70–85 points are good suppliers, and suppliers with a score of 85 or above are excellent.

Our supplier registration management process: the qualified suppliers are required to register as FIORI suppliers, and file registration online by clicking the access link of the Group's official website. After information filled in the form is submitted, the procurement management center will review the qualifications, upon completion of which, it will enter the supplier's on-site evaluation and certification process. The evaluation report is submitted according to the original inspection record and submitted for approval. For those exempt from on-site evaluation, they are required to submit applications in writing and the on-site evaluation-free access process, in which case the supplier's unique supplier code will be generated in the SAP system.

In 2022, 165 new suppliers were admitted, 102 of which were evaluated on site. In 2022, we cooperated with 856 suppliers, the majority of which are domestic suppliers and account for approximately 98% of the total suppliers, including 42% in Shandong, approximately 34% in Jiangsu, Zhejiang and Shanghai, approximately 7% in the three northeastern provinces, 3% in Beijing and Tianjin, and approximately 12% in the remaining regions. There are 20 foreign suppliers in Canada, Chile, Thailand, the United States, Sweden, etc., representing approximately 2% of the total number of suppliers.

Our supplier performance evaluation process: the supplier's performance during the cooperation period will be subject to evaluation based on the performance evaluation system, including price levels, price reductions, payment terms, delivery performance, consignment support, return rate, timely handling of quality issues, business evaluation, technical evaluation, comprehensive strength, etc., to determine whether the supplier has provided relevant supporting services. Based on the evaluation and comparison of scores, outstanding suppliers will be retained and consolidated, and well-known brands and long-term suppliers with no quality problems are exempted from inspection policies, while those with poor performance will be phased out. Furthermore, our suppliers are also subject to hierarchical management. The procurement management center is responsible for data collection and collation, the assessment results of which will be communicated to the suppliers in a timely manner, and serve as the basis for formulating supplier development and elimination plans.

Our Group supports green procurement and not only focuses on the quality of the supplier's products but also uses environmental and social standards to screen suppliers, including environmental certification, environmental protection, resource consumption, hazardous materials, low-carbon and environmental protection, labour rights, etc. During the cooperation, we require all suppliers not to use forced labour or employ child labour, and to protect biodiversity during the production process. We conduct regular inspections of suppliers by scoring the assessment based on the corresponding environmental and social requirements to ensure that their production and operations comply with our Company's requirements for labour rights, environment, health and safety. For unqualified suppliers, our cooperation will be terminated. Meanwhile, the Group is committed to establishing a green supply chain by taking into consideration a number of environmental factors in various processes, including production, logistics, and sales. Local suppliers or those with closer geographical proximity are given priority to reduce carbon footprint. Certain raw materials and the majority of the raw paper are transported by the Group's subsidiaries, as they are able to comprehensively monitor the logistics status to ensure efficient and low-carbon transportation.

B6 Product Responsibility

The products of the Group are subject to the regulation by the Product Quality Law of the People's Republic of China and other laws, regulations and standards on product safety and quality, which require enterprises to bear product quality responsibilities and ensure that products meet quality and safety standards. The Group insists on the principle of quality first and customer-oriented focus and strives to provide quality products and services to create value for customers and maintain good relationship with customers. The Group has maintained good after-sales service since the beginning of its business to fulfill the Group's commitment to the customers in terms of the quality, safety and security of its products and to satisfy customers' needs to the maximum extent.

The Group has obtained ISO9001 quality management system certification and Forest Stewardship Council (FSC) certification, which reflects the Group's pursuit of product quality and its commitment to maintaining sustainable management of forests. There were no products that must be recalled for health and safety reasons in 2022. The Group has always adhered to the principles of green and low-carbon production and operation. In 2022, the Company was awarded the title of "Low-carbon Pioneer" by Yili Group. Among the seven award-winning suppliers, our Group was the only paper-making enterprise.

The Company has established a specialised department — Quality Control Department to formulate testing items, testing standards and testing frequency for semi-finished and finished paper. Each workshop has a quality control room equipped with a full set of testing equipment for on-site product quality tracking and control and instant testing for products in production workshop to ensure timely and effective control of product quality. The testing data is input into the MES system, to form a quality management network covering the Company, which not only achieve effective communication with production, but also guaranteeing the timeliness and smoothness of quality information and stable product quality. It is deeply recognized by customers.

During the reporting period, the Group received a total of 195 complaints regarding our products and services. Following the investigations, the majority were related to product quality. The complaint rate for product quality was approximately 0.016% (the percentage of claims for compensation over sales). The Group has set up 34 sales offices nationwide, and when we receive complaints from customers, our sales staff will visit the customers immediately to gain an understanding of such situation and deliver the collected information to the Company. One of the important job of our after-sales specialists is to deal with quality issues raised by customers. The Company has established the OA system quality issue processing process, and the after-sales specialist will track and supervise the timely completion of OA quality issue processing process. The quality department and the production workshop have established a PDCA closed-loop processing system for quality issues to prevent the recurrence of problems.

The Group will exercise more rigorous control over all aspects of the production process, with the target assessment system in place. Continuous improvement is based on the “PDCA” cycle model. Our quality management system fully involves all staff. For the production process, strict control is exercised over each process that easily affects product quality, and comprehensive quality management is actively enforced.

The product recall process of the Group: customer return request→on-site investigation by sales executives→analysis and confirmation by quality and technical personnel→confirmation by production manager→confirmation by general manager→completion of oa return process→return of goods→judgement and treatment decision on the return by quality supervisor.

Subject to our main business requirements, the Group will in the first instance engage professional agencies to submit applications for intellectual property rights that may have a significant impact on the Company, including trademark rights and patent rights, so as to protect the Group’s interests to the fullest extent. In collaboration with other entities or individuals, we are required to establish detailed provisions on the ownership, scope of use, duration, and distribution of subsequent research and development results of the intellectual property rights involved, and enter into relevant legal instruments. Upon licensing the intellectual property rights, our technical department will keep abreast of our competitors’ products and ensure effective analysis over patent infringements in order to defend our patents rights and carry out effective patent strategies. In case of any infringement, our legal department will take responsibility for negotiating or initiating litigation to claim compensation, and end infringements.

The Group has established a policy on the proper protection of customer data and privacy. The Department of Process and Information Technology has formulated a comprehensive protection policy for all data of the Group, in an attempt to provide sufficient protection and confidentiality measures for the all corporate data and proprietary information as well as to safeguard the rights of employees, customers and business partners. Access permissions are clearly defined to restrict any information retrieval from the system or virtual data room. We conduct regular data backup to ensure that the system data can be effectively restored and run normally in the event of emergencies such as natural disasters or power outages.

B7. Anti-corruption

Our Group guarantees that all its business is free from improper influence. Directors and employees shall closely observe our code of conduct and the requirements of anti-corruption regulations of the Group and effective reporting channels have been established to prevent potential bribery, extortion, fraud and money laundering. The code of conduct of our Group expressly states that:

- Directors and employees should be integral and committed to their responsibilities and are prohibited to acquire improper benefits with their authority and power.
- Employees are prohibited from participating in income generating activities in private, taking up part-time positions with remunerations from other economic entities and engaging in paid agency activities. Registration of or investment in companies competing with the Company is prohibited.
- Employees should observe the requirements of the management and use of public property and are prohibited from using public resources to satisfy private needs.
- Directors and employees shall be committed to frugality and avoid extravagance, overspending, squandering public fund and wastefulness.
- A committee primarily responsible for anti-corruption is established to examine, oversee and assess the system formulation and implementation.
- Establish effective anonymous reporting channels such as QR codes, emails, contact numbers, and mailboxes so that relevant appeals can be effectively addressed.
- In order to emphasise the Group's integrity policies and allow employees to clearly understand the Company's anti-corruption policy and the importance of integrity, the human resources center and the corporate culture center regularly provide anti-corruption trainings to the management and employees, and new comers are required to receive integrity education and training.
- Suppliers with which the Group does business are required to sign an "Anti-Corruption Agreement" by promising no bribery will be conducted and integrity will be upheld together with the Group, and violators shall bear the losses and all legal consequences of the Group. The Group also encourages cooperation partners to provide their anti-corruption policies for our reference to ensure that both parties engage in cooperation based on the principles of fairness, openness and justice.

The Group strictly complies with the Law of the People's Republic of China on Anti-Unfair Competition, the Criminal Law of the People's Republic of China, and other laws and regulations and regulatory documents related to commercial bribery.

In addition, the Group is committed to strengthening compliance training to combat and prevent any corruption. During the reporting period, the employees of the Group, especially those in departments with frequent economic activities, participated in anti-corruption related training, covering national laws and regulations, the Company's internal "Several Regulations on Anti-corruption (反職務腐敗若干規定)", anti-corruption cases and the latest developments and future trends. The directors of the Group also regularly attend relevant meetings on anti-corruption training to strengthen their moral bottom line from the depths of their thinking.

During the year, the Group did not find anything which constituted a breach of the aforesaid and other local laws and regulations related to anti-corruption or anti-money laundering.

B8. Community Investment

With its continuous growth and development in scale, the Group has been actively involved in serving the community and fulfilling its social responsibilities, in addition to making contribution to fiscal revenues, driving surrounding employment and promoting economic development. Our Group has entered into close cooperation agreements with various institutions to provide students with opportunities of visits and internship as well as offer promising career and development opportunities to them. In 2022, we collaborated with Changle County Technician College to launch a new modern apprenticeship program called "Sunshine Class". After systematically studying career development planning, company management systems, corporate culture, fire safety and other related knowledge, the students from such program will be assigned to front-line positions for internships. In 2022, the expense from grants awarded was approximately RMB160,000, as part of our effort to tailor a talent development training system for each student, provide fertile soil for their development, and help them grow and mature as soon as possible.

In response to the COVID-19 outbreak, the Group established a pandemic control team at the beginning of the outbreak, which implemented a number of pandemic control mechanisms and safety measures to ensure the safety of employees in internal pandemic control. At the same time, the Group actively cooperated with relevant government departments in the pandemic control. In 2022, the Group assisted in installing disinfection and sterilization facilities at the junctions of Qingyin Expressway and Changle Expressway, as well as Weiri Expressway South Road Junction, and purchased water pumps, pipes, cables, control boxes. In addition, disinfectants worth approximately RMB30,000 were provided, and over 30 deliveries were made, all of the work amounted to a total of approximately 180 hours. The Group also spent over RMB270,000 on masks, hazmat suits, food and beverage delivers, and other supplies to ensure the safety of highway patrol officers and truck drivers stranded on the highways due to the pandemic.

Report of the Audit Committee

MEMBERS

The audit committee of our Company consists of the three independent non-executive Directors, namely Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie, with Ms. Shan Xueyan sitting as the chairlady of the audit committee. Biographical details of the current members are set out in the section headed "Directors and Senior Management".

TERMS OF REFERENCE

Based on the terms of reference of the audit committee as at 31 December 2022, members of the committee shall, among other things, oversee our Group's relationship with its external auditor, review the preliminary results, interim results and annual financial statements, review the scope, extent and effectiveness of our Group's internal audit functions and risk management, and, where necessary, commission independent investigations by legal advisers or other professionals.

MEETINGS

Two audit committee meetings were held during FY2022 and all members at the relevant time have attended such meetings.

The following is a summary of the tasks completed by the audit committee during FY2022 and up to the date of this report:

- reviewed the consolidated financial statements for FY2021;
- reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2022;
- reviewed the external auditor's audit plan, letter of representation and audit engagement letter for FY2022;
- considered and approved the external audit fees for FY2022;
- reviewed our Company's internal control and risk management systems; and
- reviewed the "Connected Transactions" set out on pages 74 to 75 of this annual report.

FINANCIAL REPORTS

The audit committee reviewed and considered the reports and statements of the management to ensure that the consolidated financial statements of our Group have been prepared in accordance with International Financial Reporting Standards and Appendix 16 to the Listing Rules. The committee also met with the external auditor of our Company, Grant Thornton Hong Kong Limited, to consider the scope and results of their independent audit in respect of the consolidated financial statements.

REVIEW OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The audit committee assisted our Board to perform its duties to maintain effective risk management and internal control systems for our Group. The audit committee reviewed our Group's procedure and workflow for environmental and risk assessment and its initiatives for business risks management and control.

RE-APPOINTMENT OF EXTERNAL AUDITOR

The audit committee recommended to our Board that, subject to Shareholders' approval at the AGM, Grant Thornton Hong Kong Limited be re-appointed as our Company's external auditor for the year ending 31 December 2023.

For FY2022, the fee paid or payable to the external auditor of our Company in respect of the audit services and non-audit services provided amounted to approximately RMB2.1 million and RMB0.3 million, respectively.

Directors and Senior Management

BOARD OF DIRECTORS

Our Board is responsible for and has general powers over the management and conduct of our Group's business. Our Board consists of nine Directors including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Company has entered into service contracts with each of our executive Directors. The table below shows certain information in respect of the members of the Board:

Name	Position in our Group
Executive Directors	
Mr. Wang Dongxing	Chairman of our Board, a member of the remuneration committee and a member of the nomination committee
Mr. Shi Weixin	Vice chairman of our Board
Mr. Wang Changhai	General manager of our Group
Mr. Zhang Zengguo	Deputy general manager of our Group
Mr. Ci Xiaolei	Deputy general manager of our Group
Non-executive Director	
Ms. Wu Rong	
Independent non-executive Directors	
Ms. Shan Xueyan	Chairlady of the audit committee and a member of the remuneration committee
Mr. Wang Zefeng	Chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee
Ms. Jiao Jie	Chairlady of the nomination committee and a member of the audit committee

EXECUTIVE DIRECTORS

Mr. Wang Dongxing, aged 60, is an executive Director and the chairman of our Board. Mr. Wang was appointed as a Director on 22 August 2007. Mr. Wang is also a member of the remuneration committee and a member of the nomination committee of our Board. With over 20 years of experience in the paper manufacturing industry, Mr. Wang is responsible for the overall management and strategy of our Group. Mr. Wang has been with our Group since the establishment of Changle Century Sunshine Paper Industry Co., Ltd. ("Changle Sunshine") in 2000 and was previously the general manager of Century Sunshine. Mr. Wang is also a director of China Sunshine Paper Investments Limited ("China Sunshine") and China Sunrise Paper Holdings Limited ("China Sunrise"), controlling shareholders of our Company. He graduated from 山東輕工業學院 (Shandong Institute of Light Industry) with a Bachelor of Engineering degree in 1983, with a major in pulp and paper making. He served as a director and deputy general manager of Shandong Chenming Paper Holdings Limited ("Shandong Chenming"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1812), which was mainly engaged in the business of production of machine-made paper, paper plate, paper materials and paper-making related machineries from 1985 to 1999. He was mainly responsible for the daily operation and management in Shandong Chenming. He served as a factory manager of Shandong Chenming Paper Industry Group Qihe Cardboard Co., Ltd ("Qihe Cardboard") from 1995 to 1996. During his tenure in office in Qihe Cardboard, Mr. Wang obtained the Qihe County's Economic Special Achievement Golden award. He also served as a factory manager of Shandong Chenming No. 2 Factory from 1997 to 1998, and was the general manager of Wuhan Shuailun Paper Industry Co., Ltd. from 1999 to 2000.

Mr. Shi Weixin, aged 66, is an executive Director and the vice chairman of our Board. Mr. Shi was appointed as a Director on 19 November 2007. With over 20 years of experience in electrical automation control, Mr. Shi is responsible for the management of the automation system. Mr. Shi has been with our Group since the establishment of Changle Sunshine in 2000. Mr. Shi is also a director of China Sunshine and China Sunrise, controlling shareholders of our Company. He graduated from China Textile University in 1986, with a major in industrial electrical automation. Mr. Shi used to be a design director of Shanghai Paper Manufacturing Machinery General Factory from 1981 to 1992 and was responsible for the design of the automation control system for paper-making equipments. During 1984 to 1992, he has been named as an "Excellent Technician" twice. In 1993, Mr. Shi founded Shanghai Paper Mechanical Electric Control Technology Institute ("Shanghai Institute"), and has been its chairman and general manager since 1993. Mr. Shi was primarily responsible for management and operation in Shanghai Institute. He was also a member of the Shanghai Hongkou District Committee of Political Consultative Conference, a member of the executive committee of Shanghai Hongkou Federation of Industry and Commerce and a director of Hongkou Association of Entrepreneurs Association. Mr. Shi won the "Shanghai City Technological Achievement" award in 2000.

Mr. Wang Changhai, aged 52, is an executive Director and the general manager of our Group. He has been appointed as a Director on 29 February 2016. Mr. Wang joined our Group in 2001 and he has about 20 years of experience in the paper products industry and is very familiar with the operations of the Group. Mr. Wang is currently a General Manager of the Group and is responsible for the overall management of the Group. He had been a manager and an assistant manager of the Group prior to the promotion to the deputy general manager of domestic sales in 2003.

Mr. Zhang Zengguo, aged 58, is an executive Director and was appointed as a Director on 19 November 2007. Mr. Zhang joined our Group in 2001. He is also the director of the technical department, assistant general manager and deputy general manager of Changle Sunshine since 2001. Further, Mr. Zhang is a director of China Sunshine and China Sunrise, controlling shareholders of our Company. He graduated from the Shandong Institute of Light Industry in 1988, with a major in pulp and paper manufacturing. Mr. Zhang was the department director and engineer of Jinguang Paper Mill from 1993 to 2000. During his tenure in office in Jinguang Paper Mill, Mr. Zhang was primarily responsible for the design, construction and test run of projects.

Mr. Ci Xiaolei, aged 47, is an executive Director and the deputy general manager of the Group and is responsible for the operation of a subsidiary of the Group. Mr. Ci graduated from Anhui University of Technology and Science with a bachelor of engineering in July 1998 and joined the Group in March 2003. Mr. Ci has been the project manager, deputy general engineer and general engineer and general manager of the Group. Mr. Ci previously served as an executive Director of the Company from 24 May 2012 to 29 February 2016. Prior to joining the Group, Mr. Ci worked at Shandong Chenming Paper Industry Group Co., Ltd and was responsible for equipment management and maintenance.

