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CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

中國陽光紙業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2002)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

FINANCIAL HIGHLIGHTS

- Revenue was RMB3,572.5 million for 1H 2025, representing a decrease by approximately 9.7% from RMB3,956.6 million for 1H 2024.
- Gross profit was RMB538.6 million for 1H 2025, representing a decrease by approximately 4.9% from RMB566.4 million for 1H 2024.
- Profit attributable to the owners of the Company for 1H 2025 decreased by approximately 56.1% to RMB83.2 million, as compared to RMB189.4 million for 1H 2024.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Sunshine Paper Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (“**1H 2025**”) together with the comparative figures for the corresponding period of last year (“**1H 2024**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2025	2024
	Notes	RMB'000	RMB'000
Revenue	4 & 5	3,572,532	3,956,623
Cost of sales		(3,033,894)	(3,390,221)
Gross profit		538,638	566,402
Other income	6	80,312	173,152
Other gains or losses, net	6	(5,613)	42,707
Distribution and selling expenses		(181,185)	(186,470)
Administrative expenses		(242,965)	(222,289)
Reversal of/(Provision for) expected credit loss ("ECL") on financial assets, net		77,477	(373)
Loss on fair value changes of an investment property		(1,215)	(74)
Share of loss of a joint venture		(12,019)	(566)
Finance costs	7	(60,682)	(88,727)
Profit before income tax	9	192,748	283,762
Income tax expense	8	(86,931)	(65,848)
Profit for the period		105,817	217,914
Other comprehensive income/(expense), net of tax <i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		304	(2,402)
Fair value loss on financial assets at fair value through other comprehensive income ("FVOCI")		(277)	(72)
Total comprehensive income/(expense), net of tax		27	(2,474)
Total comprehensive income for the period		105,844	215,440
Profit for the period attributable to:			
Owners of the Company		83,184	189,440
Non-controlling interests		22,633	28,474
		105,817	217,914
Total comprehensive income for the period attributable to:			
Owners of the Company		83,211	186,966
Non-controlling interests		22,633	28,474
		105,844	215,440
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted (RMB)	11	0.08	0.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2025 RMB'000	Audited As at 31 December 2024 RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		5,958,067	5,424,744
Investment property		55,849	57,064
Prepaid lease payments		866,167	822,629
Goodwill		54,399	49,746
Deferred tax assets		64,003	88,736
Interest in an associate		—	—
Interest in a joint venture		—	127,671
Deposits for acquisition for property, plant and equipment		493,480	408,581
Financial assets at fair value through profit and loss (“FVTPL”)		167,800	251,491
Deposits and other receivables		—	323,268
		<u>7,659,765</u>	<u>7,553,930</u>
Current assets			
Biological assets		2,189	—
Inventories		686,873	506,501
Trade receivables	12	960,963	632,139
Bills receivables	13	216,125	144,973
Prepayments and other receivables		634,463	557,174
Income tax recoverable		17,552	15,898
Restricted bank deposits		1,482,473	1,562,344
Bank balances and cash		1,085,422	1,135,383
		<u>5,086,060</u>	<u>4,554,412</u>
Current liabilities			
Contract liabilities		71,415	52,135
Trade payables	14	885,063	923,085
Bills payables	15	352,471	168,960
Other payables		179,102	141,373
Payable for construction work, machinery and equipment		112,214	102,396
Income tax payables		26,502	26,601
Lease liabilities	16	5,173	5,172
Deferred income		13,953	9,427
Discounted bills financing	17	1,310,896	1,520,112
Bank borrowings	18	2,394,816	2,017,409
Other borrowings	19	144,086	212,828
		<u>5,495,691</u>	<u>5,179,498</u>
Net current liabilities		<u>(409,631)</u>	<u>(625,086)</u>
Total assets less current liabilities		<u>7,250,134</u>	<u>6,928,844</u>

