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

*For identification purposes only

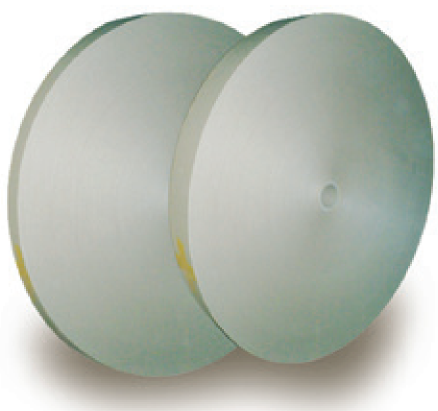
Contents

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. Ci Xiaolei *(Deputy General Manager)*

Non-Executive Directors

Ms. Wu Rong
Mr. Zhang Xiaohui

Independent Non-Executive Directors

Ms. Zhang Tao
Mr. Wang Zefeng
Ms. Jiao Jie

AUDIT COMMITTEE

Ms. Zhang Tao *(Chairlady)*
Mr. Wang Zefeng
Ms. Jiao Jie

REMUNERATION COMMITTEE

Mr. Wang Zefeng *(Chairman)*
Mr. Wang Dongxing
Ms. Zhang Tao
Ms. Jiao Jie
Mr. Zhang Xiaohui

NOMINATION COMMITTEE

Ms. Jiao Jie *(Chairlady)*
Mr. Wang Dongxing
Mr. Wang Zefeng
Ms. Zhang Tao
Mr. Zhang Xiaohui

JOINT COMPANY SECRETARIES

Mr. Yeung Tsz Kit Alban
(appointed on 17 June 2024)
Mr. Chan Yee Ping, Michael
(resigned on 17 June 2024)
Ms. Wang Jingjing
(appointed on 30 August 2024)

AUTHORISED REPRESENTATIVES

Mr. Wang Dongxing
Mr. Yeung Tsz Kit Alban
(appointed on 17 June 2024)
Mr. Chan Yee Ping, Michael
(resigned on 17 June 2024)

PRINCIPAL PLACE OF BUSINESS IN CHINA

Changle Economic Development Zone
Weifang 262400
Shandong
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 1702, 17/F
Prosperity Millennia Plaza
663 King's Road
North Point
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
Registered Public Interest Entity Auditor
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

www.sunshinepaper.com.cn


抓管理

CHAIRMAN'S STATEMENT

Chairman's Statement

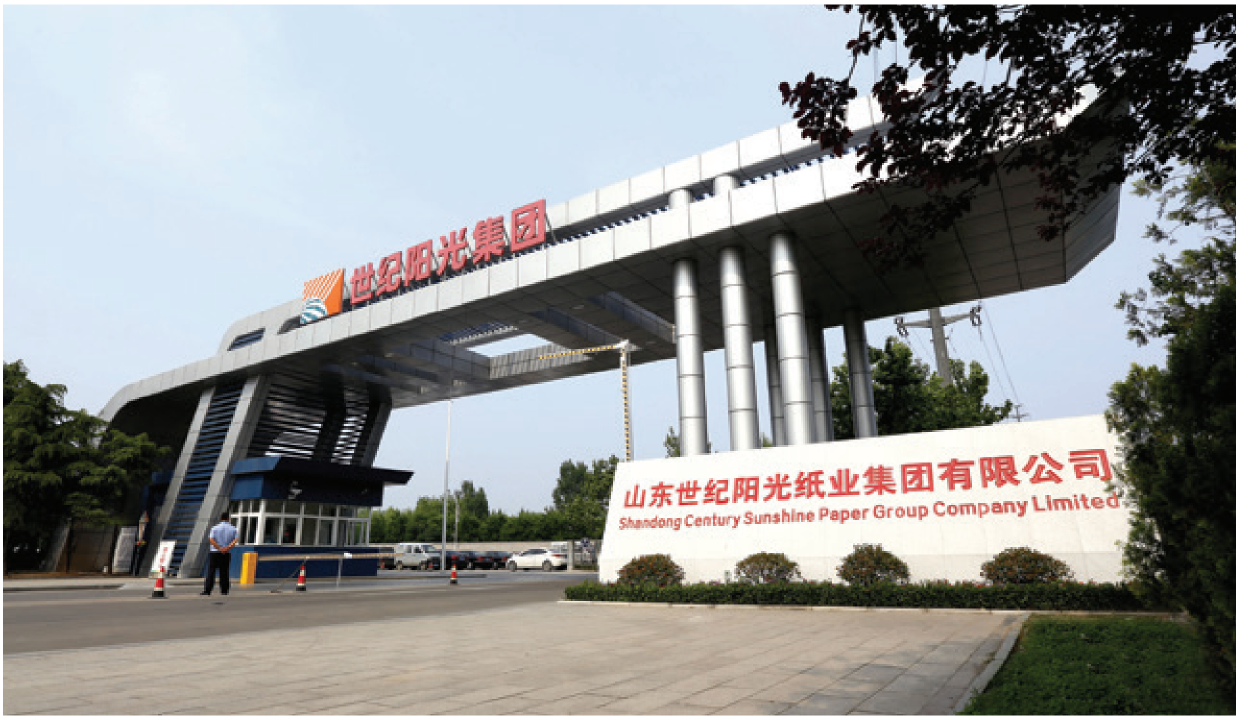
Dear Shareholders,

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 2024 ("FY2024").

BUSINESS REVIEW

In FY2024, the global economic landscape was marked by complexity and volatility. In contrast, China's economy maintained a relatively stable trajectory, with a series of incremental policies effectively bolstering social confidence. However, consumer spending remained subdued overall. The papermaking industry, in particular, faced the severe challenge of overcapacity, remaining in a cyclical trough with exceptionally fierce market competition. In 2024, raw material prices stabilized after a period of decline, leading to some improvement in operating conditions. According to data from the National Bureau of Statistics, in 2024, the ex-factory price for the paper and paper products industry decreased by 3.8% year-on-year, with the purchase price of wood and paper pulp decreasing by 2.3% year-on-year. The production of machine-made paper and cardboard nationwide was 158.469 million tons, representing a year-on-year increase of 8.6%. The operating income of enterprises above a designated size in the paper and paper products industry amounted to RMB1,456.62 billion, representing a year-on-year increase of 3.9%, while the total profit reached RMB51.97 billion, representing a year-on-year increase of 5.2%.

Amidst the complex market environment and fierce market competition, the Company has been courageous in facing challenges and proactive in taking decisive actions. We have consistently focused on improving efficiency through enhanced management and have continuously strengthened the execution of all our initiatives. In terms of external sales, we have always adhered to a customer-centric philosophy, committed to creating value for our clients. We have deeply implemented a marketing strategy that is market-oriented and innovation-led, strengthened our marketing team, and successfully maintained and expanded our market share. In terms of internal management, we have embraced the management themes of "continuous innovation, quality improvement, and lean breakthroughs," steadfastly implementing a management philosophy that drives innovation and efficiency. We have prioritized product quality enhancement and cost control, using lean production management projects as a key breakthrough point to advance these goals. We have also deepened refined management and detailed accounting practices, successfully implemented a series of management innovation projects in material and logistics management, and continuously advanced our digital and intelligent transformation, thereby continuously elevating our overall management standards.



In 2024, we aimed to improve resource utilization efficiency and promote recycling, with a commitment to reducing our environmental impact and continuously practicing the ESG concept. We were honored with titles such as "Waste-Free Cell Entity" and "Green Production Advocate". In our traditional high-end packaging paper business, we have always focused on core indicators such as resource utilization efficiency and recycling rates, striving to minimize environmental pollution and steadily advancing towards our long-term goals. In new product development, while considering economic benefits, we have fully taken into account the social and environmental benefits of our products, continuously enhancing the green and sustainable development capabilities of our product portfolio and expanding our technical reserves. During FY2024, we also continuously improved our environmental protection regulations and risk control mechanisms, uplifting our corporate governance standards.

In 2024, the Company adhered to the strategy of differentiated and high-end product positioning, with each segment business progressing steadily. This year, we achieved a total sales volume of 2.11 million tons of machine-made paper, a 4.82% increase compared to the last year's 2.013 million tons. Amidst a complex external environment and fierce market competition, we continuously enhanced our management capabilities, reducing inventory turnover days from 41 days last year to 31 days this year, with a significant improvement in operational efficiency. Additionally, the proportion of financing costs in our revenue further decreased, and our overall financial situation continued to improve.

BUSINESS OUTLOOK

The year 2025 marks the conclusion of the "14th Five-Year Plan" and the planning phase for the "15th Five-Year Plan." China's macroeconomy is expected to remain stable and improve under the continuous drive of policies aimed at stabilizing growth and promoting domestic demand. However, the supply and demand relationship in the papermaking industry remains challenging, with both risks and opportunities coexisting. We will continue to explore market opportunities, deepen market penetration of our core products, and intensify market promotion of various new types of specialty papers, continuously optimizing our product structure and enhancing our profitability. In terms of the industrial chain, we will continue to extend our reach both upstream and downstream into niche markets, continuously improving our core competitiveness. In addition, we will continue to optimize its production processes by continuously enhancing its digital and intelligent level, thus comprehensively improving the management level of the Company.