NON-EXECUTIVE DIRECTOR

Ms. Wu Rong, aged 59, is a non-executive Director of our Group. Ms. Wu was appointed as a non-executive Director on 15 April 2019. Ms Wu has more than 20 years experience in financial management. She is the chairman of board of supervisors in Shandong Century Sunshine Paper Co. Ltd, a subsidiary of the Group. She is also the chief financial officer of Shanghai SIED Electric Drive Co., Ltd,. Ms. Wu graduated from Shanghai University in July 1987, majoring in electric automation, and graduated from China Central Radio and Television University in July 2005, majoring in finance. Between August 1987 and December 1992, Ms. Wu served as a designer in the Research Institute of Shanghai Papermaking Machinery General Factory, and then joined Shanghai SIED Electric Drive Co., Ltd. (former Shanghai Paper Mechanical Electric Control Technology Institute) in January 1993, where she held the roles of administrative director and chief financial officer. Ms. Wu received the certificate of accounting professional in China in May 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Zefeng, aged 62, is an independent non-executive Director. Mr. Wang joined our Group in 2007 and was appointed as a Director on 19 November 2007. Mr. Wang is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of our Board. Mr. Wang graduated from Shandong Institute of Light Industry in 1982 with a Bachelor's degree in industrial art of pulp and paper. He is currently Vice President of China Paper Association. He previously served as the principal of Shandong Papermaking Industry Research and Design Institute and the chairman of Shangdong Paper Manufacturing Industry Association, the deputy general manager, chief engineer and senior engineer of Shandong Paper Industry Group.

Ms. Jiao Jie, aged 42, is an independent non-executive Director. Ms. Jiao first joined our Group in 2007 and subsequently left our Group in 2010. The last position held by Ms. Jiao was as a joint company secretary of our Company and the special assistant to the chairman of our Board. Ms. Jiao rejoined our Group in January 2014 and was appointed as a Director on 27 January 2014. Ms. Jiao is currently the chief financial officer of Play for Dream, Inc. From June 2014 to December 2018, she was the chief financial officer of iClick Interactive Asia Group Limited, a company listed on Nasdaq (stock code: ICLK) and was responsible for corporate finance and internal control. Prior to that, she was joint company secretary and general legal counsel of ArtGo Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 3313) from March 2012 to May 2014. From January 2010 to February 2012, Ms. Jiao was the chief legal counsel and head of investor relations of SouFun Holdings Limited, a company listed on the New York Stock Exchange (stock code: SFUN). Ms. Jiao was a legal assistant of Jingtian & Gongcheng from 2004 to 2007. Ms. Jiao graduated from the Law School and China Center for Economic Research at Peking University with bachelor's degrees in law and economics in July 2003 and obtained a degree of magister juris from University of Oxford in July 2005. Ms. Jiao obtained the certificate of Legal Profession Qualification in March 2010. She also obtained Chartered Financial Analyst qualification in September 2014. Ms. Jiao was appointed as an independent non-executive director of TradeGo FinTech Limited (stock code: 8017), a company listed on the Stock Exchange since September 2018. From June 2019 to May 2022, she was appointed as independent director of China Index Holdings Limited, a company listed on Nasdaq (stock code: CIH). Ms. Jiao joined the board of MOG Holdings Limited, a company listed on the Stock Exchange(stock code: 1942) as an independent non-executive director since April 2020. She was appointed as independent director of Quhuo Limited, a company listed on Nasdaq (stock code: QH) since July 2020.

Ms. Shan Xueyan, aged 45, is an independent non-executive Director. Ms. Shan joined our Group in 2016 and was appointed as a Director on 15 December 2016. Ms. Shan is also the chairlady of the audit committee and a member of the remuneration committee. Ms. Shan has over 15 years of experience in accounting and auditing. Currently, Ms. Shan is the audit supervisor of Shouguang Shengcheng Certified Public Accountants ("Shouguang Shengcheng") (壽光聖誠有限責任會計師事務所), which she joined in July 2001. At Shouguang Shengcheng, Ms. Shan is mainly responsible for auditing sizeable enterprises and government projects, and providing finance and tax consultancy services to enterprises in China. Ms. Shan graduated with a Bachelor of Engineering degree from the Tsingtao Polytechnic University in July 2001. She is a member of the Chinese Institute of Certified Public Accountants and has been qualified as a senior accountant since 2011.

SENIOR MANAGEMENT

Mr. Liu Wenzheng, aged 51, is the deputy general manager of our Group and is responsible for the management of the accounting and finance of our Company's subsidiaries in China. Mr. Liu joined the Group in February 2010. Mr. Liu graduated from Shandong Administration Institute with a Bachelor's degree in accountancy in 1993. Prior to joining our Group, he was the chief financial controller of Shandong Haoxin Group. He was a supervisor of Shandong Chenming. Mr. Liu is a member of the Chinese Institute of Certified Public Accountants.

Mr. Zhang Hongming, aged 51, is the deputy general manager of our Group and is responsible for the management of packing segment operation of our Group. He was previously responsible for the domestic sales and production management of our Group. Mr. Zhang joined our Group in 2001.

COMPANY SECRETARY

Mr. Chan Yee Ping, Michael, aged 46, is the company secretary of our Company. Mr. Chan joined our Group in September 2013 and was appointed as a company secretary of our Company on 26 September 2013. He has more than ten years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He graduated from The Hong Kong Polytechnic University with an honour bachelor's degree in accountancy. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He is currently a director of MCI CPA Limited, a certified public accountant firm in Hong Kong. He is currently serving as independent non-executive directors for four companies whose shares are listed on the Stock Exchange, namely China Sandi Holdings Limited (Stock Code: 910), StarGlory Holdings Company Limited (Stock Code: 8213) and Beijing Media Corporation Ltd. (Stock Code: 1000). He also acts as a company secretary of another company whose shares are listed on the Main Board of the Stock Exchange, namely Northeast Electric Development Company Limited (Stock Code: 0042) since 2012.

He served as the independent non-executive directors of Prosper One International Holdings Company Limited (Stock Code: 1470) from September 2017 to December 2018, Champion Alliance International Holdings Limited (Stock Code: 1629) from November 2018 to January 2020 and SoftMedx Healthcare Limited (Stock Code: 648, formerly named as China Wah Yan Healthcare Limited) from July 2014 to May 2022, the shares are listed on the Main Bord of the Stock Exchange.

Report of the Directors

We, the Directors, present the annual report together with the audited consolidated financial statements of our Group for FY2022.

PRINCIPAL ACTIVITIES

Our Group is principally engaged in the production and sale of paper products.

BUSINESS REVIEW AND FINANCIAL KEY PERFORMANCE INDICATORS

A business review and an analysis on the financial key performance indicators are set out in the section headed "Chairman's Statement" on pages 8 to 11, and the section headed "Management Discussion and Analysis" on pages 14 to 19.

RESULTS AND APPROPRIATIONS

The consolidated results of our Group for FY2022 are set out in the consolidated financial statements on page 83.

DIVIDEND

The Board do not recommend the payment of a final dividend for FY2022.

DIVIDEND POLICY

The Board considers sustainable returns to shareholders to be one of the main objectives of the Company. Stable dividend payment to shareholders is the primary objective of the Company.

Under the applicable laws of the Cayman Islands and the Articles of Association of the Company, all of the shareholders have equal rights to dividends and distributions. The Board determines the interim dividend and recommends the final dividend which requires the approval of shareholders. In addition to cash, dividends may be distributed in the form of shares. Any distribution of shares also requires the approval of shareholders.

Retained profits can be used to achieve growth in corporate value. The Board has been making effective use of retained profits to strengthen the operating base and the development of businesses. According to the dividend policy adopted by the Company on 1 January 2019, the Board takes into account the various factors when considering the declaration and payment of dividends: financial results; cash flow situation; availability of distributable profits; capital requirements and expenditure plans; business status and strategies; future operations and earnings; development plans; interests of shareholders as a whole; any restrictions on declaration and/or payment of dividends; and any other factors the Board may deem relevant.

In practice, the Company will not declare any dividend(s) where: (1) there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due; (2) pursuant to dividend decision date, the Company is insolvent or bankrupt or where, as a result of paying dividends, the Company would be rendered insolvent or bankrupt; or (3) there is any other case set forth by any law.

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed from 24 May 2023 to 31 May 2023, both days inclusive, for the purpose of determining entitlement to attend the annual general meeting to be held on 31 May 2023 (the "**AGM**"), during which no transfer of shares of our Company will be registered. The record date for entitlement to attend and vote at the AGM is 31 May 2023. 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 23 May 2023.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The following principal risks and uncertainties facing the Company are in addition to those set out in notes 41 and 42 to the consolidated financial statements.

Business risk

Downturn pressure on China's economy and price competition from other peers are the crucial elements of business risk. These two negative factors result in the uncertainties of sales and profit margin performances of our Group. The Board will regularly review overall management and implement appropriate strategies to minimize risks exposure.

RELATIONSHIP WITH EMPLOYEES

Employees are one of the most important assets of our Group and their performances affect the sustainability of our Group's business. Our Group emphasizes the importance of attracting skilled and experienced talents by offering competitive remuneration packages, safe and pleasant working environment, and career development.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Over the years, our Group has been fully committed to environmental protection. We are committed to preserving and protecting the environment in every aspect of our operation by implementing various measures and controls, including periodic meetings to review environmental issues in our plants and updated environmental laws and regulations.

Our Group will continue to allocate resources to ensure high environmental standards are persistently met in the key areas including production process, water and electricity consumption, waste water treatment and emission control.

RESERVES

Details of the change in reserves of our Group for FY2022 are set out in the consolidated financial statements on page 86.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to approximately RMB171.6 million.

DONATIONS

During FY2022, our Group had no donation for charitable purpose (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

Details of the movements in the property, plant and equipment, and land use rights of our Group during FY2022 are set out in notes 15 and 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of our Company during FY2022 are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of our Company and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of our Group for the last five financial years is set out on page 184.

SUBSIDIARIES

Particulars of the subsidiaries of our Company are set out in note 49 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of our Group are set out in note 36 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2022, the Company repurchased a total of 1,686,000 shares of HK$0.1 per share through the Stock Exchange at an aggregate consideration of approximately HK$3,602,620. All of the shares repurchased were cancelled on 1 March 2023.

Details of shares repurchased during FY2022 are set out as follows:

Date of repurchase	No. of shares Repurchased	Highest price per share *(HK$)*	Lowest price per share *(HK$)*	Aggregate consideration paid *(HK$)*
29 December 2022	986,000	2.14	2.10	2,090,480
30 December 2022	700,000	2.17	2.14	1,512,140
	1,686,000			3,602,620

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2022.

DIRECTORS

The Directors who held office during FY2022 and up to the date of this report were:

Executive Directors

Mr. Wang Dongxing *(Chairman of our Board)*
Mr. Shi Weixin *(Vice chairman of our Board)*
Mr. Wang Changhai *(General manager of our Group)*
Mr. Zhang Zengguo *(Deputy general manager of our Group)*
Mr. Ci Xiaolei *(Deputy general manager of our Group)*

Non-executive Director

Ms. Wu Rong

Independent non-executive Directors

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

In accordance with the articles of association of our Company, one third (or if their number is not a multiple of three, the number nearest to but not less than one third) in number of our Directors shall retire from office by rotation at each annual general meeting of our Company and provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Directors are eligible to offer themselves for re-election at such annual general meeting. Pursuant to Article 87 of the Articles, Mr. Shi Weixin, Mr. Wang Changhai and Mr. Ci Xiaolei shall retire from office at the forthcoming annual general meeting of the Company to be held on 31 May 2023 (the "AGM") and being eligible for re-election, will offer themselves for re-election at the AGM.

Mr. Wang Zefeng and Ms. Jiao Jie has been serving as an independent non-executive Director for more than nine years since November 2007 and January 2014. Pursuant to code provision A.4.3 of the CG Code, (a) serving more than nine years could be relevant to the determination of a non-executive director's independence; and (b) if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company. Accordingly, Mr. Wang Zefeng and Ms. Jiao Jie will be subject to retirement by rotation and re-election by way of separate resolutions to be approved by the shareholders of the Company in the AGM.

Our Company has received from each of them independent non-executive Directors an annual confirmation of his/her independence during FY2022 pursuant to Rule 3.13 of the Listing Rules and our Board considers that all of the independent non-executive Directors are independent.

Directors' service contracts

Each of Mr. Wang Dongxing, Mr. Shi Weixin and Mr. Zhang Zengguo has entered into a service contract dated 19 November 2022 with our Company for a term of three years commencing on 19 November 2022 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

Mr. Wang Changhai has signed a service contract dated 28 February 2022 with our Company for a term of three years commencing on 28 February 2022 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

Mr. Ci Xiaolei has signed a service contract dated 15 April 2022 with our Company for a term of three years commencing on 15 April 2022 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

The annual salary and bonus of each executive Director shall be determined by our Board and subject to the annual review by the remuneration committee of our Company.

Ms. Wu Rong has signed a letter of appointment dated 15 April 2022 with our Company to act as a non-executive Director for a period of three years, commencing on 15 April 2022, unless terminated in accordance with the terms and conditions specified in such letter.

Mr. Wang Zefeng has signed a letter of appointment dated 12 December 2022 with our Company under which he has agreed to act as an independent non-executive Director for a period of three years, commencing on 12 December 2019, unless terminated in accordance with the terms and conditions specified in such letter.

Ms. Jiao Jie has signed a letter of appointment dated 27 January 2023 with our Company under which she has agreed to act as an independent non-executive Director for a period of three years, commencing on 27 January 2023, unless terminated in accordance with the terms and conditions specified in such letter.

Ms. Shan Xueyan has signed a letter of appointment dated 15 December 2022 with our Company under which she has agreed to act as an independent non-executive Director for a period of three years, commencing on 15 December 2022, unless terminated in accordance with the terms and conditions specified in such letter.

Details of directors' emolument for each of our Directors for FY2022 are set out in note 10 to the consolidated financial statements.

Except as disclosed above, none of our Directors has a service contract or a letter of appointment with our Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

CONTROLLING SHAREHOLDER OR ANY OF ITS SUBSIDIARIES' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During FY2022, there were no any contract of significance between the Company, or any of its subsidiary companies, and a controlling shareholder or any of its subsidiaries; and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

COMPETITION AND CONFLICT OF INTERESTS

During the year of 2022, none of the Directors or substantial shareholders of the Company or their respective associates had engaged in any business which competes or may compete, either directly or indirectly, with the businesses of the Group or has any conflict of interests with the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for FY2022 and up to the date of this annual report.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of our Company in the shares of our Company (the "Shares"), underlying shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code:

(a) Long positions in our Company:

Name of Director	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company[1]	321,687,052	31.51%
	Beneficial owner	18,425,500	1.8%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	3,840,000	0.38%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company[1]	321,687,052	31.51%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	22,265,500	2.18%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company[1]	321,687,052	31.51%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	22,265,500	2.18%
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company[1]	321,687,052	31.51%
	Beneficial owner	3,840,000	0.38%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	18,425,500	1.8%
Mr. Ci Xiaolei	Beneficial owner	929,000	0.09%
Ms. Wu Rong	Interest of a party to an agreement to acquire interest in our Company[1]	321,687,052	31.51%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	22,265,500	2.18%

Notes:

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

2. Under section 318 of the SFO, Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 22,265,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 3,840,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 18,425,500 Shares held by Mr. Wang Dongxing.

Save as disclosed above, as at 31 December 2022, neither the chief executive nor any of the Directors of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as we, the Directors and chief executive of the Company, are aware, as at 31 December 2022, the following persons (other than the Director or chief executive of our Company) or corporations who had interest or short positions in the Shares and underlying Shares of our Company which were required to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	321,687,052	31.51%
China Sunshine[1]	Long	Interest of a controlled corporation	321,687,052	31.51%
Controlling Shareholders Group[2]	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	31.51%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	22,265,500	2.18%

Notes:

1. As China Sunshine owns the entire interest of China Sunrise, China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise.

2. Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the Target Entities and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunshine owns the entire interest of China Sunrise, and the Controlling Shareholders Group owns the entire interest of China Sunshine, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code) is deemed to be interested in the 321,687,052 Shares held by China Sunrise. Further, Mr. Wang Dongxing is interested in 18,425,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 3,840,000 Shares as beneficial owner. Other members of the Controlling Shareholders Group, being member of the Concert Parties Agreement, are deemed to be interested in such shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the SFO.

Save as disclosed above, as at 31 December 2022, the Directors and the chief executive of our Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of our Company which would require to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

SHARE AWARD SCHEME

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

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

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

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

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

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

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date. As at the date of this report, the remaining life of the Share Award Scheme is approximately 4 years and 2 months.

Further details of the Share Award Scheme are set out in the Company's announcement dated 27 June 2017 and the circular dated 1 September 2017. On 4 October 2017, 16,774,000 Awarded Shares have been granted to Wang Dongxing, Wang Changhai and Liu Wenzheng under the Share Award Scheme.

No Awarded Shares were granted during FY2022.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and the Share Award Scheme as disclosed in this annual report, no equity-linked agreement that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during FY2022 or subsisted at the end of FY2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year 2022. The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Company and its subsidiaries.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, our Group purchased less than 30% of its goods from its five largest suppliers and sold less than 30% of its goods to its five largest customers.

None of our directors, their respective close associates, or any shareholder of the Company who, to the knowledge of our directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers and suppliers.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the corporate governance report contained in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2022 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 46 to the consolidated financial statements also constituted connected transactions under the Listing Rules and the Company has complied with the relevant requirements in Chapter 14A of the Listing Rules.