		Unaudited As at 30 June 2025 RMB'000	Audited As at 31 December 2024 RMB'000
	<i>Notes</i>		
Capital and reserves			
Share capital	20	94,581	94,581
Reserves		4,843,009	4,758,247
Equity attributable to owners of the Company		4,937,590	4,852,828
Non-controlling interests		456,304	447,172
Total equity		5,393,894	5,300,000
Non-current liabilities			
Lease liabilities	16	47,184	51,183
Bank borrowings	18	1,453,334	1,280,891
Other borrowings	19	23,680	163
Deferred income		253,855	221,711
Deferred tax liabilities		78,187	74,896
		1,856,240	1,628,844
Total equity and non-current liabilities		7,250,134	6,928,844

NOTES

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The Group has net current liabilities of approximately RMB409,631,000 as at 30 June 2025. The directors of the Company (the “Directors”) have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the reporting date. In addition, although most of the existing bank facilities will expire within twelve months, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional bank borrowing facilities as necessary. Therefore, the Directors are of the opinion that, taking into account the present available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2024.

3. MATERIAL ACCOUNTING POLICIES

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

The condensed consolidated interim financial statements for the six months ended 30 June 2025 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the Amendments to IAS 21 “Lack of Exchangeability” which are effective as of 1 January 2025.

The amendments to IAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. Besides, the amendments also require an entity to disclose additional information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

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

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

4. REVENUE

Disaggregation of revenue from contracts with customers

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

Segments	Unaudited For the six months ended 30 June 2025		
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition			
— At a point in time	<u>3,365,539</u>	<u>206,993</u>	<u>3,572,532</u>
Geographical markets			
— People's Republic of China ("PRC")	3,322,060	206,993	3,529,053
— Oversea	<u>43,479</u>	<u>—</u>	<u>43,479</u>
Segments	Unaudited For the six months ended 30 June 2024		
	Paper products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Timing of revenue recognition			
— At a point in time	<u>3,729,815</u>	<u>226,808</u>	<u>3,956,623</u>
Geographical markets			
— PRC	3,671,073	226,808	3,897,881
— Oversea	<u>58,742</u>	<u>—</u>	<u>58,742</u>

5. SEGMENT INFORMATION

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

(a) Segment revenue and results

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

Unaudited								
For the six months ended 30 June 2025								
Paper products								
	White top linerboard <i>RMB'000</i>	Coated- white top linerboard <i>RMB'000</i>	Core board <i>RMB'000</i>	Specialised paper products <i>RMB'000</i>	Corrugated paper <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	671,499	817,174	276,977	819,623	780,266	3,365,539	206,993	3,572,532
Inter-segment revenue						—	387,878	387,878
Segment revenue						<u>3,365,539</u>	<u>594,871</u>	<u>3,960,410</u>
Segment profit						<u>449,403</u>	<u>175,601</u>	<u>625,004</u>

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

(b) Reconciliation of segment profit

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

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Profit		
Segment profit	625,004	657,124
Unrealised profit on inter-segment sales	(80,271)	(86,316)
	544,733	570,808
Other income	79,987	172,264
Other gains or losses, net	(29,125)	20,561
Distribution and selling expenses	(181,185)	(186,470)
Administrative expenses	(237,374)	(215,854)
Reversal of/(Provision for) ECL on financial assets, net	77,477	(373)
Loss on fair value changes of an investment property	(1,215)	(74)
Share of loss of a joint venture	(12,019)	(566)
Finance costs	(48,531)	(76,534)
Consolidated profit before income tax	192,748	283,762

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

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

6. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Interest income on:		
Bank deposits	19,070	33,589
Loan to third parties	4,175	6,181
The balance with a joint venture (<i>note i</i>)	7,705	9,249
Total interest income	30,950	49,019
Government grants (<i>note ii</i>)	33,894	114,882
Rental income	1,623	890
Hotel and catering service income	2,227	2,400
Logistics service income	11,618	5,961
	80,312	173,152
Other gains or losses, net:		
Gain from sale of scrap materials, net	20,883	16,642
Change in fair value of financial assets at FVTPL	(83,691)	(870)
Change in fair value of biological assets	165	145
Loss on disposal and written-off of property, plant and equipment	(1,631)	(3,457)
Net foreign exchange losses	(13,548)	(3,672)
Sale of carbon emission allowances (<i>note iii</i>)	18,453	22,712
Gain on waiver of consideration payable	29,196	—
Gain on step acquisition of a joint venture	11,848	—
Others	12,712	11,207
	(5,613)	42,707