As the operational threshold in the papermaking industry continues to rise, competition is expected to intensify further. To align with national policies promoting de-plasticization, green development, low carbon, and environmental protection, we will continue to upgrade our existing coated products, continuously creating higher cost-performance products for our customers to meet their low-carbon and green development requirements. With the ongoing industrial and consumption upgrades in China, the demand for green and environmentally friendly specialty papers across various fields is strong. We will continue to conduct research and development and mass production of new types of specialty papers, leveraging our strengths in differentiated paper product innovation, focusing on niche markets, and striving to meet the diverse needs of our customers, thereby continuously enhancing our brand influence in the industry market.

We will continue to adhere to a prudent and stable business strategy, maintaining our existing market share while increasing our independent innovation efforts and improving our research and development system. Leveraging our solid technical foundation and practical experience, we will continuously develop mid-to-high-end paper products, strive to expand our market share, and create new sources of profit growth for the Company's development.

Wang Dongxing
Chairman

Hong Kong, China
28 March 2025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MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

TOTAL REVENUE

Our Group's total revenue for FY2024 was approximately RMB8,047.6 million, representing a decrease of approximately RMB311.9 million or 3.7% as compared to that of approximately RMB8,359.5 million for FY2023. The decrease in revenue mainly resulted from the reduction in sales price.

Sales of electricity and steam continued to account for a low single digit percentage of our Group's total revenue for FY2024.

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

	FY2024		FY2023	
	RMB'000	**%**	RMB'000	%
Sales of paper products				
White top linerboard	**1,525,512**	**19.0**	1,644,503	19.7
Coated-white top linerboard	**1,876,840**	**23.3**	2,079,142	24.9
Core board	**601,663**	**7.4**	644,127	7.7
Corrugated paper	**1,808,100**	**22.5**	1,836,540	22.0
Specialised paper products	**1,795,473**	**22.3**	1,711,985	20.4
Sub-total of paper products	**7,607,588**	**94.5**	7,916,297	94.7
Sales of electricity and steam	**440,017**	**5.5**	443,197	5.3
	8,047,605	**100**	8,359,494	100.0

COST OF SALES

Our cost of sales was around RMB6,851.7 million for FY2024, representing a decrease of approximately 2.8% as compared to the cost of sales for FY2023 of approximately RMB7,049.6 million. The decrease in cost of sales was consistent with the decrease in revenue, but lower than the decrease in revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit decreased from approximately RMB1,309.9 million for FY2023 to approximately RMB1,195.9 million for FY2024. Gross profit margin for FY2024 was around 14.9%, representing a 0.8 percentage point decrease as compared to that of 15.7% for FY2023.

OTHER PROFIT AND LOSS ITEMS

Other income of approximately RMB274.3 million for FY2024 (FY2023: approximately RMB291.4 million) mainly comprised interest income of approximately RMB82.8 million (FY2023: approximately RMB71.3 million), rental income from an investment property and other properties of approximately RMB5.4 million (FY2023: approximately RMB5.4 million), government grants of approximately RMB169.1 million (FY2023: approximately RMB197.9 million), hotel and catering services income of approximately RMB5.4 million (FY2023: approximately RMB4.5 million) and logistics services income of approximately RMB11.5 million (FY2023: approximately RMB12.4 million).

Other gains of approximately RMB28.9 million for FY2024 (FY2023: RMB20.1 million) mainly consisted of gain from sale of scrap materials of RMB10.5 million, loss on disposal and written off of property, plant and equipment of RMB5.3 million, net foreign exchange gain of RMB0.9 million, fair value gain on the financial assets at fair value through profit or loss of RMB1.8 million, change in fair value loss of biological assets of RMB6.6 million, sales of carbon emission allowances RMB22.7 million and other profit of RMB5.0 million.

Distribution and selling expenses recorded RMB372.9 million for FY2024 as compared to RMB403.2 million for FY2023. For FY2024, such expenses represented approximately 4.6% of the total revenue, as compared with approximately 4.8% of the total revenue for FY2023.

Administrative expenses recorded RMB492.4 million for FY2024 as compared to RMB478.6 million for the corresponding period last year. For FY2024, it accounted for approximately 6.1% of the total revenue, as compared with approximately 5.7% of the total revenue for FY2023.

Finance costs recorded approximately RMB151.4 million for FY2024 as compared to approximately RMB175.6 million for the corresponding period last year. For FY2024, it accounted for approximately 1.9% of the total revenue, as compared with approximately 2.1% of the total revenue for FY2023.

During FY2024, there was a share of loss of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB19.0 million (FY2023: share of profit of a joint venture of RMB10.9 million).

INCOME TAX EXPENSES

Income tax expenses were approximately RMB113.5 million for FY2024 as compared to approximately RMB144.1 million for FY2023.

PROFIT FOR THE YEAR

As a result of the above factors, the Group recorded a profit for the year attributable to the owners of our Company of approximately RMB279.9 million for FY2024, representing a decrease of approximately RMB113.4 million from approximately RMB393.3 million for FY2023.

SIGNIFICANT INVESTMENTS

During FY2024, the Group did not hold any significant investment. As of 31 December 2024, the Company did not have detailed future plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During FY2024, there was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company.

MATERIAL LENDING TRANSACTIONS

As at 31 December 2024, the Group had loan receivables amounting to RMB334.2 million (2023: RMB210.3 million) advances to third parties on normal commercial terms. The amounts of RMB328.2 million (2023: RMB168.4 million) are unsecured, will be collected within 12 months from the end of 2024 and carry the fixed interest rates ranging from 3.5% to 8.0% (2023: 7.5% to 8.0%) per annum and the amounts of RMB6.0 million (2023: RMB41.9 million) are unsecured, will be collected after 12 months from the end of the reporting period and carry the fixed interest rate at 6.0% (2023: 5.0%) per annum. For details on the loans to the third parties of RMB250.2 million as at 31 December 2024, please refer to the announcements of the Company dated 21 November 2024, 26 November 2024 and 28 November 2024 respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the borrowers are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

As at 31 December 2024, the full principal loan amounts remained outstanding as they have not yet become due. The Group monitors the exposures and manages the loans based on historical settlement records and past experience, current conditions and forecasts of future economic conditions. Pursuant to IFRS 9's expected credit losses model, the credit risk on the loans has not increased significantly since initial recognition. The Group recorded impairment losses on loan receivables in relation to the loans in the aggregate amount of approximately RMB0.3 million (2023: RMB1.4 million) as at 31 December 2024, which the Directors consider to be immaterial.

The background and reasons for each of the loans are similar. By entering into each of the loan agreements to the third parties, the Group intended to increase the rate of return of its cash and cash equivalents for the purposes of increasing both the investment income and the profits of the Group. The Directors were of the view that each of the loan agreements were entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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 FY2024, 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 some foreign exchange differences arising from the conversion of financial statements by individual companies. In addition, as our Group conducts business transactions which are principally denominated in RMB, 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 RMB625.1 million as at 31 December 2024, as compared to approximately RMB1,004.4 million as at 31 December 2023. Current ratio was 0.88 times and 0.82 times, respectively, as at 31 December 2024 and 31 December 2023.

Bank balances and cash, and restricted bank deposits were approximately RMB2,697.7 million as at 31 December 2024, as compared to approximately RMB2,863.3 million as at 31 December 2023.

Inventories were approximately RMB506.5 million as at 31 December 2024, as compared to approximately RMB668.8 million as at 31 December 2023. Inventory turnover was 31 days for FY2024, as compared to 41 days for FY2023.

Trade receivables were approximately RMB632.1 million as at 31 December 2024, as compared to approximately RMB564.8 million as at 31 December 2023. Trade receivables turnover for FY2024 was 27 days as compared to 26 days for FY2023.

Trade payables were approximately RMB923.1 million as at 31 December 2024, as compared to approximately RMB1,010.1 million as at 31 December 2023. Trade payables turnover for FY2024 was 51 days, as compared to 55 days for FY2023.

Cashflow

Net cash from operating activities amounted to approximately RMB680.5 million for FY2024 (FY2023: approximately RMB1,405.6 million).

Net cash used in investing activities amounted to approximately RMB884.6 million for FY2024 (FY2023: approximately RMB118.0 million), primarily representing the purchase of property, plant and equipment RMB200.0 million, and additions of deposits for acquisition of property, plant and equipment of RMB294.0 million, etc.

Net cash used in financing activities amounted to approximately RMB228.7 million for FY2024 (FY2023: approximately RMB559.8 million), primarily attributable to interest paid of RMB173.6 million, the repayment of bank and other borrowings of RMB3,244.8 million, and new bank borrowings raised of RMB2,916.8 million, and increase in discounted bills financing of RMB230.7 million etc.

The combined effect of the above resulted in a net decrease in cash and cash equivalents of RMB432.8 million for FY2024 (FY2023: net increase in cash and cash equivalents of RMB727.8 million).

Gearing ratio

Our net gearing ratio decreased from approximately 20.6% as at 31 December 2023 to approximately 16.4% as at 31 December 2024. The decrease in net gearing ratio was mainly driven by the increase in capital and reserves.

Capital expenditure

During FY2024, our capital expenditure was approximately RMB594.0 million (FY2023: RMB535.3 million), which mainly involved the additions on property, plant and equipment and land use rights.

Pledge of assets

For FY2024, the aggregate carrying amount of our assets pledged was approximately RMB3,471.1 million (FY2023: approximately RMB3,833.2 million). The pledge of assets are mainly used for bank borrowings, other borrowings, discounted bills financing and bills payables.