Steam Supply Agreement and Electricity Supply Agreement

The Group has entered into two agreements on 31 December 2021 with Weifang Shengtai Medicine Co., Ltd ("Shengtai Medicine"). Shengtai Medicine is interested in 20% of the registered capital of Changle Shengshi Thermoelectricity Co., Ltd ("Shengshi Thermoelectricity"), a subsidiary of the Group. Accordingly, Shengtai Medicine is a substantial shareholder at the subsidiary level, and thus a connected person of the Company. Transactions under such two agreements constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and the details of such continuing non-exempt connected transactions are set out below:

(a) A steam supply agreement dated 31 December 2021 (the "New Steam Supply Agreement") was entered between Shengtai Medicine as a customer and Shengshi Thermoelectricity as a supplier. Shengshi Thermoelectricity has agreed to supply steam to Shengtai Medicine for a term of three years from 1 January 2022 to 31 December 2024, renewable for term(s) of not more than three years each upon expiry. The price of steam sold by Shengshi Thermoelectricity to Shengtai Medicine is the same as the price of steam sold by Shengshi Thermoelectricity to Century Sunshine and it reflects Shengshi Thermoelectricity's policy to sell steam to its shareholders who purchase steam in bulk at a discount. Our Directors consider that the price of steam is fair and reasonable and on normal commercial terms.

    For FY2022, the aggregate sale of steam by Shengshi Thermoelectricity to Shengtai Medicine amounted to RMB130.1 million, which was below the annual cap of RMB147.8 million for FY2022 under the New Steam Supply Agreement.

(b) An electricity supply agreement dated 31 December 2021 (the "New Electricity Supply Agreement") was entered between Shengtai Medicine as the customer and Shengshi Thermoelectricity as the supplier. Shengshi Thermoelectricity has agreed to supply electricity to Shengtai Medicine for a term of three years from 1 January 2022 to 31 December 2024, renewable for term(s) of not more than three years each upon expiry. The price of electricity sold by Shengshi Thermoelectricity to Shengtai Medicine is the same as the price of electricity sold by Shengshi Thermoelectricity to Century Sunshine and it reflects Shengshi Thermoelectricity's policy to sell electricity to its shareholders who purchase electricity in bulk at a discount. Our Directors consider that the price of electricity is fair and reasonable and on normal commercial terms.

    For FY2022, the aggregate sale of electricity by Shengshi Thermoelectricity to Shengtai Medicine amounted to RMB62.7 million, which was exceeded the annual cap of RMB56.4 million for FY2022 under the New Electricity Supply Agreement (the "2022 Annual Cap").

    Pursuant to Rule 14A.54(1) of the Listing Rules, the Company must re-comply with the announcement requirement under Chapter 14A of the Listing Rules before the cap is exceeded. The delay in publication of an announcement by the Company before the 2022 Annual Cap was exceeded constituted a breach of Rule 14A.54(1) of the Listing Rules. Such delay was due to inadvertent oversight of the Company. The Company discovered such breach in February 2022 during the course of preparing the annual results of the Company for FY2022 and has taken steps to rectify the breach as soon as practicable by way of publishing an announcement on 20 February 2023.

In view of the 2022 Annual Cap having been exceeded and considering (i) the growth of demand of Shengtai Medicine; and (ii) steam and electricity supply costs have risen significantly since 2022, the annual caps under the New Steam Supply Agreement and the New Electricity Supply Agreement for the two years ending 31 December 2024 (collectively, the "Revised Annual Caps") are revised. For details, please refer to the announcement dated 20 February 2023.

Pursuant to Rule 14A.56 of the Listing Rules, our Board engaged the auditor of our Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of our Group. The auditor have reported the factual findings on these procedures to our Board.

The auditor of the Company had provided a letter to the Directors, confirming that the continuing connected transactions:

(1) nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) based on the procedures performed and the evidence obtained, except for the continuing connected transactions described in the "Basis for Qualified Conclusion" section which exceeded the relevant annual cap, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The Board also hereby confirms that the auditor's letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rule 14A.56 and 14A.57 of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of our Group;

(2) either on normal commercial terms or on terms no less favourable to our Group than terms available to or from (as appropriate) independent third parties;

(3) on terms that are fair and reasonable and in the interests of our shareholders as a whole; and

(4) in accordance with the relevant agreements governing the said transactions.

Save as disclosed above, details of the related party transactions entered into by the Group during FY2022 are set out in Note 46 to the consolidated financial statements. The transactions as set out therein do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, the Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Save as disclosed above, during FY2022, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2022, certain PRC banks agreed to extend the due dates of the Group's bank borrowings of approximately RMB692,827,000 for one year when they fall due in year 2023.

COMPLIANCE WITH NON-COMPETITION DEED

Each of China Sunrise, China Sunshine and members of the Controlling Shareholders Group (the "Covenantors") has confirmed to our Company of its or his or her compliance with the non-competition undertaking provided to our Company under the deed of non-competition dated 19 November 2007. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under such deed of non-competition have been complied with by the Covenantors.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to our Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of our Company's issued shares up to the date of this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 and 2022 have been audited by Grant Thornton Hong Kong Limited, who will retire at the forthcoming annual general meeting of our Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Wang Dongxing
Chairman

Hong Kong, China
30 March 2023

Independent Auditor's Report

Grant Thornton
致同

To the members of China Sunshine Paper Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Sunshine Paper Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 83 to 183, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

The Key Audit Matters	How the matter was addressed in our audit

Carrying values of investment in a joint venture and the receivables therefrom

Refer to notes 4.5, 4.17, 4.19, 5, 20, 24, 28 and 46(b) to consolidated financial statements.

The Group has joint interest in Sunshine Oji (Shouguang) Specialty Paper Co., Ltd (the "JV") and it is carried at RMB135,729,000 in the consolidated financial position at reporting date. The Group also has receivables totalling RMB337,893,000 from the JV, resulting a collective financial interest in the JV of RMB473,622,000 at reporting date, which represents 10.7% of net assets value (RMB4,425,930,000) of the Group.

The JV recorded a loss for the current year of RMB74,398,000. Except for the expected credit loss ("ECL") allowance amounting to RMB97,793,000 on trade and other receivable balances, there was no impairment loss made on the carrying amounts of investment on JV based on the management's judgment that the JV has a positive outlook to carry on making profit in the future.

We have identified the carrying values of the JV and the receivables from the JV as a key matter to our audit considering the materiality of the balances and the extent of management judgment exercised.

We reviewed management's assessment of the indicators of impairment and evaluated the significant assumptions used.

We reviewed the profit and cash flow forecasts projected by the management and corroborated the historical financial information in which the forecasts grounded and evaluated assumptions of the projected revenue streams.

We assessed the reasonableness of management's ECL allowances estimates by examining the information used by the independent external valuer to form such judgment, including checking the loss rates to independent source, comparing historical default rates and evaluating whether the loss rates are appropriately adjusted for forward-looking information.

We also reviewed the accuracy of prior year forecasts against actual results occurred to date.

KEY AUDIT MATTERS (Continued)

The Key Audit Matters	How the matter was addressed in our audit
Going concern *Refer to notes 4.1,5 and 50(a) to consolidated financial statements.*	
The Group recorded net current liabilities of RMB1,237,377,000 at reporting date. The Group employs high level of debt financing in its operations including bank borrowings, other borrowings, lease liabilities and discounted bills financing of RMB2,978,500,000, RMB803,452,000, RMB41,705,000 and RMB1,739,953,000 respectively at reporting date. RMB4,141,128,000 of these debts is repayable within one year. All these factors draw attention to users of these consolidated financial statements and reasonably cast doubts in the Group's ability to maintain its liquidity position and, consequently, the ability to continue its operations as a going concern which lies as the fundamental basis these consolidated financial statements prepared on. In order to evaluate the Group's liquidity position and assess the ability to continue its operation in foreseeable future, the directors reviewed the likelihood of renewing existing and obtaining additional bank facilities and prepared cash flow forecasts to demonstrate sufficient working capital over time horizon. In the process, significant judgment exercised by management. We have identified the directors' going concern assessment as a key matter to our audit considering its fundamentality of and pervasive impact on consolidated financial statements.	We reviewed and assessed the Group's capital management policy and risk management policies over liquidity. In assessing the feasibility of these policies, we considered the financial positions of the Group in prior periods. We also assessed the management's claim of relationship with banks and reviewed evidence of subsequent negotiation with banks including agreements to extend due date of bank borrowings of RMB692,827,000 for one year. We obtained at least 12 months cash flow forecasts by management and: — assessed the appropriateness of key assumptions used based on our knowledge of the business, industry and historical data; — reconciled input data to underlying evidence, such as approved budgets, banking facility agreements; — evaluated the downside analysis for the most sensitive factors including future sale prices and availability of bank facilities; and — compared prior year's cash flow projections with actual occurrence to consider accuracy of management's prior projections and if the projections were overly optimistic.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

30 March 2023

Kan Kai Ching
Practising Certificate No.: P07816

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (restated)
Revenue	6 & 7	9,538,229	7,982,231
Cost of sales		(8,374,125)	(6,448,542)
Gross profit		1,164,104	1,533,689
Other income	8	318,004	299,028
Other gains or losses, net	8	3,487	(66,141)
Distribution and selling expenses		(401,795)	(339,582)
Administrative expenses		(429,535)	(499,371)
Provision for expected credit loss ("ECL") on financial assets, net		(27,333)	(16,691)
Gain/(Loss) on fair value changes of an investment property	16	361	(5,761)
Share of loss of a joint venture	28	(44,087)	(8,669)
Share of loss of an associate	21	(54,983)	—
Finance costs	9	(169,344)	(149,220)
Profit before income tax	12	358,879	747,282
Income tax expense	11	(124,334)	(198,778)
Profit for the year		234,545	548,504
Other comprehensive income/(expense), net of tax			
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1,516	—
Fair value loss on financial assets at fair value through other comprehensive income ("FVTOCI")		(599)	(856)
Other comprehensive income/(expense), net of tax		917	(856)
Total comprehensive income for the year		235,462	547,648
Profit for the year attributable to:			
Owners of the Company		205,729	556,621
Non-controlling interests		28,816	(8,117)
		234,545	548,504
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		206,646	555,765
Non-controlling interests		28,816	(8,117)
		235,462	547,648
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted (RMB)	14	0.20	0.63

The notes on pages 89 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	15	5,351,770	5,103,415
Investment property	16	66,576	66,215
Prepaid lease payments	17	733,632	620,999
Goodwill	18	49,746	49,746
Deferred tax assets	19	83,462	62,866
Interest in an associate	21	—	—
Interest in a joint venture	28	135,729	179,816
Deposits for acquisition for property, plant and equipment		321,028	419,875
Financial assets at fair value through Profit and Loss ("FVTPL")	22	260,725	—
Deposits and other receivables	20	356,405	373,386
		7,359,073	6,876,318
Current assets			
Inventories	23	900,711	1,088,205
Trade receivables	24	630,665	527,742
Bills receivables	25	284,431	171,988
Prepayments and other receivables	26	493,253	240,767
Restricted bank deposits	27	1,585,112	1,293,544
Bank balances and cash	27	851,179	829,572
		4,745,351	4,151,818
Current liabilities			
Contract liabilities	32	68,071	121,962
Trade payables	29	1,107,950	1,031,253
Bills payables	30	287,450	484,361
Other payables	31	225,569	212,475
Payables for construction work, machinery and equipment		142,032	165,143
Income tax payable		1,545	23,893
Lease liabilities	33	3,214	1,354
Deferred income	34	8,983	6,045
Discounted bills financing	35	1,739,953	1,374,325
Bank borrowings	36	2,047,827	2,213,223
Other borrowings	37	350,134	248,566
		5,982,728	5,882,600
Net current liabilities		(1,237,377)	(1,730,782)
Total assets less current liabilities		6,121,696	5,145,536

	Notes	2022 RMB'000	2021 RMB'000 (restated)
Capital and reserves			
Share capital	38	90,256	80,944
Reserves	39	4,001,671	3,698,761
Equity attributable to owners of the Company		4,091,927	3,779,705
Non-controlling interests		334,003	304,724
Total equity		4,425,930	4,084,429
Non-current liabilities			
Lease liabilities	33	38,491	31,000
Bank borrowings	36	930,673	536,901
Other borrowings	37	453,318	300,387
Deferred income	34	205,887	137,319
Deferred tax liabilities	19	67,397	55,500
		1,695,766	1,061,107
Total equity and non-current liabilities		6,121,696	5,145,536

Approved and authorised for issue by the board of directors on 30 March 2023

Wang Dongxing
Director

Wang Changhai
Director

The notes on pages 89 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company												
	Share capital RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Assets revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Financial assets fair value reserve RMB'000	Discretionary surplus reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	73,779	610	722,957	(2,776)	86,656	7,015	312,321	–	1,078	1,917,130	3,118,770	312,914	3,431,684
Capital contribution by non-controlling interests of subsidiaries of the Company	–	–	–	–	–	–	–	–	–	–	–	258	258
Acquisition of a subsidiary (note 48) (restated)	–	–	–	–	–	–	–	–	–	–	–	(56)	(56)
Dividend paid to non-controlling interests of a subsidiary of the Company	–	–	–	–	–	–	–	–	–	–	–	(275)	(275)
Issuance of shares (note 38)	7,165	–	98,005	–	–	–	–		–	–	105,170	–	105,170
Appropriation to statutory surplus reserve	–	–	–	–	–	–	63,309	–	–	(63,309)	–	–	–
Transactions with owners	7,165	–	98,005	–	–	–	63,309	–	–	(63,309)	105,170	(73)	105,097
Profit and total comprehensive income for the year (restated)	–	–	–	–	–	–	–	–	–	556,621	556,621	(8,117)	548,504
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	(856)	–	–	(856)	–	(856)
Total comprehensive income for the year	–	–	–	–	–	–	–	(856)	–	556,621	555,765	(8,117)	547,648
At 31 December 2021 (restated)	80,944	610	820,962	(2,776)	86,656	7,015	375,630	(856)	1,078	2,410,442	3,779,705	304,724	4,084,429

	Attributable to owners of the Company													
	Share capital RMB'000	**Capital redemption reserve RMB'000**	**Share premium RMB'000**	**Merger reserve RMB'000**	**Capital reserve RMB'000**	**Assets revaluation reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Financial assets fair value reserve RMB'000**	**Discretionary surplus reserve RMB'000**	**Exchange fluctuation reserve RMB'000**	**Retained earnings RMB'000**	**Subtotal RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At 1 January 2022 (audited)	80,944	610	820,962	(2,776)	86,656	7,015	375,630	(856)	1,078	–	2,410,334	3,779,597	304,974	4,084,571
Completion of purchase price allocation adjustment	–	–	–	–	–	–	–	–	–	–	108	108	(250)	(142)
At 1 January 2022 (restated)	80,944	610	820,962	(2,776)	86,656	7,015	375,630	(856)	1,078	–	2,410,442	3,779,705	304,724	4,084,429
Capital contribution by non-controlling interests of subsidiaries of the Company	–	–	–	–	–	–	–	–	–	–	–	–	463	463
Declared dividend (note 13)	–	–	–	–	27,944	–	–	–	–	–	(139,680)	(111,736)	–	(111,736)
Issuance of shares for acquisition of an associate (note 38)	9,463	–	210,923	–	–	–	–	–	–	–	–	220,386	–	220,386
Shares repurchased and cancelled	(151)	151	–	–	–	–	–	–	–	–	(3,074)	(3,074)	–	(3,074)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	85,218	–	–	–	(85,218)	–	–	–
Transactions with owners	9,312	151	210,923	–	27,944	–	85,218	–	–	–	(227,972)	105,576	463	106,039
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	205,729	205,729	28,816	234,545
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	1,516	–	1,516	–	1,516
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	(599)	–	–	–	(599)	–	(599)
Total comprehensive income for the year	–	–	–	–	–	–	–	(599)	–	1,516	205,729	206,646	28,816	235,462
At 31 December 2022	90,256	761	1,031,885	(2,776)	114,600	7,015	460,848	(1,455)	1,078	1,516	2,388,199	4,091,927	334,003	4,425,930

The notes on pages 89 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (restated)
Operating activities		
Profit before income tax	358,879	747,282
Adjustments for:		
Interest income	(57,356)	(47,519)
Finance costs	169,344	149,220
Depreciation of property, plant and equipment		
— right-of-use assets	74,973	73,783
— owned assets	307,665	268,205
Depreciation of prepaid lease payments	8,055	5,528
Loss on disposal and written off of property, plant and equipment	12,321	34,798
Release of deferred income	(8,249)	(3,561)
(Gain)/Loss on fair value change of an investment property	(361)	5,761
Provision for expected credit loss ("ECL") on:		
— trade receivables	13,439	10,344
— other receivables	13,894	6,347
Impairment of property, plant and equipment	—	31,099
Impairment loss on interests in associate	245,847	—
Fair value gain on financial assets at FVTPL	(241,169)	—
Share of loss of a joint venture	44,087	8,669
Share of loss of an associate	54,983	—
Operating cash flows before movements in working capital	996,352	1,289,956
Decrease/(Increase) in inventories	187,670	(449,698)
Increase in trade receivables	(116,178)	(21,687)
(Increase)/Decrease in bills receivables	(113,042)	110,411
Increase in prepayments and other receivables	(55,113)	(45,982)
Increase in trade payables	76,697	216,744
(Decrease)/Increase in bills payables	(196,911)	201,748
Decrease in other payables	(23,804)	(5,704)
(Decrease)/Increase in contract liabilities	(53,891)	201
Cash generated from operations	701,780	1,295,989
Income tax paid	(155,381)	(228,946)
Net cash from operating activities	546,399	1,067,043
Investing activities		
Interest received	29,867	24,622
Proceeds from disposal of property, plant and equipment	10,156	22,186
Purchase of property, plant and equipment	(337,163)	(534,806)
Additions of prepaid lease payments	—	(163,347)
Increase in restricted bank deposits	(291,568)	(153,117)
Loan to third parties	(160,000)	(58,000)
Repayment from third parties	14,233	—
Advance to a joint venture	(250,080)	(290,429)
Proceeds from a joint venture	228,883	195,849
Decrease in guarantee deposits for other borrowings	564	8,806
Investment of an associate	(56,511)	—
Additions of deposits for acquisition property, plant and equipment	(321,028)	(419,875)
Net outflow of cash and cash equivalents in respects of the acquisition of a subsidiary (Note 48)	—	(18,693)
Net cash used in investing activities	(1,132,647)	(1,386,804)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (restated)
Financing activities		
Interest paid	(203,019)	(193,610)
Government grants received	79,755	97,920
Repayment to a director	—	(4,283)
Proceed from a controlling shareholder	—	490
Repayment to a controlling shareholder	(29)	(143)
Repayment of bank borrowings	(3,108,687)	(2,633,340)
Repayment of other borrowings	(297,751)	(192,738)
Repayment of lease liabilities	(3,315)	(1,059)
Repayment of corporate bond	—	(100,000)
Proceeds from capital contribution of non-controlling interests of a subsidiary of the Company	463	—
New bank borrowings raised	3,337,063	2,867,252
Other borrowings raised	552,250	461,315
Increase in discounted bills financing	365,628	129,108
Dividend paid to non-controlling interests of a subsidiary of the Company	—	(17)
Dividend paid	(111,736)	—
Issuance cost from placing	—	(2,304)
Proceeds from placing	—	107,474
Share repurchase	(3,074)	—
Net cash from financing activities	607,548	536,065
Net increase in cash and cash equivalents	21,300	216,304
Effect of foreign rate changes, net	307	—
Cash and cash equivalents at beginning of the year	829,572	613,268
Cash and cash equivalents at end of the year, representing bank balances and cash	851,179	829,572

The notes on pages 89 to 183 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) 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 (i.e. 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 and 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 1 January 2022:

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

Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments update the reference in IFRS 3 to the latest version of "Conceptual Framework for Financial Reporting" issued in March 2018, and add an exception to the requirement for an entity to refer to "Conceptual Framework for Financial Reporting" to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC-Int 21 "Levies" if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should apply the criteria in IAS 37 or IFRIC-Int 21 respectively (instead of the "Conceptual Framework for Financial Reporting") to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 January 2022 and apply prospectively. The amendments have no impact on the consolidated financial statements because there are no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year ended 31 December 2022.

2. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with IAS 2 "Inventories".

Besides, the amendments also clarify the meaning of "testing whether an asset is functioning properly" and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities.

The amendments have no impact on the consolidated financial statements as there are no sales of such items produced by property, plant and equipment made available for use on or after 1 January 2021.

Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements to IFRS Standards 2018–2020 include a number of amendments to various IFRSs, which are summarised below.

Amendments to IFRS 1 provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company's date of transitions to IFRSs) if a subsidiary adopts IFRSs later than its parent company and applies paragraph D16(a) of IFRS 1.

Amendments to IFRS 9 clarify that, for the purpose of applying the "10 per cent" test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf, in the assessment.

Amendments to IFRS 16 remove the illustration of the reimbursement of leasehold improvements by the lessor from the illustrative example 13 as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

2. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Annual Improvements to IFRS Standards 2018–2020 (Continued)

Amendments to IAS 41 remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual period beginning on or after 1 January 2022. The amendments to IFRS 16 only regard an illustrative example, so no effective date is stated. The annual improvements have no impact on the consolidated financial statements.

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[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

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

Measurement period adjustments for an incomplete initial accounting of acquisition of Rernher Recycle Co., Ltd.

During the year ended 31 December 2021, China Ramble Paper Company Limited (中國遠博紙業有限公司) ("China Ramble"), an indirectly wholly-owned subsidiary of the Company acquired 98% equity interest in Rernher Recycle Co., LTD (仁和公司) ("Rernher Recycle") of which the valuations have not been completed and the respective fair values of identifiable net assets and goodwill were determined provisionally. During the year ended 31 December 2022, the Group made certain fair value adjustments, with reference to the finalised independent valuation, to the carrying amounts of the identifiable assets and liabilities of Rernher Recycle as a result of completing the initial accounting. The adjustments to the fair values at the acquisition of the identifiable net assets were made as if initial accounting had been completed on the acquisition date. In addition, the depreciation of the respective assets subsequent to the acquisition date was adjusted accordingly.

The above restatements relate to acquisition which have effected during the year ended 31 December 2021 and hence have no financial impact on the consolidated financial position at 1 January 2021. Accordingly no restated consolidated statement of financial position as at 1 January 2021 is presented.

2. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Measurement period adjustments for an incomplete initial accounting of acquisition of Rernher Recycle Co., Ltd. (Continued)

i) Restated consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2021

	As originally stated RMB'000	Adjustments RMB'000	As restated RMB'000
Revenue	7,982,231	—	7,982,231
Cost of sales	(6,448,678)	136	(6,448,542)
Gross profit	1,533,553	136	1,533,689
Other income	299,028	—	299,028
Other gains or losses, net	(66,141)	—	(66,141)
Provision for expected credit loss ("ECL") on financial assets, net	(16,691)	—	(16,691)
Distribution and selling expenses	(339,582)	—	(339,582)
Administrative expenses	(499,371)	—	(499,371)
Loss on fair value changes of an investment property	(5,761)	—	(5,761)
Share of loss of a joint venture	(8,669)	—	(8,669)
Finance costs	(149,220)	—	(149,220)
Profit before income tax	747,146	136	747,282
Income tax expenses	(198,752)	(26)	(198,778)
Profit for the year	548,394	110	548,504
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income ("FVTOCI")	(856)	—	(856)
Total comprehensive income for the year	547,538	110	547,648
Profit for the year attributable to:			
Owners of the Company	556,513	108	556,621
Non-controlling interests	(8,119)	2	(8,117)
	548,394	110	548,504
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	555,657	108	555,765
Non-controlling interests	(8,119)	2	(8,117)
	547,538	110	547,648

2. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Measurement period adjustments for an incomplete initial accounting of acquisition of Rernher Recycle Co., Ltd. (Continued)

ii) Restated consolidated statement of financial position as at 31 December 2021

	As originally stated RMB'000	Adjustments RMB'000	Restated RMB'000
Non-current assets			
Property, plant and equipment	5,119,019	(15,604)	5,103,415
Investment property	66,215	—	66,215
Prepaid lease payments	620,999	—	620,999
Goodwill	37,406	12,340	49,746
Deferred tax assets	59,744	3,122	62,866
Interest in a joint venture	179,816	—	179,816
Deposits for acquisition for property, plant and equipment	419,875	—	419,875
Deposits and other receivables	373,386	—	373,386
	6,876,460	(142)	6,876,318
Current assets			
Inventories	1,088,205	—	1,088,205
Trade receivables	527,742	—	527,742
Bills receivables	171,988	—	171,988
Prepayments and other receivables	240,767	—	240,767
Restricted bank deposits	1,293,544	—	1,293,544
Bank balances and cash	829,572	—	829,572
	4,151,818	—	4,151,818
Current liabilities			
Contract liabilities	121,962	—	121,962
Trade payables	1,031,253	—	1,031,253
Bills payables	484,361	—	484,361
Other payables	212,475	—	212,475
Payables for construction work, machinery and equipment	165,143	—	165,143
Income tax payable	23,893	—	23,893
Lease liabilities	1,354	—	1,354
Deferred income	6,045	—	6,045
Discounted bills financing	1,374,325	—	1,374,325
Bank borrowings	2,213,223	—	2,213,223
Other borrowings	248,566	—	248,566
	5,882,600	—	5,882,600
Net current liabilities	(1,730,782)	—	(1,730,782)
Total assets less current liabilities	5,145,678	(142)	5,145,536

2. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Measurement period adjustments for an incomplete initial accounting of acquisition of Rernher Recycle Co., Ltd. (Continued)

ii) Restated consolidated statement of financial position as at 31 December 2021 (Continued)

	As originally stated RMB'000	Adjustments RMB'000	Restated RMB'000
Capital and reserves			
Share capital	80,944	—	80,944
Reserves	3,698,653	108	3,698,761
Equity attributable to owners of the Company	3,779,597	108	3,779,705
Non-controlling interests	304,974	(250)	304,724
Total equity	4,084,571	(142)	4,084,429
Non-current liabilities			
Lease liabilities	31,000	—	31,000
Bank borrowings	536,901	—	536,901
Other borrowings	300,387	—	300,387
Deferred income	137,319	—	137,319
Deferred tax liabilities	55,500	—	55,500
	1,061,107	—	1,061,107
Total equity and non-current liabilities	5,145,678	(142)	5,145,536

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").

A summary of the significant accounting policies adopted by the Group is set out below to note 4. These policies have been consistently applied to all the years presented unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These consolidated financial statements have been prepared on the historical cost except for financial assets at fair value through other comprehensive income ("FVTOCI"), financial assets at fair value through profit and loss ("FVTPL") and certain properties which are stated at fair value.

The Group has net current liabilities of approximately RMB1,237,377,000 (2021: RMB1,730,782,000) at 31 December 2022. The Directors have evaluated the relevant available information and key assumptions (see note 5 for more details) 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 2023, 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, as stated in notes 42(d) and 50(a), 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.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition on profits are recognised in the Company's profit or loss.

4.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation was initially measured at the non-controlling interests' fair value or at their proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

4.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment loss and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets on a pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Goodwill (Continued)

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a small loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4.5 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of an associate or the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in an associate or the joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of an associate or the joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of an associate or the joint venture for the year, including any impairment loss on the investment in an associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of an associate or the joint venture's other comprehensive income for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Associates and joint ventures (Continued)

Unrealised gains on transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in an associate or the joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where an associate or the joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform an associate or the joint venture's accounting policies to those of the Group when an associate or the joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in an associate or the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of an associate or the joint venture. For this purpose, the Group's interest in an associate or the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interests in its associate or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the interests in an associate or the joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of an associate or the joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by an associate or the joint venture, including cash flows arising from the operations of an associate or the joint venture and the proceeds on ultimate disposal of the investment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Revenue recognition

Revenue arises mainly from the sales of paper products and generation of electricity and steam.

To determine whether to recognise revenue, the Group follows a 5-step process:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Sales of goods

Revenue from the sales of paper products for which control of assets is transferred at a point in time are recognised when the goods are delivered to customers. The Group does not provide any sales-related warranties. It is the Group's policy to sell its products to the customers with a right of return. The Group would recognise refund liability for the products expected to be returned as refund liabilities included in other payables. When customers exercise their right to recover the product, the Group recognised right to recover returned products included in inventories and a corresponding adjustment to cost of sales.

Sales of electricity and steam

Revenue from the sales of electricity and steam for which control of assets is transferred at a point in time are recognised when electricity and steam are generated and transmitted or delivered to the customers.

Hotel and catering services

Revenue from hotel services mainly comprises of room, food and beverage and ancillary services. Except for the revenue from food and beverage which is recognised at a point of time when the services are rendered, revenue from other hotel operation services is recognised over time in the accounting period in which the services are rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Revenue recognition (Continued)

Interest income from a financial asset

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from financial assets measured at amortised cost that are not credit-impaired is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's gross carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in note 4.7 (b) below.

Logistics services

Revenues is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services and uses the benefits simultaneously.

4.7 Lease

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Lease (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets other than prepaid lease payments that do not meet the definition of investment property have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Lease (Continued)

(a) *Definition of a lease and the Group as a lessee* (Continued)

Measurement and recognition of leases as a lessee (Continue)
The prepaid lease payments (which meet the definition of right-of-use assets) for leasehold land are presented as "Prepaid lease payments" under non-current assets. It represents the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Prepaid lease payments
Prepaid lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

(b) *The Group as a lessor*
As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

(c) *Sale and leaseback transactions*

The Group as a seller-lessee
For a transfer that does not satisfy requirements as a sale in accordance with IFRS 15, the transaction are in substance a financing arrangement under IFRS 9. Therefore, the Group as a seller-lessee accounts for the proceeds received as other borrowings within the scope of IFRS 9.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Foreign currencies translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the end of the reporting period. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange fluctuation reserve in equity.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

All other borrowing costs are recognised in profit or loss for the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

4.11 Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefits schemes, including state-managed retirement benefits schemes in the People's Republic of China (the "PRC"), are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss on a straight-line basis over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, investment in an associate and investment in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Taxation (Continued)

For the purpose of measuring deferred tax for investment property that are measured using the fair value model, the carrying amounts of such property are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment property are measured in accordance with the above general principles set out in IAS 12.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.13 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress and cost of right-of-use assets as described in note 4.7) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to write off the cost of items of property, plant and equipment other than construction in progress less their residual values, if any, over their estimated useful lives, using the straight-line method. The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Accounting policy for depreciation of right-of-use assets is set out in note 4.7.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

4.14 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under construction for such purpose.

Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

Investment properties transferred from property, plant and equipment are initially measured at fair value, which is the deemed cost of the property. Subsequent to initial recognition, investment properties are measured at their fair values. Gain or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

4.15 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill;
- Prepaid lease payments;
- Deposit for acquisition for property, plant and equipment;
- The company's interests in subsidiaries;
- Interest in an associate; and
- Interest in a joint venture

Goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventory is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), adjusted for transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets are classified into the following categories:

- amortised cost
- FVTPL
- FVOCI

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for provision for expected credit losses ("ECL") of trade and other receivables which is presented as a separate item in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables, other receivables, other receivables from a joint venture, restricted bank deposits, bank balance and cash and loans to third parties fall into this category of financial instruments.

Financial assets at FVOCI — recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank and other borrowings, leases liabilities, discounted bills financing, trade payables, bills payables, other payables, payables for construction work and machinery and equipment.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction cost.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs.

Accounting policies of lease liabilities are set out in note 4.7.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Other financial liabilities

The financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4.18 Derivative financial instruments

Derivative financial instruments are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under IFRS 9.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date'.

'12-month ECL' are recognised for the Stage 1 category while 'lifetime ECL' are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified model in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix with appropriate groupings and/or individually assessed for debtors with significant balances, that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on share credit risks characteristics and the days past due.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost and debt investments at FVOCI

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost and debt investments at FVOCI (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables, other financial assets measured at amortised cost and debt investments FVOCI are set out in note 42(c).

4.20 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

4.21 Related parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Related parties (Continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the senior executive management of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

4.23 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where the Company purchases its equity instruments, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders as capital redemption shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holder.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis for preparation of the consolidated financial statements

As disclosed in note 4.1, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration of all relevant available information about the future of the Group, including the proposed measures as described in note 4.1 and the cash flow projections for at least next twelve months from the date of 31 December 2022. Such projections about the future inherently involve uncertainties in the sale prices of finished goods, the purchasing prices of the raw materials, and the renewal of banking facilities. The Directors have reviewed the relevant available information and key assumptions used in the cash flow projections for the twelve months after end of the reporting period, and have concluded that the use of going concern basis for preparation of the consolidated financial statements for the year ended 31 December 2022 remains proper.

Deferred taxation from the land appreciation tax on an investment property

For the purposes of measuring deferred tax liabilities of land appreciation tax arising from an investment property that is measured using the fair value model, the Directors have reviewed the Group's investment property and concluded that the Group's investment property is held under the lease purpose to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the Group's deferred tax liabilities of land appreciation tax on investment property, the Directors have determined that the presumption that the carrying amount of investment property measured using the fair value model is recovered entirely through sale is rebutted. As a result, the Group has not recognised any deferred tax from the land appreciation tax on change in fair value of an investment property.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Any change in the estimates would increase or decrease in the provision for impairment loss and affect the Group's results in future years. As at 31 December 2022, the carrying amount of goodwill is approximately RMB49,746,000 (2021: RMB49,746,000 (restated)). No impairment loss has been recognised (2021: nil) on goodwill during the year ended 31 December 2022 to reduce the carrying amount of goodwill to its recoverable amount. Details of the impairment of goodwill are disclosed in note 18.

Impairment of interest in an associate and a joint venture

The Group assesses whether there are any indications of impairment of interest in an associate at the end of each reporting period. Investments in an associates and investment in a joint venture are subject to an additional impairment loss. This process requires management's estimate of future cash flows generated by the associate and a joint venture. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write down is charged against the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

As at 31 December 2022, the Group had interest in an associate and interest in a joint venture with carrying amount of nil and RMB135,729,000 respectively and an accumulated impairment loss of RMB245,847,000 and nil respectively was recognised in respect of the Group's interest in an associate. Further details of interests in an associate is disclosed in note 21 and note 28.

Estimation of fair value of financial instruments not traded in an active market

As at 31 December 2022, financial instruments, including the financial assets at FVTPL and bills receivables that are not traded in an active market carried at fair value of RMB260,725,000 and RMB284,431,000 respectively. The fair values are determined by using valuation techniques, details of which are set out in note 22 and note 25.

Allowance of inventories

The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and realisability of the inventories. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the inventories and allowance for inventories in the year in which such estimate has been changed. As at 31 December 2022, the carrying amount of inventories is approximately RMB900,711,000 (2021: RMB1,088,205,000) (note 23).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred tax assets

As at 31 December 2022, deferred tax assets of RMB83,462,000 (2021: RMB62,866,000 (restated)) in relation to tax losses and temporary differences set out in note 19 has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining unused tax losses of RMB178,029,000 (2021: RMB163,279,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material adjustment of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such an adjustment takes place.

Estimation of impairment of trade receivables and other items within the scope of ECL under IFRS 9

The Group makes allowances on items subjects to ECL (including trade receivables, bills receivables, other receivables, other receivables from a joint venture, loans to third parties, restricted bank deposits and bank balances and cash) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 4.19. The carrying amounts of trade receivables, bills receivables, other receivables, other receivables from a joint venture, loans to third parties, restricted bank deposits and bank balances and cash at the reporting date is set out in notes 24, 25, 26, 20 and 27 respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL under IFRS 9 and credit losses in the periods in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment, as disclosed in note 15. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment test of items of property, plant and equipment and right-of-use assets

Management estimates the recoverable amount of items of property, plant and equipment and right-of-use assets when an indication of impairment exists. This requires an estimation of higher of the value in use and fair value less costs of disposal of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The carrying values of property, plant and equipment at 31 December 2022 were RMB5,351,770,000 (2021: RMB5,103,415,000 (restated)). Further details are included in Note 15 to the consolidated financial statements.