Notes:

- i. The Group earned interest income from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd)* (“Sunshine Oji”), a joint venture of the Group, at a weighted average effective interest rate of 4.79% per annum (six months ended 30 June 2024: 4.79% per annum), unsecured and repayable after 12 months up to 26 June 2025 (the date of consolidation of Sunshine Oji). Since 26 June 2025, Sunshine Oji became the wholly-owned subsidiary of the Company.
- ii. During the six months ended 30 June 2025, the Group were granted and received unconditional government subsidies of approximately RMB27,680,000 (six months ended 30 June 2024: RMB76,534,000) from local government, the amounts of which were determined by reference to the amount of value-added tax paid.
- iii. During the six months ended 30 June 2025, the Company’s subsidiary, 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd)* disposed of its surplus carbon emission allowances of approximately RMB18,453,000 (six months ended 30 June 2024: RMB22,712,000) through the China’s National Emissions Trading System.

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

7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Interest expenses on:		
discounted bills financing	8,633	12,535
bank and other borrowings	67,525	80,775
lease liabilities	1,281	1,406
	<u>77,439</u>	<u>94,716</u>
Less: Interest capitalised in construction in progress	<u>(16,757)</u>	<u>(5,989)</u>
	<u>60,682</u>	<u>88,727</u>

Borrowing costs capitalised during the six months ended 30 June 2025 arose on the general borrowing pool and were calculated by applying capitalisation rates ranging from 4.79% to 5.34% (six months ended 30 June 2024: 4.79% to 5.28%) per annum to expenditure on construction in progress.

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Current income tax		
PRC Enterprise Income Tax	61,332	83,807
Deferred tax expense	25,599	(17,959)
	<u>86,931</u>	<u>65,848</u>

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the PRC subsidiaries of the Group is 25% from 1 January 2008 onwards.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2025 and 2024 as the Group sustained a loss for tax purpose.

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Wages and salaries	230,236	199,230
Retirement benefits schemes contributions	36,412	34,322
	<hr/>	<hr/>
Total staff costs (including directors' emoluments)	266,648	233,552
	<hr/>	<hr/>
Amortisation of prepaid lease payments	8,651	8,650
Cost of inventories recognised as an expense	2,409,957	2,425,845
Depreciation of property, plant and equipment		
— right-of-use assets	3,645	3,354
— owned assets	217,454	223,793
Research and development expenses	2,433	614
	<hr/> <hr/>	<hr/> <hr/>

10. DIVIDENDS

During the six months ended 30 June 2025, a final dividend of HK5 cents per ordinary share, totalling of HK\$53,257,000 (equivalents to RMB49,316,000) in respect of the year ended 31 December 2024 was approved to the equity shareholders of the Company whose names appear in the register of members on 11 July 2025 (six months ended 30 June 2024: no final dividend in respect of the year ended 31 December 2023 was approved and paid to the equity shareholders of the Company).

The board of directors resolved not to declare an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2025 was based on the profit of RMB83,184,000 (six months ended 30 June 2024: RMB189,440,000) for the period attributable to owners of the Company, and the weighted average number of approximately 1,065,144,000 (six months ended 30 June 2024: 1,065,144,000) ordinary shares in issue during the six months ended 30 June 2025.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2025 and 2024. The basic earnings per share equals to the diluted earnings per share.

12. TRADE RECEIVABLES

The Group normally allows a credit period of 30 to 45 days to its trade customers with trading history, otherwise sales on cash terms are required. The following is an ageing analysis of trade receivables, net of ECL allowance, based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
0–30 days	666,439	418,510
31–90 days	219,113	159,846
91–365 days	75,411	53,783
	<u>960,963</u>	<u>632,139</u>

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

	Unaudited	Audited
	Six months	Year
	ended	ended
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
At the beginning of the period/year	30,104	43,582
Allowance recognised during the period/year	322	3,393
Step acquisition of a joint venture	(1,968)	—
Allowance reversed during the period/year	—	(694)
Deregistration of a subsidiary	—	(7,766)
Written off	—	(8,411)
	<u>28,458</u>	<u>30,104</u>
At the end of the period/year	<u>28,458</u>	<u>30,104</u>