Indebtedness

As at 31 December 2024, the Group's total borrowings was RMB3,567.6 million, a decrease of RMB318.3 million from RMB3,885.9 million as at 31 December 2023. The table below sets forth the balances of short and long-term borrowing obligations within the Group as at the date indicated:

	2024 **RMB'000**	2023 RMB'000
Current bank borrowings	**2,017,409**	2,402,961
Non-current bank borrowings	**1,280,891**	954,278
Current other borrowings	**212,828**	268,974
Non-current other borrowings	**163**	188,094
Current lease liabilities	**5,172**	4,505
Non-current lease liabilities	**51,183**	67,048
	3,567,646	3,885,860

Analysis of borrowings by currency:

	2024 RMB'000	2023 RMB'000
Denominated in RMB	**3,496,872**	3,804,111
Denominated in EUR	**70,774**	81,749
	3,567,646	3,885,860

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.

	2024 RMB'000	2023 RMB'000
Buildings	**702,771**	442,223
Plant, machinery and equipment	**1,006,266**	1,573,574
Investment property	**57,064**	—
Prepaid lease payments	**142,640**	526,019
Restricted bank deposits	**1,562,343**	1,291,397
	3,471,084	3,833,213

Capital commitments and contingent liabilities

Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of property, plant and equipment and investment in a partnership were approximately RMB33.8 million and RMB196.3 million as at 31 December 2024 (FY2023: RMB91.2 million and RMB196.3 million).

As at 31 December 2024, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 4,600 full-time employees in the PRC and Hong Kong as at 31 December 2024. The staff costs for FY2024 were approximately RMB497.4 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 are entitled to certain welfare benefits. The Company has also adopted share schemes as an incentive to eligible employees of the Group. 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"), 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, and the announcement of the Company dated 17 August 2023 in relation to the Purchaser, the Vendors and the Vendors' Guarantors entered into the Repurchase Agreement. 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.

As a result of the Target Group's failure to meet more than 70% of the 2022 Guaranteed Profit, the Vendors and the Vendors' Guarantors entered into the Repurchase Agreement on 17 August 2023 (after trading hours), pursuant to which the Purchaser (as vendor in the Repurchase) has agreed to re-sell, and the Vendors (as purchasers in the Repurchase) have agreed to re-purchase, the Sale Shares at a total consideration of RMB265,000,000, subject to the terms and conditions of the Repurchase Agreement.

The balance of Consideration or Consideration shall be paid and settled by Vendor to the Purchaser by transferring the sum to the bank account designated by the Purchaser without deduction within 18 months of the date of execution of the Repurchase Agreement.

If any of the conditions precedent has not been fulfilled or waived by the Purchaser (other than Condition (ii) which may not be waived) on or before 18 months of the date of execution of the Repurchase Agreement (or such other date as the parties may agree) or any of the Vendors fails to complete the re-purchase of the Sale Shares pursuant to the terms of the Repurchase Agreement, the Purchaser may forthwith terminate the Repurchase Agreement. Under the Repurchase Agreement the Purchaser shall have the right (the "Termination Right") (but not an obligation) at its sole and absolute discretion to unconditionally terminate the Repurchase Agreement at any time prior to Completion.

On 14 February 2025 (after trading hours), the Purchaser entered into the Termination Agreement with the Vendors and the Vendors' Guarantors, pursuant to which the parties agreed to terminate the Repurchase Agreement and adjust the profit guarantee concerning the Target Group, and the profit guarantee has updated. For further details, please refer to the announcements of the Company dated 14 February 2025.

Our Directors consider that (i) the Target Group failed to meet the 2022 Guaranteed Profit mainly due to the fact that the Target Group had been undergoing certain business adjustments and refining its business direction in relation to its LNG Business and IDC Electricity Business during FY2022 to cope with the changing business environment; (ii) the Company has been closely monitoring the performance of the Target Group and noted that having carried out the above business adjustments, the Target Group has demonstrated material improvement in its IDC Electricity Business which has been generating a steady source of income for the Target Group; (iii) the IDC Electricity Business continues to grow with potential business opportunities that may further improve the operation results of the Target Group; and (iv) the improvement in the performance and the business prospects of the Target Group, the parties also agreed to adjust the mechanism of the Guaranteed Profit which the Company considers to be beneficial to the Group and so on, the Directors consider that the Termination Agreement and the transactions contemplated thereby (including the adjusted mechanism of the Guaranteed Profit) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.


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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 (the "CG Code") in Appendix C1 to the Listing Rules during FY2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all Directors by our Company to confirm that all Directors have complied with the Model Code during FY2024.

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 FY2024 and as at the date of this report, the Board comprises nine Directors, including four executive Directors, two non-executive Directors 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. Ci Xiaolei
Non-executive Directors:	Ms. Wu Rong Mr. Zhang Xiaohui
Independent non-executive Directors:	Ms. Zhang Tao 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. 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. 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. Wang Changhai, Mr. Wang Zefeng and Ms. Jiao Jie shall retire from office at the forthcoming annual general meeting of the Company to be held on 20 June 2025 (the "AGM") and being eligible for re-election, will offer themselves for re-election at 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 as regards each of the factors referred to in 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 FY2024, our Company held a total of five Board meetings, one annual general meeting and one extraordinary general meeting. The attendance records of each member of the Board at the Board meetings and the general meetings are set out in the following table:

Director	Board meetings attendance/held	Annual general meeting attendance/held	Extraordinary general meeting attendance/held
Executive Directors			
Mr. Wang Dongxing	5/5	1/1	1/1
Mr. Shi Weixin	5/5	1/1	1/1
Mr. Wang Changhai	5/5	1/1	1/1
Mr. Ci Xiaolei	5/5	1/1	1/1
Non-executive Directors			
Ms. Wu Rong	5/5	1/1	1/1
Mr. Zhang Xiaohui	5/5	1/1	1/1
Independent Non-executive Directors			
Ms. Zhang Tao	5/5	1/1	1/1
Mr. Wang Zefeng	5/5	1/1	1/1
Ms. Jiao Jie	5/5	1/1	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 FY2024:

Director	**Type of training attended**
Executive Directors	
Mr. Wang Dongxing	A
Mr. Shi Weixin	A
Mr. Wang Changhai	A
Mr. Ci Xiaolei	A
Non-executive Directors	
Ms. Wu Rong	A
Mr. Zhang Xiaohui	A
Independent Non-executive Directors	
Ms. Zhang Tao	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 77 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 FY2024, our audit committee held two meetings to review our annual results for FY2023 and interim results for the six months ended 30 June 2024, 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 five members, of whom one is an executive Director, namely Mr. Wang Dongxing, one is a non-executive Director, namely Mr. Zhang Xiaohui and three are independent non-executive Directors, namely Mr. Wang Zefeng, Ms. Jiao Jie and Ms. Zhang Tao. 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 FY2024, 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 FY2024, the Remuneration Committee mainly performed the following duties:

- assessed 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 2024.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 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 five members, of whom one is an executive Director, namely Mr. Wang Dongxing, one is a non-executive Director, namely Mr. Zhang Xiaohui and three are independent non-executive Directors, namely Ms. Zhang Tao, Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Jiao Jie is the chairlady of the nomination committee. During FY2024, 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 FY2024, 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 FY2024.

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 44 years old to 68 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 FY2024, among the employees of the Group, 74.4% are male and 25.6% 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 FY2024. 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. Ci Xiaolei	—	—	—
Non-executive Directors			
Ms. Wu Rong	—	—	—
Mr. Zhang Xiaohui	—	1/1	1/1
Independent Non-executive Directors			
Ms. Zhang Tao	2/2	1/1	1/1
Mr. Wang Zefeng	2/2	1/1	1/1
Ms. Jiao Jie	2/2	1/1	1/1

JOINT COMPANY SECRETARIES

During FY2024, Mr. Yeung Tsz Kit Alban replaced Mr. Chen Yee Ping as the company secretary on 17 June 2024 and Ms. Wang Jingjing became a joint company secretary on 30 August 2024. In accordance with Rule 3.29 of the Listing Rules, each of Mr. Yeung Tsz Kit Alban and Ms. Wang Jingjing, the joint company secretaries of our Company, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Yeung and Ms. Wang 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 FY2024, 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 is the general manager of Shandong Century Sunshine Paper Group Co., Ltd (“Century Sunshine”), the principal operating subsidiary of our Group for FY2024. 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 FY2024, we have engaged the auditor of our Company for audit and non-audit services. The fee paid or payable to the auditor of our Company in respect of the audit services and non-audit services (including the agree-upon procedures to the 2024 interim results announcement and interim report and assurance report on continuing connected transactions) 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 FY2024, 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 FY2024 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 FY2024, 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 93 to 98 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

On 22 April 2024, the Board proposed to make certain amendments to the then articles of association of the Company and adopt the third amended and restated articles of association of the Company in order to (i) updating and bringing the existing articles of association in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023; and (ii) better aligning the amendments of the existing articles of association for housekeeping purposes with the provisions of the Listing Rules (collectively, the "Proposed Amendments").

A special resolution of the Shareholders was passed at the annual general meeting of the Company held on 28 June 2024 to approve the Proposed Amendments and the adoption of the third amended and restated articles of association of the Company with effect from the same date.

For further details, please refer to the announcement of the Company dated 22 April 2024 and the circular of the Company dated 29 April 2024.

Other than the above specified, there was no other significant change in the Company's constitutional documents for the year ended 31 December 2024.