Estimation of fair value of properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2022, the carrying amounts of the Group's investment properties carried at fair value are RMB66,576,000 (2021:RMB66,215,000). Details of the fair value measurements are disclosed in note 16.

6. REVENUE

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

Disaggregation of revenue from contracts with customers

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

Segments	**For the year ended 31 December 2022**		
	Paper products RMB'000	**Electricity and steam RMB'000**	**Total RMB'000**
Timing of revenue recognition			
— At a point in time	**9,133,329**	**404,900**	**9,538,229**
Geographical markets			
— PRC	**8,935,590**	**404,900**	**9,340,490**
— Overseas	**197,739**	**—**	**197,739**

Segments	For the year ended 31 December 2021		
	Paper products RMB'000	Electricity and steam RMB'000	Total RMB'000
Timing of revenue recognition			
— At a point in time	7,684,546	297,685	7,982,231
Geographical markets			
— PRC	7,428,251	297,685	7,725,936
— Overseas	256,295	—	256,295

7. SEGMENT INFORMATION

(a) Reportable 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.

For the year ended 31 December 2022

	Paper products							
	White top linerboard RMB'000	Coated-white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Corrugated paper RMB'000	Subtotal RMB'00	Electricity and steam RMB'000	Total RMB'000
Revenue from external customers	1,954,014	2,368,916	775,556	2,074,914	1,959,929	9,133,329	404,900	9,538,229
Inter-segment revenue							933,906	933,906
Segment revenue						9,133,329	1,338,806	10,472,135
Segment profit						1,114,095	120,021	1,234,116

For the year ended 31 December 2021

	Paper products							
	White top linerboard RMB'000	Coated-white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000 (restated)	Corrugated paper RMB'000	Subtotal RMB'000 (restated)	Electricity and steam RMB'000	Total RMB'000 (restated)
Revenue from external customers	1,790,888	2,440,506	791,650	1,566,763	1,094,739	7,684,546	297,685	7,982,231
Inter-segment revenue							640,074	640,074
Segment revenue						7,684,546	937,759	8,622,305
Segment profit						1,505,247	9,484	1,514,731
Other segment information:								
Impairment loss on property, plant and equipment	–	–	–	–	–	(31,099)	–	(31,099)

7. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment revenue and results (Continued)

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 4. Segment profit represents the gross profit earned by each paper product category and the profit before income tax earned by electricity and steam segment. The Group does not allocate certain other income, certain other gains or losses, distribution and selling expenses, certain administrative expenses, gain/(loss) on fair value changes of an investment property, certain finance costs, share of loss of a joint venture and share of loss of an associate 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:

	2022 RMB'000	2021 RMB'000 (restated)
Profit		
Segment profit	**1,234,116**	1,514,731
Unrealised (profit)/loss on inter-segment sales	**(107,711)**	14,245
	1,126,405	1,528,976
Administrative expenses	**(414,502)**	(486,337)
Other income	**316,168**	280,564
Other gains or losses	**2,465**	(75,631)
Distribution and selling expenses	**(401,795)**	(339,582)
Finance costs	**(143,820)**	(129,587)
Provision for ECL on financial asset, net	**(27,333)**	(16,691)
Gain/(Loss) on fair value changes of an investment property	**361**	(5,761)
Share of loss of an associate	**(54,983)**	—
Share of loss of a joint venture	**(44,087)**	(8,669)
Consolidated profit before income tax	**358,879**	747,282

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.

7. SEGMENT INFORMATION (Continued)

(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 6.

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

8. OTHER INCOME AND OTHER GAINS OR LOSSES

	2022 RMB'000	2021 RMB'000
Other income:		
Interest income on:		
Bank deposits	29,867	24,622
Loans to third parties	4,532	1,455
The balance with a joint venture (note i)	22,957	21,442
Total interest income	57,356	47,519
Rental income from an investment property and other properties	3,159	3,387
Hotel and catering services income	3,137	3,974
Logistics services income	8,316	11,911
Government grants (note ii)	246,036	232,237
	318,004	299,028
Other gains or losses:		
Gain from sale of scrap materials, net	7,108	28,958
Impairment loss on property, plant and equipment (note 15(iii))	—	(31,099)
Impairment loss of investment in an associate	(245,847)	—
Change in the fair value of FVTPL	241,169	—
Loss on disposal and written off of property, plant and equipment	(12,321)	(34,798)
Net foreign exchange losses	(2,374)	(4,341)
Others (note iii)	15,752	(24,861)
	3,487	(66,141)

8. OTHER INCOME AND OTHER GAINS OR LOSSES (Continued)

Notes:

i. During the year ended 31 December 2022, the Group earned interest income from other receivable from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd) at a weighted average effective interest rate of 6.00% per annum (2021: 6.00% per annum), unsecured and repayable after 12 months from the end of the reporting period.

ii. During the year ended 31 December 2022, the Company's subsidiary, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd) ("Century Sunshine") was granted and received unconditional government subsidy of approximately RMB206,777,000 (2021: RMB194,148,000) 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 2021, certain inventories were damaged in a fire accident occurred at a warehouse. The carrying amount of the damaged inventories amounted to RMB28,778,000 were written off.

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on:		
Discounted bills financing	38,009	57,580
Bank and other borrowings wholly repayable within five years	155,954	131,687
Lease liabilities	815	115
Corporate bond	–	4,292
	194,778	193,674
Less: Interest capitalised in construction in progress	(25,434)	(44,454)
	169,344	149,220

Borrowing costs capitalised during the year ended 31 December 2022 arose from the general borrowing pool and were calculated by applying a capitalisation rate ranging from 4.35% to 6.20% (2021: 4.06% to 6.20%) per annum to expenditure on construction in progress.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Directors' emoluments, disclosed pursuant to the Listing Rules, Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Performance related incentive payments RMB'000 (Note i)	Total emoluments RMB'000
2022					
Executive directors:					
Wang Dongxing *(Chairman)*	50	801	63	1,000	1,914
Shi Weixin	50	221	–	–	271
Zhang Zengguo	50	37	16	500	603
Wang Changhai *(General Manager)*	50	512	45	800	1,407
Ci Xiaolei	50	413	45	500	1,008
Non-executive directors:					
Wu Rong	50	–	–	–	50
Independent non-executive directors:					
Wang Zefeng	50	–	–	–	50
Jiao Jie	86	–	–	–	86
Shan Xueyan	86	–	–	–	86
	522	1,984	169	2,800	5,475

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Performance related incentive payments RMB'000 (Note i)	Total emoluments RMB'000
2021					
Executive directors:					
Wang Dongxing *(Chairman)*	50	22,665	63	3,800	26,578
Shi Weixin	50	2,163	–	–	2,213
Zhang Zengguo	50	542	26	400	1,018
Wang Changhai *(General Manager)*	50	4,936	33	2,800	7,819
Ci Xiaolei	50	496	33	2,400	2,979
Non-executive directors:					
Wu Rong	50	–	–	–	50
Independent non-executive directors:					
Wang Zefeng	50	–	–	–	50
Jiao Jie	83	–	–	–	83
Shan Xueyan	83	–	–	–	83
	516	30,802	155	9,400	40,873

Notes:

i. The performance related incentive payments is determined based on the Group's operating results, individual performance and prevailing market conditions.

ii. Salaries and other benefits included previous salary tax and dividend tax paid by the Group.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid individuals of the Group during the year, including 3 directors (2021: 4 directors), details of their emoluments are set out above. The emoluments of the remaining 2 individuals (2021: 1 individual) individual during the year are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other allowances	**2,789**	3,425
Retirement benefits schemes contributions	**135**	34
	2,924	3,459

The above employees' emoluments were within the following band:

	2022	2021
HK$1,000,001 to HK$1,500,000	**2**	—
HK$4,000,001 to HK$4,500,000	**—**	1

During both years, no emoluments were paid by the Group to the Directors ("Directors") or the two (2021: one) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the current year.

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000 (restated)
Current tax		
PRC enterprise income tax	**132,399**	188,720
Under provision in previous year	**634**	2,232
	133,033	190,952
Deferred tax (credit)/expenses (note 19)	**(8,699)**	7,826
	124,334	198,778

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2021: 25%).

11. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2022 and 2021 as the Group sustained a loss for tax purpose.

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2022 RMB'000	2021 RMB'000 (restated)
Profit before income tax	358,879	747,282
Tax at the applicable income tax rate of 25% (2021: 25%)	89,720	186,820
Tax effect of expenses not deductible	68,327	19,435
Tax effect of share of result of a joint venture	11,022	2,167
Tax effect of share of result of an associate	13,746	—
Tax effect of non-taxable income	(66,212)	(23,573)
Under provision in previous year	634	2,232
Tax effect of timing difference not recognised	—	4,020
Utilisation of tax losses previously not recognised	(1,968)	(3,546)
Tax effect of tax losses not recognised	9,065	11,223
Tax charge for the year	124,334	198,778

Details of deferred tax charge for the current year are set out in note 19.

12. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2022 RMB'000	2021 RMB'000 (restated)
Wages and salaries	**376,819**	452,022
Retirement benefits schemes contributions (note)	**65,452**	54,073
Total staff costs (including the Directors' emoluments)	**442,271**	506,095
Auditor's remuneration	**2,052**	1,887
Cost of inventories recognised as an expense	**5,786,824**	4,955,298
Depreciation of prepaid lease payments (note 17)	**8,055**	5,528
Depreciation of property, plant and equipment		
— right-of-use assets	**74,973**	73,783
— owned assets	**307,665**	268,205
Lease charges on short term leases	**1,448**	1,712
Net foreign exchange losses	**2,374**	4,341
Provision for ECL on:		
— trade receivables	**13,439**	10,344
— other receivables	**13,894**	6,347
Research and development costs	**91,845**	43,943

Note:

At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: nil).

13. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividend declared for distribution during the year:		
2021 final dividend — HK$0.065 (2020: 2019 final dividend — Nil per share)	56,745	—
2021 special dividend — HK$0.095 (2020: Nil)	82,935	—
	139,680	—

The Directors do not recommend the payment of final dividends for the year ended 31 December 2022 (2021: a final dividend of HK6.5 cents per ordinary share and a special dividend of HK9.5 cents per share). During the year ended 31 December 2022, China Sunrise Paper Holdings Limited, Mr. Wang Dongxing and Mr. Wang Changhai, controlling shareholders of the Company have waived their entitlement to the special dividend, totalling of HK$32,675,000 (equivalents to RMB27,944,000) (2021: nil) which was deemed as an owner contribution to the Company and credited to capital reserve.

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit of RMB205,729,000 (2021: RMB556,621,000 (restated)) for the year attributable to owners of the Company, and the weighted average number of 1,014,467,000 (2021: 877,660,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2022 and 31 December 2021. The diluted earnings per share equals to the basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
As at 1 January 2021	24,545	1,594,858	4,674,902	706,403	7,000,708
Additions	—	27,625	74,531	744,590	846,746
Transfers	—	48,351	129,326	(177,677)	—
Acquisition of a subsidiary (note 48) (restated)	2,138	728	1,947	2,320	7,133
Impairment (note iii)	—	—	(21,058)	(10,041)	(31,099)
Disposals and written off	—	(7,442)	(182,723)	(1,967)	(192,132)
At 31 December 2021 and 1 January 2022 (restated)	26,683	1,664,120	4,676,925	1,263,628	7,631,356
Additions	12,666	7,289	31,798	601,717	653,470
Transfers	—	348,495	724,781	(1,073,276)	—
Disposals and written off	—	(10,265)	(50,659)	—	(60,924)
At 31 December 2022	**39,349**	**2,009,639**	**5,382,845**	**792,069**	**8,223,902**
Depreciation					
At 1 January 2021	2,870	338,422	1,979,809	—	2,321,101
Provided for the year (restated)	1,246	56,749	283,993	—	341,988
Eliminated on disposals and written off	—	(3,070)	(132,078)	—	(135,148)
At 31 December 2021 and 1 January 2022 (restated)	4,116	392,101	2,131,724	—	2,527,941
Provided for the year	2,463	61,018	319,157	—	382,638
Eliminated on disposals and written off	—	(5,273)	(33,174)	—	(38,447)
At 31 December 2022	**6,579**	**447,846**	**2,417,707**	**—**	**2,872,132**
Carrying amount					
At 31 December 2022	**32,770**	**1,561,793**	**2,965,138**	**792,069**	**5,351,770**
At 31 December 2021 (restated)	22,567	1,272,019	2,545,201	1,263,628	5,103,415

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) The above items of owned property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

	Useful lives (Years)	Residual values
Buildings	20–30	4–10%
Plant, machinery and equipment	5–20	4–15%

The right-of-use assets are depreciated as a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the respective right-of-use assets or the end of the lease terms.

(ii) Details of property, plant and equipment pledged are set out in note 43.

(iii) During the year ended 31 December 2021, the Group carried out impairment assessments of the recoverable amount of certain machinery and equipment with net carrying amount of RMB32,129,000 (before the impairment assessment), in which RMB13,914,000 are production line under paper products 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; while RMB18,215,000 are idle assets. The impairment assessments led to the recognition of an impairment loss on property, plant and equipment of RMB31,099,000 that has been recognised in the "other gains or losses" in the Group's profit or loss. After the impairment loss recognised, the recoverable amount of the related assets was approximately Nil and RMB1,030,000 for production line under paper product segment and idle assets respectively.

The valuation was determined based on value-in-use for production line and a fair value less cost of disposal for idle assets which calculated based on subsequent sales. For fair value less cost of disposal of the idle asset falls within level 2 of the fair value hierarchy on the basis of quoted prices for identical assets in markets that are not active; for value-in-use for production line, the discount rate of 7.7% used in the current estimation.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2022 and 2021, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		**Depreciation**
	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000 (restated)	**For the year ended 31 December 2022 RMB'000**
Leasehold land	**32,770**	22,567	**2,463**
Building carried at cost	**301**	501	**200**
Plant, machinery and equipment	**533,998**	606,308	**72,310**
	567,069	629,376	**74,973**

	Carrying amount		Depreciation
	As at 31 December 2021 RMB'000 (restated)	As at 1 January 2021 RMB'000	For the year ended 31 December 2021 RMB'000 (restated)
Leasehold land	22,567	21,675	1,246
Building carried at cost	501	79	227
Plant, machinery and equipment	606,308	678,618	72,310
	629,376	700,372	73,783

During the year ended 31 December 2022, the total additions to right-of-use assets included in leasehold land and building, amounting to RMB12,666,000 and Nil (2021: RMB2,138,000 (restated) and RMB649,000), respectively. The details in relation to these leases are set out in note 33.

16. INVESTMENT PROPERTY

	Completed investment property RMB'000
Fair value	
At 1 January 2021	71,976
Net decrease in fair value recognised in profit or loss	(5,761)
At 31 December 2021 and 1 January 2022	66,215
Net increase in fair value recognised in profit or loss	361
At 31 December 2022	**66,576**

The Group's investment property is commercial purpose unit located in Weifang, Shandong, the PRC, which were remeasured using significant unobservable inputs to fair value by reference to a valuation performed by Asia-Pacific Consulting and Appraisal Limited, independent qualified professional valuers as at 31 December 2022. Asia-Pacific Consulting and Appraisal Limited is a member of the Institute of Valuers. The Group's financial controller has discussion with the valuers on the valuation assumptions and valuation results for financial reporting purposes. The valuation was arrived at on the basis of capitalisation of net rental income derived from the existing tenancy agreements with allowance for the reversionary income potential of the property and by making reference to comparable sales evidence as available in the relevant market, as appropriate. The valuation and all key assumptions used in the valuation reflect market conditions at the valuation date. The resulting increase in fair value of investment property of RMB361,000 has been recognised directly in profit or loss for the year ended 31 December 2022 (2021: decrease of RMB5,761,000).

There has been no significant change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is their current use.

16. INVESTMENT PROPERTY (Continued)

The following table provides the information of fair value measurement of the Group's investment property:

Investment property held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs for fair value
Certain office part of the property in Weifang, Shandong	Level 3	Comparison approach	Market unit sales rate, using market direct comparable at RMB4,200–4,900/sq.m. (2021: RMB4,200–4,700/sq.m.)	The increase in the market unit sales rate would result in an increase in fair value.
		The key inputs are: (1) Market unit sales rate; (2) Location markdown;	Location markdown, based on location and other individual adjustment factors at 2% (2021: 2%)	The increase in the location markdown would result in a decrease in fair value.
Certain retail part of the property in Weifang, Shandong	Level 3	Income method (term and reversionary approach)	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received, of 4.5% in 2022 (2021: 4.5%)	The increase in the term yield would result in a decrease in fair value.
		The key inputs are: (1) Term yield; (2) Capitalisation rate ; and (3) Market unit rent of individual unit	Capitalisation rate, taking into account annual unit market rental income and unit market value of the comparable properties, of 5% (2021: Capitalisation rate of 5%)	The increase in the capitalisation rate would result in a decrease in fair value.
			Market unit rent, using the unit price from the existing tenancy agreement and taking into account of other individual factors of range from RMB0.67 sq.m./day to RMB0.79 sq.m./day (2021: range from RMB0.65sq.m./day to RMB0.94sq.m./day)	The increase in the market unit rent would result in an increase in fair value.

There were no transfers into or out of Level 3 during the year.

The Group's owned property interest to earn rental is measured using the fair value model and is classified and accounted for as investment property.

17. PREPAID LEASE PAYMENTS

The prepaid lease payments represent prepayments in relation to leases of land in the PRC under medium-term leases for 10–50 years. The prepaid lease payments fall into the scope of IFRS 16 as it meet the definition of right-of-use assets. The movements in their net carrying amounts are analysed as follows:

	2022 RMB'000	2021 RMB'000
Opening net carrying amount	620,999	468,946
Additions	130,251	163,347
Capitalise in construction in progress during the year	(9,563)	(5,766)
Depreciation (note 12)	(8,055)	(5,528)
Closing net carrying amount	733,632	620,999

Details of land use rights pledged are set out in note 43.