13. BILLS RECEIVABLES

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
0–90 days	153,300	89,550
91–180 days	62,825	55,352
181–365 days	—	71
	216,125	144,973

As at 30 June 2025, the Group has bills receivables of RMB28,597,000 (31 December 2024 (Audited): RMB112,000), which were discounted to banks with recourse. These bills receivables were not derecognised as the title of these bills receivables were not transferred to the banks. On the other hand, the Group has recognised the cash received upon the discounting as discounted bills financing.

14. TRADE PAYABLES

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
0–90 days	702,257	738,272
91–365 days	106,160	116,559
Over 1 year	76,646	68,254
	885,063	923,085

15. BILLS PAYABLES

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

	Unaudited As at 30 June 2025 <i>RMB'000</i>	Audited As at 31 December 2024 <i>RMB'000</i>
0–90 days	204,871	82,890
91–180 days	147,600	86,070
	<u>352,471</u>	<u>168,960</u>

All the bills payables are of trading nature and will be expired within twelve months (31 December 2024 (Audited): twelve months) from the issue date.

16. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	Unaudited As at 30 June 2025 <i>RMB'000</i>	Audited As at 31 December 2024 <i>RMB'000</i>	Unaudited As at 30 June 2025 <i>RMB'000</i>	Audited As at 31 December 2024 <i>RMB'000</i>
Amounts payable under lease liabilities				
Within one year	5,929	5,944	5,173	5,172
More than one year but not more than two years	5,834	5,833	4,912	4,909
More than two years but not more than five years	10,385	13,345	7,859	10,438
After five years	50,474	52,780	34,413	35,836
	<u>72,622</u>	77,902	52,357	56,355
Less: Future finance charges	(20,265)	(21,547)	—	—
Present value of lease liabilities	<u>52,357</u>	<u>56,355</u>	52,357	56,355
Less: Amount due for settlement within 12 months (shown under current liabilities)			(5,173)	(5,172)
Amount due for settlement after 12 months			<u>47,184</u>	<u>51,183</u>

As at 30 June 2025, lease liabilities amounting to RMB52,357,000 (31 December 2024 (Audited): RMB56,355,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the current interim period, the total cash outflows for the leases are RMB6,247,000 (six months ended 30 June 2024: RMB5,926,000).

17. DISCOUNTED BILLS FINANCING

	Unaudited As at 30 June 2025 RMB'000	Audited As at 31 December 2024 RMB'000
Discounted bills receivables from third parties (<i>note a</i>)	28,597	112
Discounted bills receivables from subsidiaries of the Company (<i>note b</i>)	<u>1,282,299</u>	<u>1,520,000</u>
Total	<u>1,310,896</u>	<u>1,520,112</u>

Notes:

- a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 13, since the title of receivables was not transferred to the lending banks.
- b. These borrowings arose from discounting, with recourse, of intra-group bills receivables, from one component to another of the Group. The Group continues to recognise the carrying amount of the underlying bills receivables since the title of receivables was not transferred to the lending banks. However, the corresponding intra-group bills receivables were eliminated in consolidation against the original bills payables from the bill issuing component of the Group. The elimination is based on the Directors' judgment that the risk and reward associated with these intra-group bills receivables and bills payable remain within the Group. In obtaining the original intra-group bills, bank deposits of RMB1,024,930,000 (31 December 2024 (Audited): RMB1,092,235,000) were pledged to the issuing banks.

18. BANK BORROWINGS

During the six months ended 30 June 2025, the Group obtained new loans amounting to RMB2,311,813,000 (six months ended 30 June 2024: RMB1,745,921,000), and repaid loans amounting to RMB1,891,919,000 (six months ended 30 June 2024: RMB1,703,279,000). The newly raised loans bear interest from 1.50% to 4.79% per annum (six months ended 30 June 2024: 1.60% to 4.75%). At 30 June 2025, certain of the Group's property, plant and equipment, land use rights and investment property of RMB2,344,154,000 (31 December 2024 (Audited): RMB1,908,741,000) were pledged to secure bank borrowings granted to the Group.