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 Company 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 Company for 2024, 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 C2 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 Company'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 Company 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 management center, 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 Company for the period from 1 January 2024 to 31 December 2024.

CORPORATE SUSTAINABLE DEVELOPMENT GOVERNANCE

Green Production Concept

As a leading enterprise in the domestic papermaking industry and combining its own development, the Company has been advocating and always practicing the production concept of "green, low-carbon, energy-saving, and emission-reducing methods" by vigorously developing circular economy, and improving the utilization of resources by virtue of advancement in technology and system innovation. It 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, ensure the up-to-standard discharge and build an ecological friendly first-class international papermaking enterprise with sustainable development, and dedicate itself to the full utilization of renewable waste paper to diminish its impact on the overall environment, as well as the logging activities. The Company takes Made in China 2025 as an opportunity to promote the digital and intelligent transformation and upgrading, continue to promote industrial upgrading, actively adopt energy saving and carbon reduction strategies, contribute to cope with global climate change, and clarify the Company's low-carbon transformation path, so as to achieve its goal of "carbon peaking and carbon neutrality".

ESG Management Policy and Statement of the Board

The Company established a leading ESG management team comprised of the board of directors, which is fully responsible for setting the strategic direction of the 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 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 Company 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 Company 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 Company 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 Company. Subsequently, strategies and plans are formulated to address these issues.

The heads of functional departments of the Company 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 Company to understand the opinions of different stakeholders on the progress of ESG management of the Company. The Company 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 Company through the following channels to encourage the Company 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 2023, besides being selected into the 2023 list of water-saving benchmark enterprises in Shandong Province and being granted the title of “Green Production Pioneer” by Enterprise Green Development Institute, 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. In 2024, the Company was identified as the first batch of zero waste factory enterprises by the Shandong Provincial Department of Ecology and Environment.

The Board is fully responsible for the ESG strategy and reporting. During the reporting year, the Company was not aware of any material violation of laws or regulations related to environmental protection. The Company 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

In terms of ecological environmental governance and energy conservation and carbon reduction, with a high sense of social responsibility and mission, the Company practices green ecological sustainable development, deepens environmental governance, continues to improve environmental management system with powerful measures and facilities, strengthens environmental risk management and control, and is committed to building a resource-saving and environment-friendly enterprise. It takes green, low-carbon and environmental protection as its development concept, facilitates its management and internal control, and enables the enterprise, the environment and the society to achieve harmony and unity, mutual benefit and win-win.

The Company 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 developed a response plan for environmental emergencies and established an emergency response team for environmental incidents, pursuant to which, we regularly organize inspections to identify environmental risks and hazards, carry out special exercises and drills to address emergencies such as hazardous waste and sewage leaks and constantly arrange sessions to update our staff on the latest development of environmental protection laws and regulations. Our Company 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 Company 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 to ensure the up-to-standard discharge of all pollutants and to reduce the impact on the environment.

Sewage Disposal

The Company 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 headquarters; 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 2024, environmental indicators in discharged wastewater (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 Company'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 Company into downstream sewage treatment plants and the total discharge targets for 2025 (based on the requirements of the pollutant discharge license) were as follows:

Discharge	**Volume of discharge for 2024*** (tons)	**Volume of discharge per ton of paper** (tons/ 10 thousand tons of paper)	**Volume of discharge for 2023*** (tons)	**Volume of discharge per ton of paper** (tons/ 10 thousand tons of paper)
COD	1,393	6.82	1,329	6.66
Ammonia nitrogen	5.876	0.03	6.001	0.03
Total nitrogen	121.32	0.59	113.03	0.57

* *The discharge is measured by automatic online monitoring equipment*

In the coming years, the Company 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 2,588.536 tons/year, ammonia nitrogen of less than 185.496 tons/year, total nitrogen of less than 1,046.62 tons/year, total suspended matter (SS), chroma, biochemical oxygen demand, the potential of hydrogen (pH), etc.) meet the emission standards.

Gas emissions

The Company 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:	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-NO_x combustion + SNCR (non-catalytic reduction) method" is adopted 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:	Applied "electrostatic dedusting + wet electrostatic dedusting method", resulting in a substantially lower emission concentration as compared to the national standard of 5mg/m^3. It 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, and installs fully automated car-washing devices to thoroughly clean vehicles before they leave the factory, which can better protect the surrounding environment and further improve the working and living environment of employees.

The Company 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 2024*	Emission intensity in 2024 (tons/ 10 thousand tons of paper)	Emissions for 2023*	Emission intensity in 2023 (tons/ 10 thousand tons of paper)
SO_2	tons	89.88	0.2919	48.88	0.1638
NO_x	tons	303.77	0.9864	283.88	0.9512
Particulate	tons	13.67	0.0444	9.91	0.0332

Emissions are measured by automatic online monitoring equipment

The Company'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 Company 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 CO_2 emissions. In 2024, the Company cooperated with Shandong Jingqing Energy Conservation and Environmental Protection Technology Co., Ltd. (山東京清節能環保科技有限公司), a national high-tech enterprise in respect of the "heat pump + desulfurization slurry residual heat utilization heating and heating return water project", which can recover heat of 200,000 GJ per year, replace steam of 77,000 tons, save standard coal of 6,800 tons, and reduce CO_2 emissions of 17,800 tons.

During the reporting period, the GHG emissions were as follows:

GHG emissions	2024	2024 Intensity (tons/ unit output)	2023	2023 Intensity (tons/ unit output)
Emissions (tons of CO_2 equivalent)	1,909,301	0.66	1,988,411	0.71
Direct emissions	1,639,646	0.53	1,701,189	0.57
Indirect emissions	269,655	0.13	287,222	0.14

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 2025, 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 Company 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 2025 are as follows:

CO_2

Total amount of coal consumed will be 590,000 tons of standard coal, translated into 1,630,000 tons of CO_2.

SO_2

Total SO_2 emission amount will be 80 tons and the measured concentration of emission will be 10mg/m^3.

NO_x

Total NO_x emission amount will be 290 tons and the measured concentration of emission will be 38mg/m^3.

Particulate

Total particulate emission amount will be 12.5 tons and the measured concentration of emission will be 2.5mg/m^3.

Solid Waste

In accordance with 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 Environmental Pollution by Solid Waste and other laws, regulations and standards, the Company conducts compliance management of general solid waste and hazardous waste in accordance with the principle of "waste reduction, resource recycling and harmless treatment" in combination with actual operation practice, so as to ensure the compliance and safe disposal of waste and avoid secondary pollution. In 2024, the Company's comprehensive utilization and disposal rate of solid waste was 100%.

The solid waste involved in the Company mainly includes general solid waste and hazardous waste, of which general solid waste mainly includes waste plastics generated in the process of paper making, sludge generated in the process of sewage treatment, coal ash and cinder generated in the process of coal-fired power generation, while hazardous waste mainly includes waste mineral oil and oil drums, waste hydraulic oil, waste lead batteries, laboratory waste liquid and waste filter element. All solid waste is handled by qualified third party institutions, and the specific disposal measures 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 to realize the recycling of solid waste.

4. Hazardous waste: We regulate and manage them in strict compliance with State's laws and regulations on hazardous waste management, appoint qualified units to carry out detoxification treatments on a regular basis, and the storage location, account book, transfer and disposal comply with the requirements of the "Hazardous Waste Standardized Management Indicator System". We report to the relevant departments for the record of type, volume, flow, storage and other management plans of the hazardous waste in a timely manner, and strictly prevent environmental pollution accidents caused by solid waste.

Name of solid waste	Unit	Generation in 2024*	Generation in 2023*
Sludge	tons	84,981	86,981
Coal ash and cinder	tons	225,911	234,453
Waste plastic	tons	101,934	93,549
Hazardous waste	tons	62	59

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

In 2024, the Company materialized resource recycling, harmless treatment and waste reduction for all of its solid wastes and achieved zero discharge.

The Company 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 Company has established the "Solid Waste Management System" and "Hazardous Waste Management System" to classify the waste generated 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.

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.

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 Company actively promotes circular economy and improves the utilization of resources by virtue of advancement in technology and system innovation. The Company 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 Company pays close attention to energy consumption during our production activities. In order to reduce the energy consumption in the production process, in 2014, the Company 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 Company 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. In 2024, the Company added a 6MW photovoltaic power generation facility by utilizing the unused roof of the plant and the unused space on the roof of the raw material shed, increasing the total capacity of the photovoltaic power generation facility to 21MW. In 2024, the annual consumption of photovoltaic power generation amounted to approximately 21.0863 million kwh, resulting in the reduction of approximately 11,315 tCO_2 in the annual carbon emissions.

Water is the source of purification for all things, and water resources are the primary condition to maintain the sustainable development of the earth's ecological environment and even human production. In terms of the use of water resources, the Company actively builds a water-saving enterprise. 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 2023, the Company was selected as one of the second batch of water-saving benchmark enterprises by Shandong Province.

Production water is tap water in strict accordance with the approval of the local government and the requirements of the relevant departments, and does not involve groundwater mining. In accordance with the requirements of national standards such as the Technical Guidelines for the Evaluation of Rational Use of Water by Enterprises and the Guidelines for the Evaluation of Water-Saving Enterprises, management requirements such as water conservation management system have been formulated, and network monitoring has been carried out on production water, auxiliary production water, domestic water, and key water-consuming equipment. In order to reduce the waste of water resources, the Company 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 Company 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 2024, the Group's water conservation was 13,037,604 tons and consumption of fresh water per ton of paper was 5.64 tons, which was much lower 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 (製漿造紙行業清潔生產評價指標體系).