18. GOODWILL

	2022 RMB'000	2021 RMB'000 (restated)
Cost		
At 1 January	49,746	25,606
Arising from acquisition of a subsidiary (note 48)	—	24,140
At 31 December	49,746	49,746

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to three individual cash generating units ("CGUs"), including one subsidiary in electricity and steam segment ("CGU A") and two subsidiaries in Paper Products segment ("CGU B & CGU C"). The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2022 and 2021 allocated to these units are as follows:

	2022 RMB'000	2021 RMB'000 (restated)
CGU A	18,692	18,692
CGU B	24,140	24,140
CGU C	6,914	6,914
At 31 December	49,746	49,746

18. GOODWILL (Continued)

The basis of the recoverable amount of the above CGUs and its major underlying assumptions are summarised below:

CGU A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and discount rate of 9.35% (2021: 7.34%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 2% (2021: 7%). The growth rate used is based on the management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU A to exceed the aggregate recoverable amount of the CGU A.

CGU B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and discount rate of 12.5% (2021: 11.1%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 2% (2021: 2%). The growth rate used is based on the management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU B to exceed the aggregate recoverable amount of the CGU B.

CGU C

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and discount rate of 12.67% (2021: 11.16%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 1% (2021: 5%). The growth rate used is based on the management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU C to exceed the aggregate recoverable amount of the CGU C.

19. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

Deferred tax assets

	Tax loss RMB'000	Fair value adjustment on property, plant and equipment RMB'000 (restated)	Unrealised profit in inventories RMB'000	Allowance for doubtful debts RMB'000	Change in fair value of leasehold/ investment properties RMB'000	Deferred income RMB'000	Total RMB'000 (restated)
At 1 January 2021	–	13,244	1,345	24,488	2,329	10,349	51,755
Acquisition of a subsidiary (note 48)	–	3,148	–	–	–	–	3,148
Credited/(Charged) to profit or loss (note 11)	2,647	(72)	2,762	1,228	1,440	(42)	7,963
At 31 December 2021 and 1 January 2022	2,647	16,320	4,107	25,716	3,769	10,307	62,866
(Charged)/Credited to profit or loss (note 11)	(2,600)	(1,465)	(1,378)	6,231	(90)	19,898	20,596
At 31 December 2022	**47**	**14,855**	**2,729**	**31,947**	**3,679**	**30,205**	**83,462**

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment on prepaid land lease RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2021	(34,547)	(13)	(5,151)	(39,711)
(Charged)/Credited to profit or loss (note 11)	(15,802)	13	–	(15,789)
At 31 December 2021 and 1 January 2022	(50,349)	–	(5,151)	(55,500)
Charged to profit or loss (note 11)	(11,897)	–	–	(11,897)
At 31 December 2022	**(62,246)**	**–**	**(5,151)**	**(67,397)**

19. DEFERRED TAXATION (Continued)

Deferred tax liabilities (Continued)

Unrecognised deductible unused tax losses:

	2022 RMB'000	2021 RMB'000
Deductible tax losses	**178,217**	173,867
Less: available for offset future profit	**(188)**	(10,588)
Unused tax losses for which no deferred tax assets have been recognised	**178,029**	163,279

The Group has not recognised deferred tax assets on below unused tax losses, because it is not probable that the future taxable profits will be available in relevant subsidiaries to utilise the tax losses. Unused tax losses unrecognised will expire in:

	2022 RMB'000	2021 RMB'000
2022	**—**	21,510
2023	**2,627**	2,627
2024	**23,116**	23,116
2025	**71,134**	71,134
2026	**44,892**	44,892
2027	**36,260**	—
Total deductible tax losses	**178,029**	163,279

20. DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Other receivables from a joint venture (note 46(b))	429,912	385,758
Guarantee deposits for sales and leaseback obligations	23,625	13,830
Loans to third parties (note)	—	59,455
	453,537	459,043
Less: ECL allowance	(97,132)	(85,657)
	356,405	373,386

Note: The loans were made to the third parties on normal commercial terms. The amounts are unsecured, will be collected after 12 months from the end of the reporting period and carry a fixed interest at 7.8% and 8.0% respectively. During the year ended 31 December 2022, the Group has received partial payment from one party, while the remaining balances were reclassified into current portion.

The movements of gross balance of other receivables is as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Total RMB'000
Balance at 1 January 2021	18,319	269,736	288,055
Net changes on the gross amount	54,966	116,022	170,988
Balance at 31 December 2021 and 1 January 2022	73,285	385,758	459,043
Net changes on the gross amount	(49,660)	44,154	(5,506)
Balance at 31 December 2022	23,625	429,912	453,537

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

	2022 RMB'000	2021 RMB'000
At the beginning of the year	85,657	81,276
Allowance during the year	11,475	4,381
Balance at 31 December 2022	97,132	85,657

Details of the credit risks are set out in note 42(c).

21. INTEREST IN AN ASSOCIATE

	2022 RMB'000
Cost of investment in an associate	
Unlisted	300,830
Share of post-acquisition loss and other comprehensive losses	(54,983)
Impairment loss of investment in an associate (note)	(245,847)
	–

	2022 RMB'000
Cost of investment represented by:	
Cash	100,000
Issue of 115,652,359 ordinary shares (Note 38 (ii))	220,386
Fair value of profit guarantee at acquisition date (Note 22)	(19,556)
	300,830

Note:

During the year ended 31 December 2022, the Group carried out impairment assessments of the recoverable amount of cost of investment in an associate, as management has determined that indication of impairment exists at the end of the reporting period due to the operation performance of an associate was worse than expected. The impairment loss was made based on value in use, which the discount rate was 29.4%. For the background information of investment in an associate was set out in note 22.

Details of the Group's investment in an associate is as follows:

Name of entity	Form of entity	Principal place of operation and incorporation	% of interest held		Principal activity
			2022 %	2021 %	
Top Speed Energy Holding Limited ("Top Speed")	Limited incorporated	Canada	45	–	Sale of liquefied natural gas and provision of electricity, storage and related support to internet data centres

21. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of Top Speed

Summarised financial information of Top Speed is set out below, which is accounted for using equity method.

	2022 RMB'000
Current asset	82,548
Non-current asset	1,652
Current liabilities	(95,883)
Non-current liabilities	(43,285)

	2022 RMB'000
Revenue	7,953
Loss and total comprehensive loss for the period	(122,324)

The Group has not incurred any contingent liabilities or other commitments relating to its investment in an associate.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

On 10 November 2021, the Group entered into a Sale and Purchase agreement ("Purchase Agreement") with two independent third parties (the "Vendors") and Vendor's guarantors ("Vendors' Guarantors") to acquired 45% equity interest in Top Speed ("Acquired Shares"), which is engaged in sale of liquefied natural gas and provision of electricity, storage and related support to internet data centres. The acquisition was completed on 21 January 2022.

According to the Purchase Agreement, the Group and the Vendors' Guarantors entered into a profit guarantee agreement, pursuant to the Company shall receive compensation shares ("Compensation Shares") and compensation cash (the "Compensation Cash") from the Vendors and the Vendors' Guarantors, if Top Speed's net profit during each of the year ended 31 December 2022, 2023 and 2024 (the "Relevant Guarantee Period"), is less than 90% but more than 70% of the guaranteed profit, respectively. If the net profit in the Relevant Guarantee Period is less than or equal to 70% of the guaranteed profit in the correspondence guarantee period, the Vendors and the Vendors' Guarantors shall repurchase the Acquired Shares and compensation share, if any, at the consideration of RMB265,000,000, RMB280,900,000 and RMB297,754,000 for the Relevant Guarantee Period, respectively, within 30 Business Days ("Business Days") from the date on which the relevant Audited Accounts ("Audited Accounts") are delivered to the Sunshine Paper Clean Energy Investment Company Limited ("Purchaser"), a company incorporated in the BVI with limited liability which is a wholly-owned subsidiary of the Company. If the net profit in the relevant guarantee period exceeds the Guaranteed Profit in the corresponding guarantee period by 110%, the Group shall within 30 Business Days from the date on which the relevant Audited Accounts are delivered to the Group transfer or procure to transfer such number of shares of the Top Speed beneficially owned by it in the relevant guarantee period ("Bonus Shares") to the Vendors' Guarantors at nominal consideration. If the transfer of the Compensation Shares in the relevant guarantee period results in the Purchaser holding more than 49% of the entire issued share capital of the Top Speed, subject to the limit below, the Vendors and the Vendors' Guarantors shall jointly and severally compensate and indemnify the remaining shortfall of the guaranteed net profits to the Purchaser by cash within thirty Business Days from the date on which the Audited Accounts in the relevant guarantee period are delivered to the Purchaser.

As at 31 December 2022, the Top Speed's net profit is less than 70% of the guaranteed profit for the year ended 31 December 2022, and the above share repurchase arrangement is classified as derivative financial instruments and measured at fair value.

The fair value of derivative financial instruments at the end of the reporting period were determined by using discounted cash flows approach, which is within level 3 of the fair value hierarchy. The key inputs into the models are as follows:

Discount rate: 5%

The significant unobservable inputs is discount rate. An increase in the discount rate would decrease the fair value.

23. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	539,204	472,671
Finished goods	361,507	615,534
	900,711	1,088,205

24. TRADE RECEIVABLES

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

	2022 RMB'000	2021 RMB'000
Trade receivables due from:		
— third parties	617,168	534,100
— a joint venture (note 46(b))	5,774	3,363
— a related party (note 46(b))	48,482	17,599
	671,424	555,062
Less: ECL allowance	(40,759)	(27,320)
	630,665	527,742

The Group normally allows a credit period of 30 to 45 days (2021: 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:

	2022 RMB'000	2021 RMB'000
0–30 days	555,367	480,414
31–90 days	59,362	29,320
91–365 days	15,936	18,008
	630,665	527,742

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

24. TRADE RECEIVABLES (Continued)

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

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**27,320**	16,976
Allowance during the year	**19,557**	10,344
Allowance reversed during the year	**(6,118)**	—
At the end of the year	**40,759**	27,320

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.

Details of the credit risks are set out in note 42(c).

25. BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Bills receivables	**284,431**	171,988

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.

The Group manages its bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling of these assets. Accordingly, notes receivable are classified as financial assets at FVOCI (recycling) in accordance with IFRS 9 and are stated at fair value. The fair value is based on the net present value as at 31 December 2022 and 2021 from expected timing of endorsements and discounting at the interest rates for the respective bills receivable. The fair value is within level 3 of the fair value hierarchy.

Included in the above balances, bills receivables of RMB105,376,000 (2021: RMB30,725,000) 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 RMB105,376,000 (2021: RMB30,725,000) was recognised for the cash received from banks (note 35).

25. BILLS RECEIVABLES (Continued)

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

	2022 RMB'000	2021 RMB'000
0–90 days	**205,646**	82,715
91–180 days	**76,848**	27,257
181–365 days	**1,937**	62,016
	284,431	171,988

Bills receivables endorsed

Not included in the period end balance, during the year, the Group has transferred bills receivables amounted to RMB772,354,000 (2021: RMB469,246,000) to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivables under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant.

The maximum exposure to loss, which is same as the amount payable by the Group to the supplier in respect of the endorsed bills, should the issuing bank fail to settle the bills on maturity date amounted to RMB772,354,000 (2021: RMB469,246,000). All the bills receivables endorsed to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

26. PREPAYMENTS AND OTHER RECEIVABLES

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

	2022 RMB'000	2021 RMB'000
Prepayments	196,452	159,458
Other receivables	301,210	83,299
	497,662	242,757
Less: ECL allowance	(4,409)	(1,990)
	493,253	240,767

An analysis of other receivables is as follows:

	2022 RMB'000	2021 RMB'000
VAT recoverable	51,936	47,849
Deposits	17,754	10,520
Guarantee deposits for sales and leaseback obligations	5,130	15,489
Advance to employees	5,642	2,166
Loan to third parties (note)	209,754	—
Others	10,994	7,275
	301,210	83,299

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

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

	2022 RMB'000	2021 RMB'000
At the beginning of the year	1,990	24
Provided during the year	2,419	1,966
At the end of the year	4,409	1,990

27. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits represent the Group's short-term bank deposits pledged to banks to secure certain bills facilities and short-term bank borrowings granted to the Group.

The restricted bank deposits carry interest at market rates which range from 0.35% to 1.5% (2021: 0.35% to 1.5%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills facilities and bank borrowings.

Bank balances carry market interest rate of 0.35% per annum as at 31 December 2022 (2021: 0.35% per annum).

Bank balances and cash at 31 December 2022 and 2021 were mainly denominated in RMB which is not a freely convertible currency in the international market. The remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

28. INTEREST IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Cost of investment in a joint venture		
Unlisted	241,800	241,800
Share of post-acquisition loss and other comprehensive losses	(99,999)	(55,360)
Recognition of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	552	552
	142,353	186,992
Less: Effect of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	(6,624)	(7,176)
	135,729	179,816

28. INTEREST IN A JOINT VENTURE (Continued)

Details of the Group's investment in Sunshine Oji are as follows:

Name of entity	Form of entity	Principal place of operation and incorporation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022 %	2021 %	2022 %	2021 %	
Sunshine Oji	Limited incorporated	PRC	60	60	60	60	Special paper production

Summarised financial information of Sunshine Oji

Summarised financial information of Sunshine Oji is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

Sunshine Oji is accounted for using the equity method in these consolidated financial statements.

	2022 RMB'000	2021 RMB'000
Current asset	352,846	413,256
Non-current asset	544,929	563,662
Current liabilities	(591,065)	(540,577)
Non-current liabilities	(70,374)	(125,608)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	40,577	51,178
Current financial liabilities (excluding trade and other payables and provisions)	(60,000)	(40,000)

* Pursuant to the joint venture agreement of Sunshine Oji, Sunshine Oji has been owned as to 60% by Shandong Century Sunshine Paper Group Co., Ltd ("Century Sunshine") and 40% by Oji F-Tex Co. Ltd ("Oji F-Tex Co"), a wholly owned subsidiary of Oji Holdings Corporation not connected to the Group. Since the governing board of Sunshine Oji is its board of directors which direct the relevant activities of Sunshine Oji, and the decisions about the relevant activities of Sunshine Oji require the unanimous consent in the board of directors of Sunshine Oji, the Directors are of the view that the Group will account for Sunshine Oji as a joint venture.

28. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of Sunshine Oji (Continued)

	2022 RMB'000	2021 RMB'000
Revenue	**750,953**	931,594
Loss and total comprehensive loss for the year	**(74,398)**	(15,369)
The above loss for the year include the following:		
Depreciation and amortisation	**30,797**	23,794
Interest income	**(270)**	(409)
Interest expense	**33,071**	30,318

Reconciliation of financial information to the carrying amount of the interest in Sunshine Oji recognised in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net assets of Sunshine Oji	**236,336**	310,733
Proportion of the Group's ownership interest in Sunshine Oji	**141,801**	186,440
Less: Effect of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	**(6,072)**	(6,624)
Carrying amount of the Group's interest in Sunshine Oji	**135,729**	179,816

29. TRADE PAYABLES

An analysis of trade payables is as follows:

	2022 RMB'000	2021 RMB'000
Trade payables due to:		
— third parties	1,107,950	1,031,161
— a joint venture	—	92
	1,107,950	1,031,253

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

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

	2022 RMB'000	2021 RMB'000
0–90 days	953,146	853,602
91–365 days	116,337	143,489
Over 1 year	38,467	34,162
	1,107,950	1,031,253

30. 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:

	2022 RMB'000	2021 RMB'000
0–90 days	134,540	147,535
91–180 days	142,910	216,826
Over 180 days	10,000	120,000
	287,450	484,361

All the bills payables are of trading nature and will be expired within twelve months (2021: twelve months) from the issue date.

31. OTHER PAYABLES

An analysis of other payables is as follows:

	2022 RMB'000	2021 RMB'000
Other payables	**129,993**	87,622
Other payables due to related parties (note 46(b))	**26,439**	26,468
VAT and other tax payable	**54,863**	47,260
Other interest payable	**13,078**	20,358
Accrued payroll and welfare	**1,196**	30,767
	225,569	212,475

32. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Amounts received in advance for sales of paper products	**68,071**	121,962

When the Group receives a deposit from customers before the production activity commences, this will give rise to contract liabilities at the inception of a contract. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

The significant decrease of contract liabilities as at 31 December 2022 mainly due to the negotiation of less prepayments from customers.

All deposits received are expected to be settled within one year.

Revenue amounting to RMB121,962,000 (2021: RMB121,761,000) recognised during the year ended 31 December 2022 relates to carried-forward contract liabilities.

33. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under lease liabilities				
— Within one year	**5,127**	2,891	**3,214**	1,354
— In more than one year but not more than two years	**4,990**	2,927	**3,229**	1,458
— In more than two years but not more than five years	**16,555**	10,000	**11,318**	5,077
— After five years	**30,156**	31,801	**23,944**	24,465
	56,828	47,619	**41,705**	32,354
Less: future finance charges	**(15,123)**	(15,265)	**—**	—
Present value of lease obligations	**41,705**	32,354	**41,705**	32,354
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,214)**	(1,354)
Amount due for settlement after 12 months			**38,491**	31,000

As at 31 December 2022, lease liabilities amounting to RMB41,705,000 (2021: RMB32,354,000) 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 2022, the total cash outflows for the leases are RMB6,539,000 (2021: RMB3,889,000).

33. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2022 and 2021, the Group has entered into leases for an office, certain residential properties, land use right and leasehold land.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Residential properties	Buildings carried at cost in "property, plant and equipment"	1 (2021:1)	1 year (2021: 2 years)	• No option to renew the lease after the end of the contract
Leasehold land	Leasehold land carried at cost in "property, plant and equipment"	5 (2021:4)	15 to 18 years (2021: 16 to 19 years)	• No option to renew the lease after the end of the contract
Land use right	Prepaid lease payments	48 (2021:42)	16 to 49.3 years (2021: 17 to 49.9 years)	• No option to renew the lease after the end of the contract

34. DEFERRED INCOME

Deferred income represents the value-added tax refund obtained for the purchase of domestically manufactured equipment and the government grants obtained in relation to the acquisition of land use rights and certain equipment.