19. OTHER BORROWINGS

	Unaudited As at 30 June 2025 RMB'000	Audited As at 31 December 2024 RMB'000
Current:		
Borrowings from		
— Sale and leaseback obligations (<i>note i</i>)	68,771	137,513
— The Partnership (<i>note ii</i>)	75,315	75,315
	<u>144,086</u>	<u>212,828</u>
Non-current:		
Borrowings from		
— Sale and leaseback obligations (<i>note i</i>)	23,680	163
Total other borrowings	<u>167,766</u>	<u>212,991</u>

Notes:

- (i) Nominal interest rates underlying all these contracts are at respective contract dates ranging from 4.34% to 7.5% (31 December 2024 (Audited): 4.34% to 7.5%) per annum.
- (ii) In accordance with the Limited Partnership Agreement and Equity Investment Agreement, which were duly passed by way of poll at the extraordinary general meeting of the Company held on 28 December 2020 (the “EGM”), the Group would contribute up to RMB395,000,000 in total to 濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業 (有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership))* (the “Partnership”), while the Partnership would contribute up to RMB500,000,000 into the Group in exchange for a subsidiary’s shares. Details of the transaction are set out in the Company’s circular dated 10 December 2020. As at 30 June 2025, the Partnership has contributed RMB276,500,000 (31 December 2024 (Audited): RMB276,500,000) to the Group, which RMB75,315,000 (31 December 2024 (Audited): RMB75,315,000) recorded as other borrowing. The Group has further RMB196,315,000 (31 December 2024 (Audited): RMB196,315,000) capital commitment to the Partnership, which set out in note 21.

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

20. SHARE CAPITAL

		Number of shares	Share capital HK\$'000
Authorised:			
Ordinary shares of HK\$0.10 each			
At 1 January 2024, 31 December 2024, 1 January 2025 (audited) and 30 June 2025 (unaudited)		<u>2,000,000,000</u>	<u>200,000</u>
			Shown in the condensed consolidated statement of financial position RMB'000
	Number of shares	Share capital HK\$'000	
Issued and fully paid:			
At 1 January 2024 (audited)	1,129,854,359	112,984	100,445
Share repurchased and cancelled (<i>note i</i>)	<u>(64,710,000)</u>	<u>(6,471)</u>	<u>(5,864)</u>
At 31 December 2024, 1 January 2025 (audited) and 30 June 2025 (unaudited)	<u>1,065,144,359</u>	<u>106,513</u>	<u>94,581</u>

Note:

- (i) In 2023, the Company repurchased 115,986,000 of its own ordinary shares from the market. The Company cancelled 51,276,000 shares in 2023 and further cancelled 64,710,000 ordinary shares during the year ended 31 December 2024. The nominal value of the cancelled shares was credited to the capital redemption reserve. The premium paid on the repurchase shares was charged against the retained earnings.

21. CAPITAL COMMITMENTS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted for in the condensed consolidated interim financial statements in respect of acquisition of:		
— property, plant and equipment	38,856	33,796
— investment cost in a partnership	196,315	196,315
	235,171	230,111

22. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

BUSINESS REVIEW

In 1H 2025, the international environment was complex and volatile. The coexistence of geopolitical tensions and tariff disruptions led to increased instability and uncertainties, leaving the global economy exposed to various challenges and intensified downside risks. The overall domestic economy remained generally stable, but the momentum for demand increase had yet to be shored up and there were new challenges in promoting further economic restructuring. The manufacturing sector demonstrated strong resilience, but continued to face structural issues such as overcapacity and insufficient demand, putting pressure on the operations of the paper and paper products industry. According to data from the National Bureau of Statistics, from January to June 2025, industrial enterprises above a designated size nationwide achieved a total profit of RMB3,436.50 billion, representing a year-on-year decrease of 1.8%. Among them, the paper and paper products industry achieved a total profit of RMB17.57 billion, representing a year-on-year decrease of 21.4%; in terms of operating revenue, industrial enterprises above a designated size achieved operating revenue of RMB66.78 trillion, representing a year-on-year increase of 2.5%. Among them, the paper and paper products industry achieved operating revenue of RMB681.21 billion, representing a year-on-year decrease of 2.3%, which was in contrast to the overall revenue growth rate of industrial enterprises above a designated size. With decreased profit and operating revenue, the paper and paper products industry has been in a difficult position.