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

To achieve the aforesaid targets, the Company 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 strictly supervise the energy consumption of import and export, production system and non-production system.

In terms of packaging materials, the Company'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 was 1,804 tons, of which kraft packaging paper accounted for 78.37% and the remaining was plastic packaging. The Company will also continue to adopt the principles of simple packaging and green packaging to reduce the impact on the environment.

Energy	Unit	Consumption for 2024	Intensity	Consumption for 2023	Intensity
Coal	standard coal	590,462	0.29	607,658	0.30
Water	tons	13,037,604	5.64	13,451,257	5.98
Packing materials	tons	1,804	0.001	1733	0.001

A3. Environment and Natural Resources

The Company'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 Company 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.

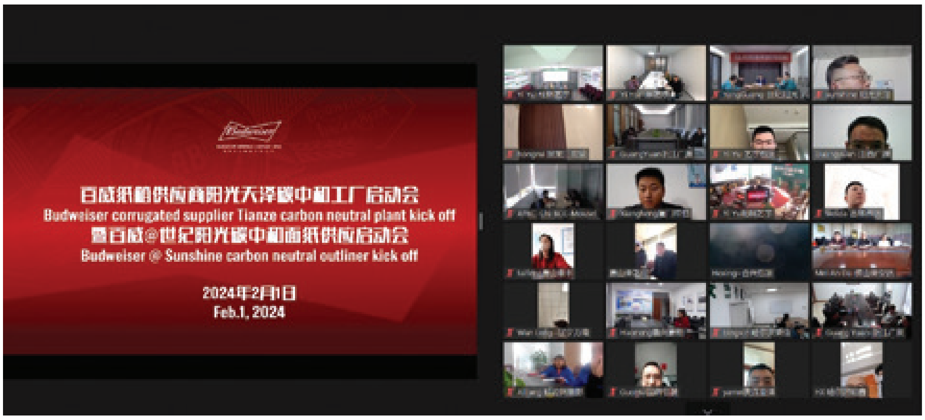
Playing an active role in promoting environmental protection and efficient use of resources, the Company monitored the potential impacts of our business operations on the environment on a real-time basis and promoted green office and production in adherence to four basic principles, namely, "reduce",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

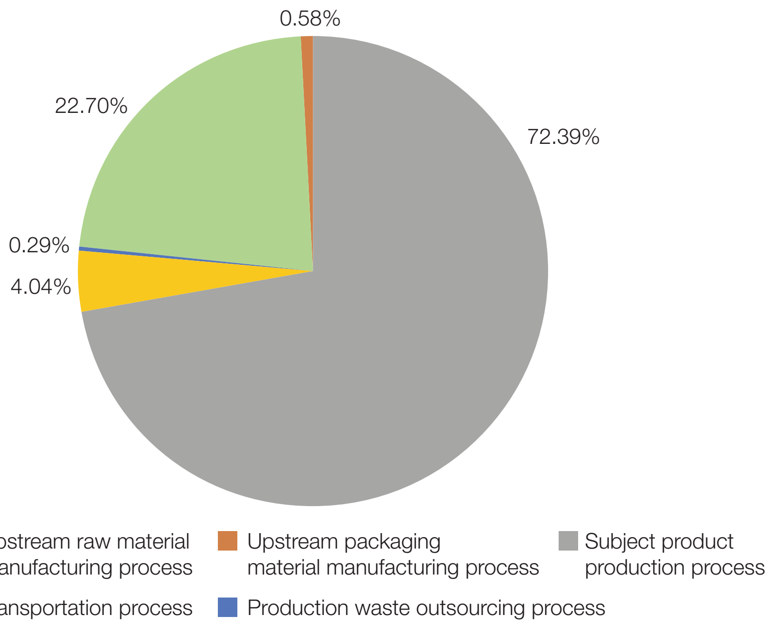
A4. Climate Change

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 Company's business activities. To cope with the increasingly serious climate threats, the management regularly assesses the potential risks that may result from climate change in its production and operation and takes preventive and contingency measures.

In recent years, the Company has continuously increased its emphasis on addressing climate change, continued to strengthen climate governance, standardized its dual carbon and carbon asset management system, and realized the transformation from the double-control of energy consumption to the double-control of carbon emissions. It has established a carbon peaking and carbon neutrality leading group, which is responsible for the top-level design of dual carbon management, set up a carbon emission management office to implement specific dual carbon management, so as to ensure that the Company's carbon reduction measures can be effective implemented, and organized the implementation of product carbon footprint verification, certification and product carbon neutrality certification.

In February 2024, the Company and Budweiser held a sustainable development meeting on the supply of carbon neutral products, and officially launched the Budweiser + Century Sunshine carbon neutral outliner and Budweiser corrugated supplier Liaoning Tianze carbon neutral plant campaign, which helped the sustainable development and low-carbon transformation of the whole value chain, marking a new stage of strategic cooperation between the two parties. As a pioneer of sustainable development, the Company has always implemented the business philosophy of "customer-centric, customer-oriented and creating value for customers", adhered to the concept of innovative, green and healthy development, proactively fulfilled social responsibilities, deeply promoted the quantification and certification of product carbon footprint, provided carbon neutral packaging facial tissue products certified by authoritative institutions for key end customers such as Budweiser and Tsingtao Brewery, and the Company's subsidiary has successfully passed the carbon neutral plant certification.





Proportion of product carbon footprint

In order to address climate change and take actions to reduce carbon emissions, environmental protection has become an important direction for the development of modern enterprises. As an enterprise, we are willing to assume social responsibility, actively promote the development of low-carbon economy, and make our efforts to achieve sustainable development. Therefore, the Company has formulated the following energy-saving and carbon reduction strategies for its own energy consumption and recycling of materials:

1. Save energy. We are committed to saving energy and reducing emissions of GHG such as CO_2 as much as possible in our production and operations. We will adopt advanced equipment and technology, use high-quality raw materials, strictly control energy consumption in the production process, while carrying out energy measurement management, regularly evaluating and optimizing energy efficiency.

2. Optimize logistics management. We are committed to optimizing logistics management, and reducing carbon emissions in logistics and warehousing. We will choose reasonable transportation routes and tools, reduce traffic congestion, promote multimodal and green logistics, and reduce energy consumption and material waste in the warehousing process through reasonable coordination and optimized layout. Similarly, we also encourage our suppliers and customers to jointly reduce logistics and warehousing carbon footprint.

3. Promote sustainable procurement. We are committed to using raw materials, components and services that are environmentally and socially sustainable. We will prioritize materials that meet sustainable procurement standards such as paper, wood and minerals, and encourage purchase-on-demand to reduce inventory and waste. Meanwhile, we will maintain close contact with our suppliers to jointly promote the implementation of sustainable procurement and implement procurement responsibilities.

4. Promote green production. We are committed to promoting the concept of green production and adopting low-carbon, environment-friendly and energy-saving production processes and technologies. We will actively explore and apply environment-friendly technologies and sustainable processes, optimize process and product design to reduce the number and weight of components, and minimize carbon footprint and resource consumption.

5. Advocate energy conservation and environmental protection. We are committed to advocating and practicing the concept of energy conservation and environmental protection through measures such as active publicity, training and employee engagement. We will promote energy conservation and environmental protection knowledge to employees through internal bulletin boards, corporate WeChat and other channels, regularly organize hot issue discussions and experience sharing activities, stimulate employees' awareness of energy conservation and environmental protection, and jointly promote the implementation of low-carbon production and low-carbon life.

6. Implement continuous improvement. We are committed to assessing the implementation of low-carbon commitments on schedule with feedback, summarizing and analyzing data, identifying problems and opportunities, developing improvement plans and targets, and carrying out corresponding projects. We will establish scientific management methods and systems, continue to improve the implementation effect through various aspects such as source control, process, flow and energy consumption, and move forward steadily towards the goal of a lower carbon economy.

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, which stipulates the functions of each member, early warning actions and emergency measures. In daily activities, it organizes regular training and drills for employees to improve their alertness and ability to respond to disasters. The leadership team of the Company 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 2024, there was no shutdown losses or employee injury caused by climate change and natural disasters.