	Value-added tax refund for the purchase of certain equipment	Government grant related to land use rights	Government grant related to certain equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	7,988	31,386	9,631	49,005
Addition	—	94,920	3,000	97,920
Released to income	(1,512)	(744)	(1,305)	(3,561)
At 31 December 2021 and 1 January 2022	6,476	125,562	11,326	143,364
Addition	—	79,755	—	79,755
Released to income	(1,512)	(2,940)	(3,797)	(8,249)
At 31 December 2022	**4,964**	**202,377**	**7,529**	**214,870**

34. DEFERRED INCOME (Continued)

The following is the analysis of the deferred income balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Current portion	8,983	6,045
Non-current portion	205,887	137,319
	214,870	143,364

35. 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:

	2022 RMB'000	2021 RMB'000
Discounted bills receivables from third parties (note a)	105,376	30,725
Discounted bills receivables from subsidiaries of the Company (note b)	1,634,577	1,343,600
Total	1,739,953	1,374,325

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 25 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 RMB1,211,300,000 (2021: RMB900,323,000) were pledged to the issuing banks.

36. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured bank borrowings	**558,751**	898,066
Unsecured bank borrowings	**2,419,749**	1,852,058
	2,978,500	2,750,124
The borrowings are repayable as follows:		
— Within one year	**2,047,827**	2,213,223
— In the second year	**691,770**	320,965
— In the third to fifth years inclusive	**238,903**	215,936
	2,978,500	2,750,124
Less: Amount due for settlement within one year and shown under current liabilities	**(2,047,827)**	(2,213,223)
Amount due after one year	**930,673**	536,901
Total borrowings		
— At fixed rates	**2,751,950**	2,141,358
— At floating rates	**226,550**	608,766
	2,978,500	2,750,124
Analysis of borrowings by currency:		
— Denominated in RMB	**2,892,230**	2,750,124
— Denominated in EUR	**86,270**	—
	2,978,500	2,750,124

Fixed-rate borrowings are charged at the rates ranging from 2.00% to 6.30% per annum as at 31 December 2022 (2021: 2.70% to 7.80% 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 2022 was 4.52% per annum (2021: 4.72% per annum).

Details of pledge of assets for the Group's secured bank borrowings are set out in note 43.

37. OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000
Current:		
Borrowings from		
— Sale and leaseback obligations (note i)	350,134	238,566
— The spouse of a director (note 46(b))	–	10,000
	350,134	248,566
Non-current:		
Borrowings from		
— Sale and leaseback obligations (note i)	403,003	250,072
— The Partnership (note ii)	50,315	50,315
	453,318	300,387
Total other borrowings	803,452	548,953
The other borrowings are repayable as follow:		
— Within one year	350,134	248,566
— In the second year	267,265	170,704
— In the third to fifth years inclusive	186,053	129,683
	803,452	548,953

Notes:

(i) During the year ended 31 December 2022, the Group entered into several sale and leaseback agreements with leasing companies for machinery and equipment ("Secured Assets") amounting to RMB552,250,000 (2021: RMB411,000,000) for a period of 2–3 years (2021: 2–3 years). Upon maturity, the Group will be entitled to purchase the Secured Assets.

Nominal interest rates underlying all these contracts are at respective contract dates ranging from 4.34% to 7.26% (2021: 4.69% to 7.26%) per annum.

Sale and leaseback obligations of RMB753,137,000 (2021: RMB488,638,000) as at 31 December 2022 were secured by certain of the Group's machineries, the total carrying amount of which at 31 December 2022 was RMB1,004,126,000 (2021: RMB606,308,000) (note 15).

(ii) In accordance with the Limited Partnership Agreement and Equity Investment Agreement, which were duly passed by way of poll at the extraordinary general meeting of the Company held on 28 December 2021 (the "EGM"), the Group would contribute up to approximately RMB395,000,000 in total to 濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業 (有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership))* (the "Partnership"), while the Partnership would contribute up to RMB500,000,000 into the Group in exchange for a subsidiary's shares. Details of the transaction are set out in the Company's circular dated 10 December 2021. As at the year ended 31 December 2022, the Partnership has contributed approximately RMB251,500,000 (2021: RMB251,500,000) to the Group, which RMB50,315,000 (2021:50,315,000) recorded as other borrowing. The Group has further approximately RMB196,315,000 (2021: RMB196,315,000) capital commitment to the Partnership, which set out in note 44.

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

38. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,000,000,000	200,000

	Number of shares	Share capital HK$'000	Shown in the consolidated financial statements RMB'000
Issued and fully paid:			
At 1 January 2021	819,362,000	81,936	73,779
Placement of shares (Note i)	85,802,000	8,580	7,165
At 31 December 2021 and 1 January 2022	905,164,000	90,516	80,944
Allotment (Note ii)	115,652,359	11,565	9,463
Shares repurchased and cancelled (Note iii)	(1,686,000)	(169)	(151)
At 31 December 2022	**1,019,130,359**	**101,912**	**90,256**

Notes:

(i) On 28 April 2021, the Company placed 85,802,000 placing shares at the placing price of HK$1.5 per placing share. A share premium, net of issuing expenses, of approximately HK$117,359,000 (equivalent to approximately RMB98,005,000) had credited to share premium account. The net proceeds of approximately HK$125,939,000 (equivalent to approximately RMB105,170,000), after deduction of transaction costs of HK$2,764,000 (equivalent to approximately RMB2,304,000), are intended to be used for the general working capital of the Group. Details of the placing of new shares were set out in the Company's announcements dated 8 April 2021 and 28 April 2021.

(ii) During the year ended 31 December 2022, the Company acquired of 45% equity interest in the Top Speed Energy Holding Limited ("Top Speed") from an independent third party, which has become an associate company of the Company. The Company has settled the consideration by allotment of 115,652,359 ordinary shares of the Company at an issue price of HK$2.329 amounting to approximately RMB220,386,000 (equivalent to approximately HK$269,354,000) and by cash of RMB100,000,000.

(iii) The Company repurchased its 1,686,000 ordinary shares of HK$0.10 each at an aggregate consideration of HK$169,000 (equivalent to approximately RMB151,000) during the year ended 31 December 2022 and all of these shares were then cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve. The premium paid on the repurchase shares was charged against the retained earnings.

39. RESERVES

Merger reserve

The merger reserve of the Company represents the difference between the consideration of the subsidiary acquired by the Group and the nominal amount of the Company's shares issued under the group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's share on the Stock Exchange.

Capital reserve

Capital reserve includes the contribution from owners of the Company as the result of debts waived by owners of the Company, discount on acquisition of subsidiaries from owners of the Company, debit reserve of acquisition of additional interest in subsidiaries from owners of the Company, and reserve arising from acquisition of additional interest in subsidiaries from non-controlling shareholders of subsidiaries.

The capital reserve, other than those arising from acquisition of subsidiaries from owners and acquisition of additional interests in subsidiaries of the Company from non-controlling shareholders of subsidiaries that were established and operated in PRC (the "PRC Companies"), may be applied for conversion into capital.

Assets revaluation reserve

Included in the balance of assets revaluation reserve at 31 December 2021 and 2022, amount of RMB4,196,000 is the fair value adjustment in respect of the interests held by the Group, arising on acquisition of 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd)* ("Shengshi Thermoelectricity"). The remaining amount of RMB2,819,000 is the fair value adjustment resulted from the revaluation of leasehold properties at the time transferred to investment properties in the year 2012.

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

Financial assets fair value reserve (recycling)

Fair value reserve (recycling) comprises the cumulative net change in the fair value of financial assets at FVOCI (less related deferred tax charge) held at the end of the reporting period.

Statutory surplus reserve/discretionary surplus reserve

In accordance with relevant PRC Company laws and regulations, the PRC companies are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under the accounting rules and regulations of PRC (the "PRC GAAP") to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the PRC companies' registered capital. Allocation to the discretionary surplus reserve shall be approved by the shareholders in general meeting.

Both surplus reserves may be used to make up losses or for conversion into capital. The PRC Companies may, upon the approval by a resolution of shareholders' general meeting, convert its surplus reserves into capital in proportion to their then existing shareholdings. However, when converting the PRC companies' statutory surplus reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Bank borrowings RMB'000	Other borrowing RMB'000	Corporate bond RMB'000	Lease liabilities RMB'000	Discounted bills financing RMB'000	Amount due to a non controlling shareholder of a subsidiary (Note 46(b)) RMB'000	Amount due to a controlling shareholder (Note 46(b)) RMB'000	Amount due to a director (Note 46(b)) RMB'000
At 1 January 2021	2,516,212	280,376	99,803	20,975	1,245,217	24,500	1,621	4,283
Cash-flows:								
– Proceeds	2,867,252	461,315	–	–	1,374,325	–	–	–
– Repayment	(2,633,340)	–	(100,000)	–	(1,245,217)	490	(143)	(4,283)
– Capital element of repayment	–	(192,738)	–	(1,059)	–	–	–	–
– Interest element of repayment	–	(18,087)	–	(1,118)	–	–	–	–
Non-cash:								
– Amortisation	–	–	197	–	–	–	–	–
– Entering into new leases	–	–	–	12,438	–	–	–	–
– Interest expenses	–	18,087	–	115	–	–	–	–
– Capitalisation	–	–	–	1,003	–	–	–	–
At 31 December 2021 and 1 January 2022	2,750,124	548,953	–	32,354	1,374,325	24,990	1,478	–
Cash-flows:								
– Proceeds	3,337,063	552,250	–	–	1,739,953	–	–	–
– Repayment	(3,108,687)	(297,751)	–	–	(1,374,325)	–	(29)	–
– Capital element of repayment	–	–	–	(3,315)	–	–	–	–
– Interest element of repayment	–	(20,257)	–	(1,776)	–	–	–	–
Non-cash:								
– Amortisation	–	–	–	–	–	–	–	–
– Entering into new leases	–	–	–	12,666	–	–	–	–
– Interest expenses	–	20,257	–	815	–	–	–	–
– Capitalisation	–	–	–	961	–	–	–	–
At 31 December 2022	**2,978,500**	**803,452**	**–**	**41,705**	**1,739,953**	**24,990**	**1,449**	**–**

(b) Material non-cash transaction

(i) Interest income

During the year ended 31 December 2022, the interest income received from a joint venture was settled through the current account of a joint venture amounted to RMB22,957,000 (2021: RMB21,442,000).

(ii) Lease liabilities

During the year ended 31 December 2022, the Group entered into new lease agreements for the use of leasehold land for six and a half years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB12,666,000 (2021: RMB2,787,000 (restated)) respectively.

(iii) Interest in an associate

During the year ended 31 December 2022, the Company acquired of 45% equity interest in the Top Speed Energy Holding Limited ("Top Speed") from an independent third party, which has become an associate company of the Company. The Company has settled the consideration by allotment of 115,652,359 ordinary shares of the Company at an issue price of HK$2.329 amounting to approximately RMB220,386,000 (equivalent to approximately HK$269,354,000) and by cash of RMB100,000,000.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the lease liabilities, discounted bills financing, bank borrowings and other borrowings disclosed in notes 33, 35, 36 and 37 respectively and equity attributable to owner of the Company, comprising issued share capital and reserves.

The Directors review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**3,672,635**	3,059,694
Financial assets at FVOCI (recycling)	**284,431**	171,988
Financial assets at FVTPL	**260,725**	—
	4,217,791	3,231,682
Financial liabilities		
Financial liabilities at amortised cost	**7,228,847**	6,488,607
Lease liabilities	**41,705**	32,354
	7,270,552	6,520,961

42. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk management

PRC subsidiaries of the Company with functional currency of RMB have certain foreign currency sales, purchases and bank balances denominated in US$, HK$, and EURO, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Assets		
US$		
Bank balances and cash	64,558	44,738
Trade receivables	22,089	41,941
Prepayment and other receivables	2,320	2,124
HK$		
Bank balances and cash	21	19
EURO		
Bank balances and cash	1,898	1,657
Liabilities		
US$		
Trade payables	14,044	29,426
Other payables	1,888	3,048
HK$		
Trade payables	108	—
EURO		
Trade payables	28,990	162
Bank borrowings	86,270	—

42. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

(i) *Foreign currency risk management* (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in US$ and EURO against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as disclosed above and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where RMB strengthens against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	Impact of US$		Impact of EURO	
	2022 RMB'000 (a)	2021 RMB'000 (a)	**2022 RMB'000 (b)**	2021 RMB'000 (b)
Increase/(Decrease) in post-tax profit for the year	**2,739**	2,112	**(4,251)**	56

(a) This is mainly attributable to the exposure outstanding on trade receivables, prepayment and other receivables, bank balances and cash and trade and other payables denominated in US$ at the end of the reporting period.

(b) This is mainly attributable to the exposure outstanding on bank balances, cash and trade payables and bank borrowings denominated in EURO at the end of the reporting period.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to its lease liabilities, discounted bills financing, fixed-rate bank and other borrowings, other receivables from joint venture and loans to third parties subject to negotiation on annual basis (see notes 33, 35, 36, 37, 20 and 26 for details). The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 36 for details), restricted bank deposits and bank balances (see note 27).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2021: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased (decreased) by 25 basis points (2021: 25 basis points) and all other variables were held constant, the Group's post-tax profit would increase (decrease) by approximately RMB4,143,000 for the year ended 31 December 2022 (2021: RMB2,839,000).

42. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bills receivables, other receivables measured at amortised costs, bank balances and cash and restricted bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

(i) Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, as set out in note 4.19, the Group assesses ECL under IFRS 9 on trade receivables based on provision matrix and an individual assessment. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. In applying the forward-looking information, the Group has taken into account of the possible impacts associated with the overall change in the economic environment arising from COVID–19. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

The Group applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables using a provision matrix. The ECL rate of collectively assessed trade receivables according to the follow table:

	2022	2021
Less than 31 days past due	0.1%	0.3%
31–365 days past due	0.3%	1.6%
Over 365 days past due	100%	100%

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

42. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk (Continued)

(ii) Other financial assets at amortised cost and debt investments at FVOCI

Other financial assets at amortised cost include other receivables, bills receivables, restricted bank deposits and bank balances and cash. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. If the credit risk of debt instruments are considered to be high, collateral are required before granting the debts to debtors.

After considering the factors as set out in note 4.19 and with reference to the discount rate of 4.75% (2021: 4.75%) and default rate of 60.95% (2021: 61.6%), which both rates have been determined by reference to a valuation performed by an independent qualified professional valuer not connected with the Group, the management is of opinion that there has been a significant increase in credit risk on other receivables from a joint venture. Therefore, the Group recognises ECL amounted to RMB97,132,000 (2021: RMB85,657,000) in relation to the other receivables from a joint venture based on lifetime ECL (stage 2) for the years ended 31 December 2022 and 2021. For remaining other receivables, there is no significant increase in credit risk since initial recognition as the risk of default is low and, thus, ECL recognised is based on 12-month ECL.

The credit risks on bills receivables, restricted bank deposits and bank balances and cash are considered to be insignificant because they are placed at financial institutions that have sound credit rating.

42. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management

The responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid cash and banking and loan facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities from time to time.

As at 31 December 2022, the Group had net current liabilities of approximately RMB1,237,377,000 (2021: RMB1,730,782,000). In consideration of the short-term fund requirement, the management has carried out a detailed and careful review of the cash flow projection and cash requirement of the Group for the next twelve months from the date of 31 December 2022. The management considers using bank and other borrowings as a significant source of finance of the Group. Although most of the existing bank facilities will expire in 2023, the management believes that they can successfully renew these facility lines based on their experience in the previous years.

Also the management considers that certain banks agreed to extend one year for certain bank borrowings amounting to RMB692,827,000 originally with the expiration dates in the year 2023 (See note 50(a)).

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 adequate liquid funds to finance the working capital and capital expenditure requirements of the Group in next twelve months.

42. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Within 1 year	1–2 years	2–5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022							
Non-derivative financial liabilities							
Fixed-rate bank borrowings (*)	4.27	1,932,818	670,432	281,518	–	2,884,768	2,751,950
Variable-rate bank borrowings (*)	4.42	166,583	72,276	–	–	238,859	226,550
Other borrowings	7.56	386,103	283,944	190,344	–	860,391	803.452
Bills payables		287,450	–	–	–	287,450	287,450
Trade payables		1,107,950	–	–	–	1,107,950	1,107,950
Other payables		169,510	–	–	–	169,510	169,510
Payables for construction work, machinery and equipment		142,032	–	–	–	142,032	142,032
Discounted bills financing		1,739,953	–	–	–	1,739,953	1,739,953
Lease liabilities	4.80	5,127	4,990	16,555	30,156	56,828	41,705
		5,937,526	1,031,642	488,417	30,156	7,487,741	7,270,552
At 31 December 2021							
Non-derivative financial liabilities							
Fixed-rate bank borrowings (*)	4.57	1,971,325	134,396	99,141	–	2,204,862	2,141,358
Variable-rate bank borrowings (*)	5.22	282,980	213,082	156,337	–	652,399	608,766
Other borrowings	6.05	272,908	181,831	131,937	–	586,676	548,953
Bills payables		484,361	–	–	–	484,361	484,361
Trade payables		1,031,253	–	–	–	1,031,253	1,031,253
Other payables		134,448	–	–	–	134,448	134,448
Payables for construction work, machinery and equipment		165,143	–	–	–	165,143	165,143
Discounted bills financing		1,374,325	–	–	–	1,374,325	1,374,325
Lease liabilities	4.80	2,891	2,927	10,000	31,801	47,619	32,354
		5,719,634	532,236	397,415	31,801	6,681,086	6,520,961

* Subsequent to the year ended 31 December 2022, certain PRC banks agreed to extend the Group's RMB692,827,000 (2021: RMB558,620,000) bank borrowings' expiration dates (originally to be repaid in year 2023) for one year (2021: (originally to be repaid in year 2022) for one year) (See note 50(a)).

Note: The contractual payments in respect of variable-rate bank borrowings are calculated based on the outstanding market rates as at the end of the reporting period.

42. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Included in above, discounted bills financing with carrying amount of approximately RMB105,376,000 (2021: RMB30,725,000) will be offset with corresponding bills receivables upon maturity.

(e) Fair value measurements

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at 31 December 2022 and 2021 in the consolidated financial statements approximate their fair values.

Fair value of financial assets and liabilities

	2022 RMB'000	2021 RMB'000	**Fair value hierarchy**	**Valuation technique and key inputs**
Bills receivable measured at FVOCI recycling	**284,431**	171,988	Level 3	Discounted cash flows Future cash flows are estimated based on discount rates which are reference to rates currently available for instruments issued by commercial banks/government with similar terms, credit risk and remaining maturities. An increase of the discount rate would decrease the fair value.
Financial assets at FVTPL	**260,725**	–	Level 3	Discounted cash flows Future cash flows are estimated based on discount rates which are reference to rates currently available for instruments issued by commercial banks/government with similar terms, credit risk and remaining maturities. An increase of the discount rate would decrease the fair value.

43. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities (including bank borrowings, other borrowings, discounted bills financing and bills payables) granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Buildings	**611,995**	691,127
Plant, machinery and equipment	**1,222,704**	302,115
Prepaid lease payments	**413,229**	284,222
Restricted bank deposits	**1,585,112**	1,293,544
	3,833,040	2,571,008

Besides the pledge of assets to secure banking facilities disclosed above, certain assets are pledged under sale and leaseback obligations.

44. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of		
— property, plant and equipment	3,673	82,171
— Investment cost in a partnership	196,315	196,315
— Investment cost in an associate	—	250,000
	199,988	528,486

45. LEASE COMMITMENTS

The Group as lessee

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

	2022 RMB'000	2021 RMB'000
Within one year	56	162

The Group as lessor

Property rental income earned during the year was RMB3,159,000 (2021: RMB3,387,000). All of the properties held have committed tenants for the next 1 to 4 years.

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

	2022 RMB'000	2021 RMB'000
Within one year	4,221	1,360
In the second to fifth year inclusive	444	1,066
	4,665	2,426

46. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with its related parties during the year:

	2022 RMB'000	2021 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary (note)	192,784	134,785
Interest income earned from a joint venture (note 8(i))	22,957	21,442
Provision of goods and services to a joint venture	18,071	54,105

Note:

The transaction fell under the definition of continuing connected transactions (as defined in the Listing Rules), details of which are disclosed in the Report of the Directors.

(b) Balances with related parties

	2022 RMB'000	2021 RMB'000
Trade receivables from		
— a joint venture (note 24)	5,113	3,089
— a non-controlling shareholder of a subsidiary (note 24)	48,405	17,315
	53,518	20,404
Other receivable from a joint venture (note ii)	332,780	300,101
Other borrowings from spouse of a director (note i)	—	10,000
Other payable due to		
— a non-controlling shareholder of a subsidiary (note i)	24,990	24,990
— a controlling shareholder (note i)	1,449	1,478
	26,439	26,468

Notes:

(i) The balance is unsecured, interest-free and repayable on demand.

(ii) The balance will be collected after 12 months from the end of the reporting period, see note 8(i) for more details.

46. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2022 RMB'000	2021 RMB'000
Short term employee benefit	8,093	46,523
Retirement benefit scheme contributions	305	259
	8,398	46,782

47. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme which are calculated based on 21% to 32% (2021: 23% to 32%) of the employee's basic salaries during the year.

There are no employees attending the retirement benefit scheme in the subsidiaries out of PRC.

48. BUSINESS COMBINATION

On 18 October 2021, China Ramble Paper Company Limited (中國遠博紙業有限公司) ("China Ramble"), an indirectly wholly-owned subsidiary of the Company and Lin Yi Qin (the "Vendor"), being independent third party, entered into equity acquisition agreement, pursuant to which the Vendor agreed to transfer 98% equity interest in Rernher Recycle Co., LTD (仁和公司) ("Rernher Recycle") to China Ramble for an aggregate consideration of RMB21,400,000.

Rernher Recycle is engaged in non-ferrous metal recycling operator. The directors of the Company considered that the acquisition of equity interest in Rernher Recycle is beneficial to the Group to ensure the stability of raw materials.

Up to the date the Group issued its consolidated financial statements as of and for the year ended 31 December 2021, the Group did not complete the purchase price allocation of this acquisition. The initial accounting for the acquisition of Rernher was determined provisionally in the consolidated financial statements as of and for the year ended 31 December 2021. During the year ended 31 December 2022, the valuation was completed. Consequently, the consolidated financial statements as of and for the year ended 31 December 2021 were restated as if the initial accounting had been completed on the acquisition date with the finalised purchase price allocation of the acquisition.

48. BUSINESS COMBINATION (Continued)

The finalised fair values of the identifiable assets and liabilities of Rernher as at the date of acquisition as follows:

	2021 RMB'000 (restated)
Right of use assets	2,138
Property, plant and equipment	4,995
Inventories	2,857
Trade and other receivables	4,925
Cash and cash equivalents	2,707
Deferred tax assets	3,148
Trade and other payables	(11,777)
Lease liabilities	(11,789)
Net liabilities recognised on the date on acquisition	(2,796)
Non-controlling interests	56
Fair value of identified net liabilities acquired	(2,740)
Cash consideration	21,400
Goodwill arising on acquisition	24,140
Net cash outflow on acquisition of a subsidiary:	
Consideration paid in cash	21,400
Cash and cash equivalent acquired	(2,707)
	18,693

Non-controlling interests

The non-controlling interests (2%) in Rernher Recycle at the acquisition date was measured by reference to the proportionate share of fair value of identified assets of the entity and amounted to RMB56,000.

48. BUSINESS COMBINATION (Continued)

Compared with the provisional purchase price allocation disclosed in the Group's consolidated financial statements as of and for the year ended 31 December 2021, the following items were restated:

	As originally stated RMB'000	As restated RMB'000	Change RMB'000
Property, plant and equipment	22,873	7,269	(15,604)
Deferred tax assets	—	3,122	3,122
Goodwill	11,800	24,140	12,340
Non-controlling interest	(196)	(54)	250

Impact of acquisition on the result of the Group

Included in the profit for the year is RMB1,891,000 for the year attributable to the additional business generated by Rernher Recycle. Revenue for the year includes RMB5,609,000 in respect of Rernher Recycle. If the acquisition had occurred on 1 January 2021, the Group's revenue would have been increased by RMB16,664,000 and profit for the year from continuing operations would have been decreased by RMB2,113,000 for the year ended 31 December 2021. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

49. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

The particulars of principal subsidiaries of the Company as at the end of the reporting period are set out as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ paid-in capital	Attributable equity interest and voting right held by the Company		Principal activities
				2022	2021	
Directly held						
China Sunshine Paper Group Limited 中國陽光紙業集團有限公司	Private limited company	British Virgin Islands	US$1	100.00%	100.00%	Investment holding
Indirectly held						
China Ramble Paper Company Limited 中國遠博紙業集團有限公司	Private limited company	Hong Kong	HK$1	100.00%	100.00%	Investment holding
Hong Kong Hao Mai Trading Co., Ltd. 香港豪邁貿易有限公司	Private limited company	Hong Kong	HK$1,000	100.00%	100.00%	Trading
山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd.) (note i)	Sino-foreign equity joint venture	PRC	US$287,008,080	99.90%	99.90%	Manufacture of paper products
昌樂新邁紙業有限公司 (Changle Numat Paper Industry Co., Ltd.) (note i)	Private limited company	PRC	RMB510,000,000	100.00%	100.00%	Manufacture of paper products
山東陽光概念包裝有限公司 (Shandong Sunshine Concept Packaging Co., Ltd.) (note i)	Private limited company	PRC	RMB200,000,000	100.00%	100.00%	Manufacture of paper products
濰坊申易物流有限公司 (Weifang Shenyi Logistic Co.,Ltd.) (note i)	Private limited company	PRC	RMB23,320,000	100.00%	100.00%	Provision for transportation services
昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.) (note i)	Private limited company	PRC	RMB539,250,000	80.00%	80.00%	Generation and supply of electricity and steam
濰坊大環再生資源有限公司 (Weifang Dahuan Waste Recovery Co., Ltd.) (note i)	Private limited company	PRC	RMB70,000,000	100.00%	100.00%	Waste materials trading

49. PARTICULARS OF SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of company	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ paid-in capital	Attributable equity interest and voting right held by the Company 2022	2021	Principal activities
上海王的實業有限公司 (Shanghai Wangreat Industrial Co., Ltd.) (note i)	Private limited company	PRC	RMB673,000,000	97.77%	97.38%	Package design
上海王的網路科技有限公司 (Shanghai Wangreat Network Technology Co., Ltd.) (note i)	Private limited company	PRC	RMB50,000,000	100.00%	100.00%	Trading of paper products
遼寧陽光天澤包裝有限公司 (Liaoning Sunshine Tianze Packaging Co., Ltd.) (note i)	Private limited company	PRC	RMB75,000,000	82.05%	82.05%	Manufacture of paper products
通化鑫隆醫藥包裝彩印有限公司 (Tonghua Xinlong Pharmaceutical Packaging Printing Co., Ltd.) (note i)	Private limited company	PRC	RMB55,000,000	60.00%	60.00%	Medicine packaging design
天津市鑫源包裝有限公司 (Tianjin Xin Yuan Packaging Co., Ltd) (note i)	Private limited company	PRC	RMB73,470,000	51.00%	51.00%	Manufacture of paper products
山東華邁紙業有限公司 (Shandong Wamat Paper Co., Ltd.) (note i)	Private limited company	PRC	RMB500,000,000	100.00%	100.00%	Manufacture of paper products
深圳王的商業保理有限公司 (Shenzhen Wangreat Commercial Factoring Co., Ltd.) (note i)	Private limited company	PRC	RMB50,000,000	100.00%	100.00%	Provision of business factoring
昌樂縣鬱金香酒店管理有限公司 (Changle Tulip Hotel Management Co., Ltd) (note i)	Private limited company	PRC	RMB10,000,000	100.00%	100.00%	Hotel operation
山東科邁生物制漿有限公司 (Shandong Kemat Paper Co., Ltd.) (note i)	Private limited company	PRC	RMB29,000,000	100.00%	100.00%	Manufacture of paper products
山東概念印刷有限公司 (Shandong Sunshine Concept Printing Co., Ltd.) (note i)	Private limited company	PRC	RMB230,000,000	100.00%	100.00%	Manufacture of paper products

49. PARTICULARS OF SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of company	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ paid-in capital	Attributable equity interest and voting right held by the Company 2022	2021	Principal activities
濱州光之美造紙有限公司 (Binzhou Guangzhimei Paper Co., Ltd.) (note i)	Private limited company	PRC	RMB5,000,000	100.00%	0%	Manufacture of paper products
漯河環創再生資源有限公司 (Luohe Huanchuang Renewable Resources Co., Ltd.) (note i)	Private limited company	PRC	RMB100,000	100.00%	0%	Trading of recycled resources
山東錦鴻佳潤供應鏈管理有限公司 (Shandong Jinhong Jiarun Supply Chain Management Co., Ltd.) (note i)	Private limited company	PRC	RMB3,000,000	100.00%	0%	Trading of paper products
昌樂晟邁機械維修有限公司 (Changle Shengmai Machinery Maintenance Co., Ltd.) (note i)	Private limited company	PRC	RMB2,400,000	100.00%	0%	Mechanical maintenance
王的數字科技(山東)有限公司 (Wangdi Digital Technology (Shandong) Co., Ltd.) (note i)	Private limited company	PRC	RMB500,000	100.00%	0%	Data processing and storage support services
RERNHER RECYCLE CO., LTD. 仁和再生資源有限公司	Private limited company	Thailand	THB60,000,000.00	98.00%	98.00%	Manufacture of paper products

Note:

(i) The English names of these companies are for reference only and have not been registered.

49. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2022 %	31.12.2021 %	31.12.2022 RMB'000	31.12.2021 RMB'000	31.12.2022 RMB'000	31.12.2021 RMB'000 (restated)
Changle Shengshi Thermoelectricity Co., Ltd. (Shengshi Thermoelectricity)	PRC	20	20	18,524	808	243,260	224,736
Individually immaterial subsidiaries with non-controlling interests						90,743	79,987
						334,003	304,723

Shengshi Thermoelectricity is a private limited company established and located in PRC. The Group has 80% ownership interest in Shengshi Thermoelectricity , which gives the Group the same percentage of voting rights in Shengshi Thermoelectricity.

49. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of a non-wholly owned subsidiary that has material non-controlling interests (Continued)

Financial information in respect of Shengshi Thermoelectricity is set out below.

	2022 RMB'000	2021 RMB'000
Current assets	**1,407,119**	1,407,597
Non-current assets	**714,253**	761,203
Current liabilities	**(723,718)**	(826,023)
Non-current liabilities	**(181,357)**	(219,098)
Equity attributable to owners of the Company	**973,037**	898,943
Non-controlling interests	**243,260**	224,736
Revenue	**1,338,807**	937,759
Expenses	**(1,246,189)**	(933,722)
Profit for the year	**92,618**	4,037
Profit attributable to owners of the Company	**74,094**	3,229
Profit attributable to the non-controlling interests	**18,524**	808
Profit for the year	**92,618**	4,037
Other comprehensive income attributable to owners of the Company	**–**	–
Other comprehensive income attributable to the non-controlling interests	**–**	–
Other comprehensive income for the year	**–**	–
Total comprehensive income attributable to owners of the Company	**74,099**	3,229
Total comprehensive income attributable to the non-controlling interests	**18,525**	808
Total comprehensive income for the year	**92,624**	4,037

49. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of a non-wholly owned subsidiary that has material non-controlling interests (Continued)

	2022 RMB'000	2021 RMB'000
Net cash inflow from operating activities	**114,914**	10,863
Net cash inflow/(outflow) from investing activities	**16,933**	(214,407)
Net cash inflow/(outflow) from financing activities	**(139,556)**	147,676
Net cash outflow	**(7,709)**	(55,868)

50. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Bank borrowings

Subsequent to the year ended 31 December 2022, certain PRC banks agreed to extend the due dates of the Group's bank borrowings of approximately RMB692,827,000 (2021: RMB558,620,000) for one year when they fall due in year 2023.

51. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2022 RMB'000	2021 RMB'000
Non-current assets		
Investment in a subsidiary	725,195	462,824
Amounts due from subsidiaries	916,702	814,200
	1,641,897	1,277,024
Current assets		
Prepayments and other receivables	2	—
Bank balances and cash	3,055	68,600
	3,057	68,600
Current liabilities		
Amounts due to subsidiaries	38,403	19,289
Amount due to a controlling shareholder	1,475	1,968
Dividend payable	7	—
	39,885	21,257
Net current (liabilities)/assets	(36,828)	47,343
Total assets less current liabilities	1,605,069	1,324,367
Capital and reserves		
Share capital	90,256	80,944
Reserves (note)	1,514,813	1,243,423
Total equity	1,605,069	1,324,367

51. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Movement in equity

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	73,779	722,957	283,277	113,535	1,193,548
Placement of shares (note i)	7,165	98,005	—	—	105,170
Profit and total comprehensive income for the year	—	—	—	25,649	25,649
At 31 December 2021 and 1 January 2022	80,944	820,962	283,277	139,184	1,324,367
Allotment (note ii)	9,463	210,923	—	—	220,386
Shares repurchased and cancelled	(151)	—	151	(3,074)	(3,074)
Dividend paid	—	—	27,944	(139,680)	(111,736)
Profit and total comprehensive income for the year	—	—	—	175,126	175,126
At 31 December 2022	**90,256**	**1,031,885**	**311,372**	**171,556**	**1,605,069**

Notes:

(i) On 28 April 2021, the Company placed 85,802,000 placing shares at the placing price of HK$1.5 per placing share. A share premium, net of issuing expenses, of approximately HK$117,359,000 (equivalent to approximately RMB98,005,000) had credited to share premium account. The net proceeds of approximately HK$125,939,000 (equivalent to approximately RMB105,170,000) are intended to be used for the general working capital of the Group. Details of the placing of new shares were set out in the Company's announcements dated 8 April 2021 and 28 April 2021.

(ii) During the year ended 31 December 2022, the Company acquired of 45% equity interest in the Top Speed Energy Holding Limited ("Top Speed") from an independent third party, which has become an associate company of the Company. The Company has settled the consideration by allotment of 115,652,359 ordinary shares of the Company at an issue price of HK$2.329 amounting to approximately RMB220,386,000 (equivalent to approximately HK$269,354,000) and by cash of RMB100,000,000.

Financial Summary

	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000	2019 RMB'000	2018 RMB'000
Results					
Revenue	**9,538,229**	7,982,231	6,673,435	6,311,200	6,585,656
Profit before income tax	**358,879**	747,282	733,683	487,745	477,940
Taxation	**(124,334)**	(198,778)	(219,694)	(128,111)	(131,450)
Non-controlling interests	**(28,816)**	8,117	(16,279)	(9,636)	(13,539)
Profit attributable to owners of the Company	**205,729**	556,621	497,710	349,998	332,951
Assets					
Non-current assets	**7,359,073**	6,876,318	5,995,476	5,590,247	5,006,467
Current assets	**4,745,351**	4,151,818	3,384,982	3,830,098	4,161,115
Total assets	**12,104,424**	11,028,136	9,380,458	9,420,345	9,167,582
Liabilities					
Non-current liabilities	**1,695,766**	1,061,107	763,296	295,319	499,500
Current liabilities	**5,982,728**	5,882,600	5,185,478	6,207,332	6,081,158
Total liabilities	**7,678,494**	6,943,707	5,948,774	6,502,651	6,580,658
Equity and reserves					
Total equity	**4,425,930**	4,084,429	3,431,684	2,917,694	2,586,924
Non-controlling interests	**(334,003)**	(304,724)	(312,914)	(296,634)	(287,030)
Equity attributable to owners of the Company	**4,091,927**	3,779,705	3,118,770	2,621,060	2,299,894