Notwithstanding the internal and external pressures, under the management theme of “innovation, reformation, cost reduction and implementation” set at the beginning of the year, the Company has implemented an innovation strategy to align with market demand, improve procurement management, deepen internal management reforms, accelerate digital transformation and optimize supply chain management. Guided by refined management principles, the Company has also expedited the multi-faceted refined management ranging from production, marketing, financial accounting, management processes to systems and procedures, enabling it to realize sustained healthy operations.

In 1H 2025, under the pressure of intensifying homogeneous competition and growing industry-wide involutions, the Company encountered challenges in terms of revenue and profitability, with machine-made paper sales volume of 0.967 million tons, representing a decrease of 4.73% as compared to 1.015 million tons for the same period last year; operating revenue of RMB3.57 billion, representing a decrease of 9.7% as compared to RMB3.96 billion for the same period last year; and profit attributable to owners of the Company of RMB83.18 million, representing a decrease of 56.1% as compared to RMB189.44 million for the same period last year. Benefiting from its long-standing internal foundational management, the Company’s comprehensive management capabilities have been improved continuously, with current ratio improved from 0.88 as at the end of 2024 to 0.93 as at the end of the current period. Additionally, due to the adoption of a multi-channel strategy to effectively reduce finance costs, despite the decline in revenue, the proportion of finance costs to revenue decreased from 2.2% for

the same period last year to 1.7% for the current period, representing a significant decrease in finance costs. Affected by the overall industry environment and the acquisition of Sunshine Oji (Shouguang) Specialty Paper Co., Ltd.* (陽光王子(壽光)特種紙有限公司, “**Sunshine Oji**”), the Company’s inventory turnover rate decreased from 5.3 times for the same period last year to 5.08 times for the current period, but remained at a relatively high level in the industry, which effectively controlled tied-up capital in the inventory and improved the capital efficiency of the Company.

BUSINESS OUTLOOK

Looking ahead to the second half of the year, it is expected the paper industry will continue to experience severe “involutions” and show a competitive landscape evolving towards optimization and differentiation. On the one hand, the intensified industry competition will drive further elimination of outdated production capacity; on the other hand, the increasingly tightened environmental policies will prompt further optimization of resource allocation within the paper industry. Committed to deepening its presence in each market segment, the Company endeavors to produce high-quality and multi-purposed packaging paper, including white top linerboard, coated-white top linerboard, core board and corrugated paper. It adheres to a differentiated competition strategy and deepens its market presence in each segment, aiming to meet diversified customer needs. Besides, the Company attaches great importance to environmental protection in order to fulfil its social responsibilities and improve corporate governance. Aligning social benefits with ecological benefits, the Company is on the way to continuously improving its capabilities for green, sustainable, healthy and solid development.

Focusing on the packaging paper sector, the Company continuously expands the specialty paper market and has acquired 40% equity interest in Sunshine Oji, thereby making it a wholly-owned subsidiary. The acquisition is highly conducive to enhancing the management efficiency of the Company and subsequently fostering synergies with Shandong Xianhua New Materials Technology Co., Ltd. (山東顯華新材料科技有限公司). With the increasing efforts in independent innovation, the Company will improve its research and development system and innovatively launch various new specialty paper products to improve its market share, contribute to the Company’s revenue and profits in the future and further boost its competitive edge.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For 1H 2025, our Group's total revenue was RMB3,752.5 million, representing a decrease of 9.7% as compared to that of RMB3,956.6 million for 1H 2024. The decrease in revenue mainly resulted from the decrease in sales price and sales volume.

Sales volume of paper products decreased during 1H 2025. Sales of paper products decreased by 9.8% to RMB3,365.5 million for 1H 2025 with sales volume of around 966,600 tonnes, as compared to that of RMB3,729.8 million and around 1,014,600 tonnes for 1H 2024.