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

Measures to Address Physical Risks

Climate risk	Period of impact	Response measures	Current impact level
Typhoon	Medium term, long term	Reinforce infrastructure and plant roofs to ensure they can withstand strong typhoons; gradually formulate and improve the typhoon response plan, appoint dedicated personnel, pay attention to and track the typhoon warning information issued by the meteorological bureau.	Low
Fire	Short term, medium term, long term	The fire brigade is specifically responsible for providing fire fighting materials such as fire extinguishers in each area; establish full-time and part-time fire emergency teams; equipped with electronic monitoring equipment and implement the 24-hour duty system; formulate a fire management system, strictly control external fire and fire operations, and implement the approval and license system; carry out fire emergency drills for all employees on regular basis to strengthen their fire safety awareness.	Medium-high

Measures to Address Physical Risks

Climate risk	Period of impact	Response measures	Current impact level
Rainstorm and flood	Medium term, long term	Rainstorm often occurs in Shandong Province during flood season, which is easy to form serious sudden flood disaster. To this end, the Company has established a flood control work leadership group; regularly clear rainwater drainage pipelines before the flood season, specify the responsible person to carry out regular clearance and inspection; prepare all flood control materials, such as woven bags, spare sandbags, submersible pumps and lighting fixtures.	Medium-high
Extreme high temperature	Medium term, long term	Strengthen publicity and education, and focus on prevention of heatstroke in high temperature weather; distribute heatstroke prevention materials such as ice cream, green bean soup and Huoxiang Zhengqi Liquor in summer; assign first aid kits on team basis; set up an air-cooled circulation system at the production site; implement health intervention to ensure rest of employees; improve emergency response; pay attention to weather warnings and avoid high temperature operations.	Medium-high
Extreme low temperature	Short term, medium term, long term	Strengthen the protection of the Company's power grid; insulate important pipeline facilities before winter; formulate emergency plans for frost weather to prevent ground freezing of the main road of the plant; strengthen employee education to reduce drinking outside and staying outside under extreme low temperature weather, and adopt proper personal preventive measures.	Medium-high

Responses to Transition Risks and Opportunities

Climate risk	Period of impact	Response measures	Current impact level
GHG emissions reduction policy and indicator pressure	Short term, medium term, long term	Strengthen the implementation of internal energy conservation and emission reduction measures; communicate closely with relevant departments to ensure that the daily operation of the Company complies with relevant regulations; continue to study GHG emissions reduction policies and trends.	Medium-high
Carbon market risk	Short term, medium term, long term	Increase the application of energy conservation and emission reduction technologies, continue to pay attention to and learn domestic carbon market policies, pay attention to the relevant trends of carbon trading market, and take the initiative to respond to changes, while adhering to low-carbon strategy.	Medium-high
Customer demand for zero-carbon products and services	Medium term, long term	Various products of the Company have achieved carbon neutral product certification, and gradually promote zero-carbon products to the market; pay attention to the diversified demands of domestic and international customers, carry out the transformation practice based on itself, and actively respond to the opportunities brought by the global energy transition and climate change.	Medium-high

B. SOCIAL

Employment and Labor Practices

The Company 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 maximise benefits for employees.

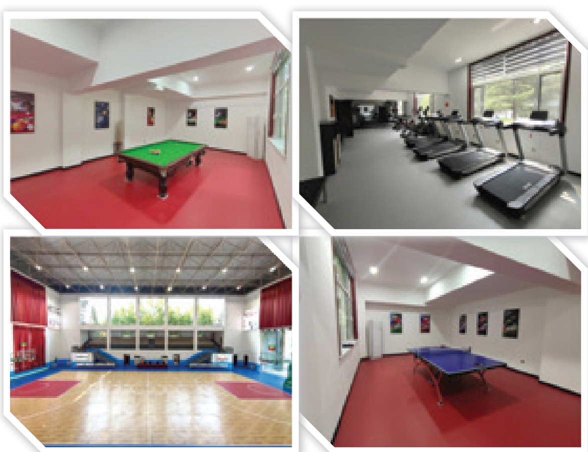
B1. Employment and Employee Benefits

The Company conducts its recruitment and hiring in strict compliance with the Labour Law of the People's Republic of China. The emolument policy of its 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 Company 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, no major violations related to employment and employee benefits were found.

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 and birthday cake.

The Company 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, electronic reading rooms and psychological counselling rooms, as well as cultural and sports leisure places.



The Company 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.

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

The Company 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 Company offers equal opportunities to employees with regard to recruitment, training and development, promotion, and benefit, and protect employees from any kind of discriminations or being deprived of equal opportunities based on gender, ethnicity, religious belief, race, age, marriage status, family status, disability, pregnancy or other prohibited factors stipulated in relevant laws. The Company also fully recognises 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)".

Moreover, the Company has established a trade union and a mutual fund to represent the interests of the majority workforce, so that the people-oriented and caring culture could be put into practice. In 2024, more than RMB54,000 was granted out of the mutual fund to relieve the economic pressure of employees and enhance their sense of belonging. It also invited professionals to conduct online and offline psychological counselling for employees to help them reduce life and work stress and improve their self-coordination ability. It organised employee-parent-child team-building activities to provide a platform for employees' children to experience the care and companionship of their parents through joyful and engaging activities, fostering stronger parent-child relationships. During the period for college application, in order to assist employees' children in understanding the policies and requirements for college application, equip them with the necessary strategies and methods of application, and ensure they make effective academic development planning during this crucial stage, the Company engaged professional teachers to give lectures on college application for employees' children.


Some of the facilities in the Company's psychological counselling room

In 2024, the Company had a total of 4,636 employees, of which 3,447 were male employees and 1,189 were female employees, all of whom were employed on a full-time basis. 27% of the employees were under 30 years old, 67.40% were between 30 and 50 years old and 5.6% were over 50 years old. Its main production bases are concentrated in Shandong Province, where 88.3% of the employees are employed, and the remaining 11.7% are concentrated in Liaoning Province, Jilin Province, Tianjin City and Shanghai City.

The employee turnover rate for the year by gender: 22% for male employees and 7.4% for female employees; by age group: 15.1% for those under 30 years old, 13.3% for those between 30 and 50 years old, and 1% for those over 50 years old; and by region: 24.3% in Shandong Province, 5.1% outside Shandong Province.

Employee structure

	2024		2023	
	Number	**Percentage**	**Number**	**Percentage**
Total number of employees	4,636	100	4,100	100
By gender				
Male	3,447	74.4	3,051	74.4
Female	1,189	25.6	1,049	25.6
By age				
Under 30 years old	1,251	27.0	926	22.6
30–50 years old	3,126	67.4	2,943	71.8
Over 50 years old	259	5.6	231	5.6
By region				
Shandong Province	4,093	88.3	3,491	85.2
Outside Shandong Province	543	11.7	609	14.8

Employee turnover rate

	2024		2023	
	Number	**Percentage**	**Number**	**Percentage**
By gender				
Male	1,022	22.0	851	20.8
Female	343	7.4	263	6.4
By age				
Under 30 years old	701	15.1	430	10.5
30–50 years old	618	13.3	573	14.0
Over 50 years old	46	1.0	110	2.7
By region				
Shandong Province	1,128	24.3	783	19.1
Outside Shandong Province	237	5.1	329	8.0

B2. Health and Safety

The Company regularly reviews the health and safety procedures for employees to safeguard their wellbeing. Employees are entitled to a free occupational health check-up annually. The Company 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. Fire drills, evacuation and escape exercises are also conducted on a regular basis in order to enhance the employees' safety awareness and their emergency response capacity.

Conducting Company-wide Emergency Rescue Exercise

Holding Kick-off Meeting for Safety Production Month

The Company 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 Company, including Safety Accident Management System, Fire Safety Management System, Hazardous Chemical Safety Management System, and Special Operator Management System.

Data on occupational safety	2024	2023	2022
Number of work-related fatalities	0	1	0
Lost days due to work injury	954	1,917	1,521

B3. Development and Training

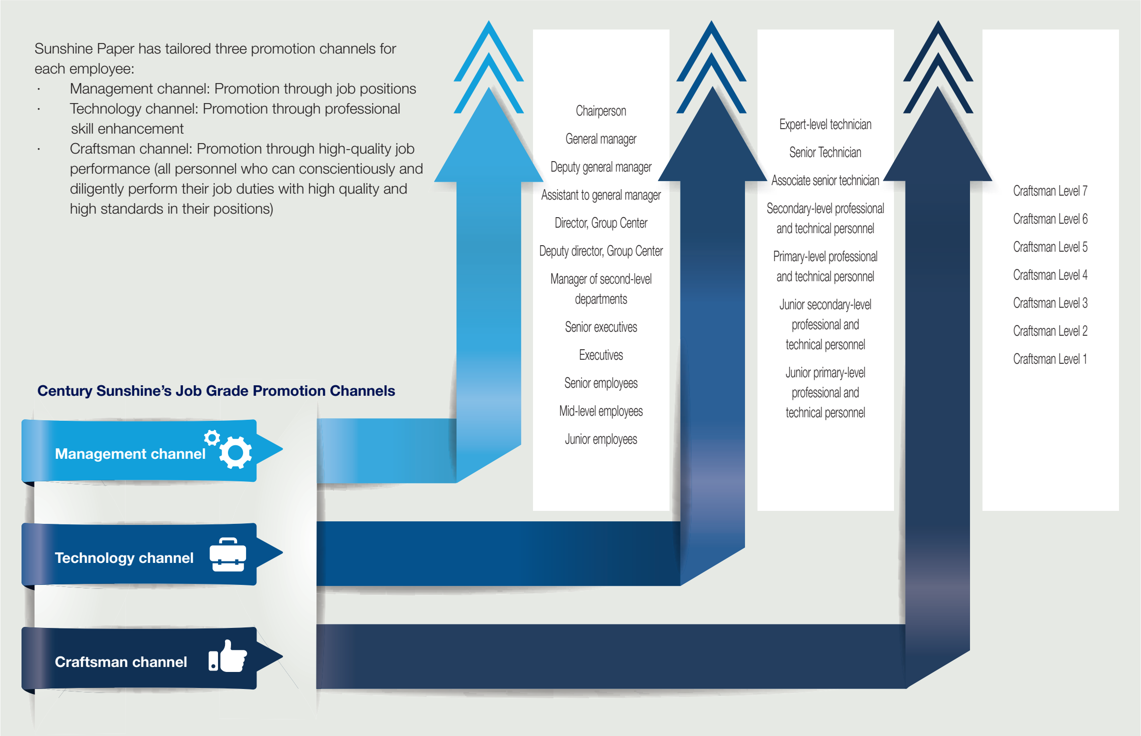
The Company believes that talents are the cornerstone of corporate development and growth. All newly recruited employees are required to attend an induction training so as to familiarise themselves with the essence of the corporate culture of the Company, including core values, company motto and working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

The Company 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 Company 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 Company also strengthens the cultivation of technical talents and skilled talents to stimulate the innovative vitality and high-quality development of the Company promote technological progress and industrial upgrading and transformation, and ultimately achieve a win-win situation in the development of employees and the Company.

Sunshine Future Phase 9: University Student Team Training Camp (陽光未來九期大學生團隊訓練營)

In order to support the realization of the talent strategy, the Company 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 Company 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 Company 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, the Company organised a wide range of activities, such as employee skills competition, pacesetter contest, "March 8th" Fun Sports Day, tug-of-war competition for employees, young singer competition, employee basketball league, employee table tennis competition, 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.

Vibrant and Colourful Employee Activities

"March 8th" Fun Sports Day

Organising Employees to Participate in "Dash Forward to Happiness (快樂向前沖)" Game

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 332 participants joined the external trainings with capital expenditure of approximately RMB698,000.

During the year, the Company organised a total of 5813 internal trainings, and a total of 121,337 participants joined such trainings, among which 198 were senior management; 1,062 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 its training programs.

In terms of training hours, the Company carried out 4,211.5 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; 15.5 hours were attended by senior management; 165.5 hours were attended by middle-level management.

In terms of the types of training, a total of 80,640 participants joined the professional skills training; 30,643 participants joined the safety training; 2,367 participants joined the general management training; and 30,756 participants joined the conceptual guidance and professional ethics training carried out by the Company respectively.

In addition to on-site training, the Company carried out online course learning with the help of Sunshine Network Academy, so that more employees can enjoy the Company's training benefits. The number of Sunshine Network Academy accounts in 2024 increased by 9.6% compared to 2023, with a login rate of 78.40%, enabling each individual's capabilities to be continuously enhanced.

Launching Sunshine Future Elites Special Training Course (陽光未來精英特訓班)

Conducting Special Training Camp for Young Cadres

B4. Labor Standards

The Company has strictly adhered to the requirements of Labour Law of the People's Republic of China in terms of employment management, and no child labour or forced labour was employed during the reporting period. The Company 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 the human resources department to avoid any inaccurate information. By doing so, the Company is able to recruit suitable candidates in accordance with work requirements and the applicants' expectations.

During the year, the Company 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 Company 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 Company also formulate an elimination mechanism to achieve a virtuous circle of the supplier pool and create a healthy and fair supplier cooperation atmosphere.

As its suppliers of raw and auxiliary materials come from the United States, Southeast Asia and China, the Company 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 Company'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 Company 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.

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 the 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 labour intensity of operators, and improving safety to promote the trial of materials.

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.

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 Company'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 2024, 576 new suppliers were admitted, 108 of which were evaluated on site. In 2024, the Company cooperated with 1,853 suppliers, the majority of which are domestic suppliers and account for approximately 99% of the total suppliers, including 44% in Shandong, approximately 18% in Jiangsu, Zhejiang and Shanghai, approximately 12% in the three northeastern provinces, 10% in Beijing and Tianjin, and approximately 15% in the remaining regions. There are 13 foreign suppliers in Chile, Thailand, the United States, Sweden, Austria, Japan, Finland, Singapore, Germany, etc., representing approximately 1% of the total number of suppliers.

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.

The Company 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, all suppliers are required not to use forced labour or employ child labour, and to protect biodiversity during the production process. The Company conducts 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 the Company's requirements for labour rights, environment, health and safety. For unqualified suppliers, cooperation will be terminated. Meanwhile, the Company 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. Some raw materials and raw paper are transported by the Company's subsidiaries, enabling the Company to comprehensively monitor the logistics status to ensure efficient and low-carbon transportation.

B6. Product Responsibility

The Company is always committed to providing products that comply with the Product Quality Law of the People's Republic of China and other relevant laws, regulations and standards to ensure product safety and quality. We insist on the "quality-first and customer-oriented" principle and strive to provide customers with quality products and outstanding services in order to create value for customers and maintain good cooperation relationship. The Company has maintained good after-sales service since the inception of its business to fulfil its 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 Company has obtained ISO9001 quality management system certification and Forest Stewardship Council (FSC) certification, which reflects the its pursuit of product quality and its commitment to maintaining sustainable management of forests. In 2023, the Company was selected as one of the first batch of Leading Cultivated Manufacturing Enterprises in Shandong Province (山東省製造業領航培育企業) with its strong comprehensive strength. Meanwhile, the Company's coated-white top linerboard was selected into the "Shandong's Good Product" brand list.

The management of the Company at all levels plays a leading role in quality management, and the general manager, as the first person accountable for quality management, is responsible for the development and implementation of the overall quality strategy of the Company. We have appointed a chief quality officer, as well as quality owners at all levels from production managers, quality supervisors to team leaders, each with clear quality responsibilities and KPI targets. The enterprise management and audit department is responsible for the measurement and assessment of KPIs and ensures the quality targets are achieved. The Company has a dedicated department in place, i.e., the Quality Control Department, responsible for the formulation of quality specifications, including testing items, testing standards and testing frequency for semi-finished and finished paper. Each workshop is equipped with a comprehensive quality control room and various testing instruments for real-time tracking, testing and control of product quality. Through the establishment of a paper-making quality intelligent model platform, we are able to utilise intelligent data models to enhance the intelligence level of processes, quality and equipment, and achieve the systematic control of production technology. Real-time alarms and online curve analysis of process parameters are implemented through the system, improving the efficiency of process analysis and control over process. Feasibility studies for big data projects are conducted by constructing quality data models, starting with processes with single production line and consistent quality. Data fusion, cleaning, and feature extraction are performed, and big data analysis techniques such as machine learning algorithms are utilised to build quality data prediction models. a comprehensive quality management network covering the entire company, ensuring stable product quality and receiving deep recognition from customers. This forms a quality management network covering the Company, guaranteeing stable product quality. It is deeply recognised by a wide range of customers.

During the reporting period, the Group received a total of 863 complaints regarding our products and services. Following the investigations, the majority were related to product quality. The complaint rate for product quality was approximately 0.028% (the percentage of claims for compensation over sales), and no cases requiring product recall occurred due to safety and health reasons.

The Company has an established customer complaint handling mechanism, with 34 sales offices nationwide to receive complaints from customers, enabling it to respond quickly to customer feedback. Immediately after a quality issue arises, the relevant business personnel will visit the customer to look into the issue, and follow up and monitor it through the quality issue handling procedures set out in the OA system. 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 Company implements a target assessment system to strictly control all aspects of the production process. Relying on the quality management system, all employees are involved in the comprehensive quality management and pose strict controls over all aspects that may affect the quality of products. Based on the "PDCA" cycle model, we make continuous improvement to ensure the stable improvement of product quality.

The Company has developed a clear product recall process to ensure customers' return requests are responded and addressed in a timely manner. The product recall process are as follows: 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 the main business requirements, the Company 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 Company'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 Company 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 Company, in an attempt to provide sufficient protection and confidentiality measures for 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

The Company 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 Company and effective reporting channels have been established to prevent potential bribery, extortion, fraud and money laundering. The code of conduct of the Company 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 underscore the Company'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 provide regular anti-corruption trainings to the management and employees, and new comers are also required to receive integrity education.

- Suppliers with which the Company does business are required to sign an "Anti-Corruption Agreement", undertaking no bribery will be conducted and that integrity will be upheld together with the Company, and violators shall bear the losses and all legal consequences of the Company. The Company 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 Company 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 Company is committed to strengthening compliance training to combat and prevent any corruption. During the reporting period, the employees of the Company, 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)", anticorruption cases and the latest developments and future trends. The directors of the Company 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 Company did not find anything which constituted a material breach of the aforesaid and other local laws and regulations related to anti-corruption or anti-money laundering.

COMMUNITY INVESTMENT

With its continuous growth and development in scale, the Company 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. The Company 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.

Report of the Audit Committee

MEMBERS

The audit committee of our Company consists of the three independent non-executive Directors, namely Ms. Zhang Tao, Mr. Wang Zefeng and Ms. Jiao Jie, with Ms. Zhang Tao 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 2024, 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 FY2024 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 FY2024 and up to the date of this report:

- reviewed the consolidated financial statements for FY2023;
- reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2024;
- reviewed the external auditor's audit plan, letter of representation and audit engagement letter for FY2024;
- considered and approved the external audit fees for FY2024;
- reviewed our Company's internal control and risk management systems; and
- reviewed the "Connected Transactions" set out on pages 86 to 91 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 D2 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 2025.

For FY2024, 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. As at the date of this annual report, our Board consists of nine Directors including four executive Directors, two non-executive Directors 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. Ci Xiaolei	Deputy general manager of our Group
Non-executive Directors	
Ms. Wu Rong	
Mr. Zhang Xiaohui	A member of the remuneration committee and a member of the nomination committee
Independent non-executive Directors	
Ms. Zhang Tao	Chairlady of the audit committee, a member of the remuneration committee and a member of the nomination 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, a member of the audit committee and a member of the remuneration committee

EXECUTIVE DIRECTORS

Mr. Wang Dongxing, aged 62, 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 68, 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 equipment. 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 54, 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 exceed 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. Ci Xiaolei, aged 49, is an executive Director and the deputy general manager of the Group and is responsible for the operation of production 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 DIRECTORS

Ms. Wu Rong, aged 60, 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.