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

	1H 2025			1H 2024		
	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>GP margin (%)</i>	<i>% of total revenue</i>
White top linerboard	671,499	17.0	18.8	757,880	16.5	19.2
Coated-white top linerboard	817,174	14.4	22.9	931,273	13.8	23.5
Core board	276,977	19.5	7.8	289,329	18.2	7.3
Specialised paper products	819,623	9.9	22.9	880,807	11.2	22.3
Corrugated paper	780,266	10.6	21.8	870,526	7.9	22.0
Subtotal of sales of paper products	3,365,539	13.4	94.2	3,729,815	12.7	94.3
Sales of electricity and steam	206,993	29.5	5.8	226,808	28.0	5.7
Total revenue	3,572,532	15.1	100	3,956,623	14.3	100

Cost of sales

Cost of sales was RMB3,033.9 million for 1H 2025, representing an decrease of 10.5% as compared with that of RMB3,390.2 million for 1H 2024. The decrease in cost of sales was consistent with the decrease in revenue.

Gross profit and gross profit margin

The gross profit of our Group decreased from RMB566.4 million for 1H 2024 to RMB538.6 million for 1H 2025. The gross profit margin of the Group increased during the period as compared with the corresponding period last year, from 14.3% for 1H 2024 to 15.1% for 1H 2025.

Other profit and loss items

Other income of RMB80.3 million for 1H 2025 (1H 2024: RMB173.2 million) mainly consisted of interest income on bank deposits of RMB19.1 million, interest income earned from Sunshine Oji of RMB7.7 million, interest income on loans to third parties of RMB4.2 million, government grants of RMB33.9 million, rental income of RMB1.6 million, hotel and catering service income of RMB2.2 million and logistics service income of RMB11.6 million.

The net losses of RMB5.6 million for 1H 2025 (1H 2024: net gain of RMB42.7 million) mainly consisted of gain from sale of scrap materials of RMB20.9 million, loss on disposal and written-off of property, plant and equipment of RMB1.6 million, net foreign exchange losses of RMB13.5 million, loss on fair value changes of FVTPL of RMB83.7 million, gain on the fair value changes of biological assets of RMB0.2 million, sales of carbon emission allowances of RMB18.5 million, gain on waiver of consideration payable of RMB29.2 million, gain on step acquisition of a joint venture of RMB11.8 million and other gains of RMB12.7 million.

Distribution and selling expenses was RMB181.2 million for 1H 2025, as compared with RMB186.5 million for 1H 2024. As a percentage against revenue, it increased from 4.7% for 1H 2024 to 5.1% for 1H 2025.

Administrative expenses was RMB243.0 million for 1H 2025, representing an increase of 9.3% as compared with RMB222.3 million for 1H 2024. As a percentage against revenue, it increased from 5.6% for 1H 2024 to 6.8% for 1H 2025.

Finance costs was RMB60.7 million for 1H 2025, representing a decrease of 31.6% as compared with RMB88.7 million for 1H 2024. As a percentage against revenue, it decreased from 2.2% for 1H 2024 to 1.7% for 1H 2025.

During 1H 2025, there was a share of loss of Sunshine Oji of RMB12.0 million (1H 2024: share of loss of RMB0.6 million).

Income tax expense

Our income tax expense increased from RMB65.8 million for 1H 2024 to RMB86.9 million for 1H 2025. Effective tax rate for 1H 2025 and 1H 2024 was 45.1% and 23.2%, respectively.

Profit and total comprehensive income

As a result of the above factors, the profit for the period attributable to the owners of the Company is RMB83.2 million for 1H 2025 (1H 2024: RMB189.4 million).

Significant investments

During 1H 2025, the Group did not hold any significant investment.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 16 June 2025, Shandong Century Sunshine Paper Group Co., Ltd* (山東世紀陽光紙業集團有限公司, “**Century Sunshine**”), a subsidiary of the Company, and Oji F-Tex Co. Ltd. (王子艾富特株式會社) entered into an equity transfer agreement in relation to the acquisition of 40% equity interest of Sunshine Oji (Shouguang) Specialty Paper Co., Ltd.* (陽光王子(壽光)特種紙有限公司) by Century Sunshine for a consideration of RMB85,000,000 (tax inclusive). Upon the completion of the acquisition, Sunshine Oji became a wholly owned subsidiary of the Company, and its financial results would be consolidated into the financial results of the Group. For details, please refer to the Company’s announcement dated 16 June 2025.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital, gearing and financial resources

Our Group has funded our operations principally with cash generated from our operations, bank borrowings and credit facilities provided by commercial banks in China. Our Group possesses sufficient cash and available banking facilities to meet capital commitments and working capital requirements.

As at 30 June 2025, our Group had restricted bank deposits, cash and bank balances of RMB2,567.9 million (31 December 2024: RMB2,697.7 million). The debt of the Group comprised of bank and other borrowings and lease liabilities total RMB4,068.3 million as at 30 June 2025 (31 December 2024: RMB3,567.6 million). Net gearing ratio increased from 16.4% as at 31 December 2024 to 27.8% as at 30 June 2025.

Inventories increased from RMB506.5 million as at 31 December 2024 to RMB686.9 million as at 30 June 2025. Inventory turnover was 36 days for 1H 2025, as compared to 34 days for 1H 2024.

Trade receivables increased from RMB632.1 million as at 31 December 2024 to RMB961.0 million as at 30 June 2025. Trade receivables turnover was 41 days and 30 days for 1H 2025 and 1H 2024, respectively. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded a decrease from RMB923.1 million as at 31 December 2024 to RMB885.1 million as at 30 June 2025. Trade payable turnover was 54 days for 1H 2025, as compared to 51 days for 1H 2024.

Current ratio increased from 0.88 times as at 31 December 2024 to 0.93 times as at 30 June 2025.

Notes to financial ratios

- (1) Inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (2) Trade receivables turnover days equal to the average of the opening and closing balances of trade receivables of the relevant period divided by revenue of the relevant period and multiplied by 182 days.
- (3) Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (4) Current ratio equals to current assets divided by current liabilities as of the end of the period.
- (5) Net gearing ratio equals to a total of bank borrowing, other borrowings and leases liabilities, net of bank and cash balances and restricted bank deposits, divided by the total equity as of the end of the period.

Capital expenditure

For 1H 2025, our capital expenditure was approximately RMB429.9 million, which mainly involved the purchase of equipment and land for our new production line, as well as the construction of ancillary facilities.

Capital commitments and contingent liabilities

As at 30 June 2025, our Group had capital commitments, which were contracted in the condensed consolidated interim financial statements in respect of acquisition of property, plant and equipment and investment cost in a partnership of RMB235.2 million.

There was no contingent liabilities as at 30 June 2025.

Pledge of assets

As at 30 June 2025, the carrying amount of our assets of RMB2,334.2 million were pledged as collateral or security for our Group's bank and other loans, discounted bills financing, bills payable and lease liabilities.

Foreign exchange risks

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

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

CORPORATE GOVERNANCE

The Company is committed to achieve a high standard of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. The Company has complied with all the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout 1H 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the securities transactions by our Directors. The Company has made specific enquiries with all Directors, and all Directors have confirmed that they have complied with the Model Code throughout 1H 2025.

AUDIT COMMITTEE

The Board has established an audit committee in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the Company's financial reporting process, internal control and risk management system and to provide advice and comments to the Board. The audit committee consists of three independent non-executive Directors, namely Ms. Zhang Tao, Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Zhang Tao is the chairlady of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2025 and discussed the financial matters with the management of the Company.

EMPLOYEES AND REMUNERATION POLICIES

The Group had approximately 4,400 employees as at 30 June 2025. The staff costs for 1H 2025 were RMB266.6 million (1H 2024: RMB233.6 million). The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance-based remuneration which reflects market standards. Employees' remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our Group's emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group's business development, so as to achieve our Group's operational targets.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for 1H 2025 (1H 2024: nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of Company's shares (including sale of treasury shares). As at 30 June 2025, the number of treasury shares held by the Company is nil.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

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

APPRECIATION

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

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

Weifang, China, 28 August 2025

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

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

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

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

* *For identification purposes only*