Mr. Zhang Xiaohui, aged 49, is a non-executive Director of our Group. Mr. Zhang was appointed as a non-executive Director on 22 November 2023. Mr. Zhang has more than 26 years of experience in operation and management in pulp and paper industry. Mr. Zhang XH joined Xiamen C&D Inc.* (廈門建發股份有限公司) as a sales clerk in 1998 and was then promoted to the position of deputy general manager of Xiamen C&D Paper & Pulp Group Co., Ltd.* (廈門建發漿紙集團有限公司, "Xiamen C&D"), being responsible for the operation and management of its paper pulp business. Mr. Zhang XH has been serving as the general manager of Xiamen C&D since July 2023 and as a non-executive director of C&D Newin Paper & Pulp Corporation Limited (建發新勝漿紙有限公司*, a company listed on the Stock Exchange, stock code: 731) since September 2023. He also serves as the vice chairman (副理事長) of China Paper Association (中國造紙協會) and the vice chairman (副會長) of China Paper Industry Chamber of Commerce (全國工商聯紙業商會). Mr. Zhang XH obtained a bachelor's degree from Southeast University (東南大學) in 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Zefeng, aged 64, 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 Shandong Paper Manufacturing Industry Association, the deputy general manager, chief engineer and senior engineer of Shandong Paper Industry Group.

Ms. Jiao Jie, aged 44, joined the Company as Independent Non-executive Director in January 2014. 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 holds a Bachelor of Laws degree and a Bachelor of Economics degree from Peking University in the People's Republic of China (the "PRC") and a degree of Magister Juris from University of Oxford in the United Kingdom. Ms. Jiao is a CFA charterholder and has obtained the Legal Professional Qualification Certificate from the Ministry of Justice of the PRC. Ms. Jiao has extensive experience in initial public offerings, private equity financing and corporate legal affairs. Ms. Jiao currently serves as an adviser to Play for Dream Inc. She is an independent non-executive director of EPI (Holdings) Limited (HKEX stock code: 689), LVGEM (China) Real Estate Investment Limited (HKEX stock code: 95), Palasino Holdings Limited (HKEX stock code: 2536) and Tianli Holdings Group Limited (HKEX stock code: 117). All these companies are listed on the Main Board of the Hong Kong Stock Exchange. Ms. Jiao is also an independent non-executive director of TradeGo FinTech Limited (HKEX stock code: 8017), a company listed on the GEM of the Hong Kong Stock Exchange. She is an independent director of Quhuo Limited (NASDAQ stock code: QH), a company listed on Nasdaq.

Ms. Zhang Tao, aged 46, is an independent non-executive Director. Ms. Zhang joined our Group in 2023 and was appointed as a Director on 23 August 2023. Ms. Zhang has over 15 years of experience in auditing and over 6 years of experience in corporate compliance and management. Ms. Zhang served at Deloitte Touche Tohmatsu Beijing Branch successively as an auditing manager, an auditing senior manager, an auditing director and an auditing partner from August 2003 to April 2018. She then served as the chairlady of the supervisory committee and the general manager of internal control and audit department of Laopu Gold Co., Ltd.* (老鋪黃金股份有限公司) from April 2018 to August 2021. Ms. Zhang has been serving as the vice president of Zhongshang Huimin Technology Group Co., Ltd.* (中商惠民科技集團有限公司) since August 2021. Ms. Zhang graduated with a master's degree in accounting from Capital University of Economics and Business (首都經濟貿易大學) in July 2003. She was admitted as a member of the Chinese Institute of Certified Public Accountants in October 2006.

SENIOR MANAGEMENT

Mr. Liu Wenzheng, aged 53, 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 53, 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.

JOINT COMPANY SECRETARIES

Mr. Yeung Tsz Kit Alban, aged 47, is currently a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Mr. Yeung also holds a Practitioner's Endorsement from The Hong Kong Chartered Governance Institute. Mr. Yeung has over 19 years of extensive experience in the corporate secretarial, auditing, accounting and corporate finance field. Mr. Yeung is currently acting as the company secretary of D&G Technology Holding Company Limited, a company listed on the Stock Exchange (stock code: 1301). Mr. Yeung received a Master of Corporate Governance from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) and a Bachelor of Commerce from University of New South Wales, Australia.

Ms. Wang Jingjing, aged 41, has over 18 years of experience in the corporate finance and corporate governance. She holds a bachelor degree of Management Degree from Shandong College of Finance (山東財政學院, currently known as Shandong University of Finance and Economics (山東財經大學)). Ms. Wang joined the Group in April 2007 and served at various finance-related positions. From 2007 to 2011, she worked in Securities Department of the Company and then served as the vice manager of the Investment and Financing Department of the Company from 2012 to 2017. Since 2017, Ms. Wang has been holding the position of secretary in Securities and Financing Department of the Company and is mainly responsible for the affairs of the Board and the daily corporate compliance matters.

Report of the Directors

We, the Directors, present the annual report together with the audited consolidated financial statements of our Group for FY2024.

PRINCIPAL ACTIVITIES

Our Group is principally engaged in the production/generation and sale of paper products, electricity and steam.

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 21.

RESULTS AND APPROPRIATIONS

The consolidated results of our Group for FY2024 are set out in the consolidated financial statements on page 99.

DIVIDEND

The Board recommend the payment of a final dividend for FY2024 of HK5 cents per ordinary share.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

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

In relation to the AGM

The register of members of our Company will be closed from 17 June 2025 to 20 June 2025, both days inclusive, for the purpose of determining entitlement to attend the AGM, during which no transfer of shares of our Company will be registered. The record date for entitlement to attend and vote at the AGM is 20 June 2025. 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 16 June 2025.

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.

In relation to the final dividend

The register of members of our Company will be closed from 8 July 2025 to 11 July 2025, both days inclusive, for the purpose of determining entitlement to the proposed final dividend, during which no transfer of shares of our Company will be registered. Shareholders whose names appear on the Company's register of members on 11 July 2025 will qualify for the proposed final dividend. In order to qualify for the proposed final dividend, 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 7 July 2025. The proposed final dividend (the payment of which is subject to the shareholders' approval at the AGM) is payable on or about 18 July 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

The following principal risks and uncertainties facing the Company are in addition to those set out in notes 42 and 43 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 FY2024 are set out in the consolidated financial statements on page 102.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Act of the Cayman Islands, share premium, which has been partially offset by the accumulated losses of the Company, are distributable to the shareholders. As at 31 December 2024, the Company's reserve available for cash distribution and/or distribution in specie, amounted to approximately RMB1,357.2 million.

DONATIONS

During the financial year ended 31 December 2024, our Group made donation of RMB0.1 million for charitable purpose (2023: RMB0.2 million).

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 FY2024 are set out in notes 15 and 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of our Company during FY2024 are set out in note 39 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 200.

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 37 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

As at 31 December 2024, the number of treasury shares held by the Company is nil.

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 (including sale of treasury shares) during 2024.

USE OF PROCEEDS

On 14 July 2023 (after trading hours), the Company and Hong Kong Paper Sources Co., Limited (香港紙源有限公司, "HK Paper Sources") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company has conditionally agreed to allot and issue and HK Paper Sources has conditionally agreed to subscribe for 162,000,000 ordinary shares of the Company at the subscription price of HK$2.480 per subscription share (the "Subscription"). The subscription price of HK$2.480 per subscription share represents a discount of approximately 12.06% to the closing price of HK$2.820 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement.

All the conditions precedent set out in the Subscription Agreement have been fulfilled and the completion took place on 22 November 2023 in accordance with the terms and conditions of the Subscription Agreement. A total of 162,000,000 ordinary shares have been successfully allotted and issued under the general mandate granted by the shareholders at the annual general meeting of the Company held on 31 May 2023 (the "2023 General Mandate"). The aggregate nominal value of the subscription shares is HK$16,200,000 based on the nominal value of HK$0.10 per share. After deducting all related expenses, the net proceeds of the subscription amounts to approximately HK$401 million, representing a net subscription price of approximately HK$2.477 per subscription share. The Company has utilized about HK$181 million as general working capital of the Group during 2023 and has utilized the remaining amount of HK$220 million as general working capital of the Group by 31 December 2024, which is consistent with the intentions previously disclosed by the Company.

The Board is of the view that it would be in the interests of the Company to raise equity funding through the Subscription to broaden its shareholder base, strengthen the Group's capital base and enhance its financial position for long-term development and growth.

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at date of this annual report, save as disclosed in note 51 to the consolidated financial statements, the Group has no significant events after the reporting period.

DIRECTORS

The Directors who held office during FY2024 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. Ci Xiaolei *(Deputy general manager of our Group)*

Non-executive Directors

Ms. Wu Rong
Mr. Zhang Xiaohui

Independent non-executive Directors

Ms. Zhang Tao
Mr. Wang Zefeng
Ms. Jiao Jie

In accordance with 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 87(1) and (2) of the Articles, Mr. Wang Changhai, Mr. Wang Zefeng and Ms. Jiaojie shall retire from office at the forthcoming annual general meeting of the Company to be held on 28 June 2024 (the "AGM") and being eligible for re-election, will offer themselves for re-election at the AGM.

Our Company has received from each of them independent non-executive Directors an annual confirmation of his/her independence during FY2024 as regards each of the factors referred to in 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 and Mr. Shi Weixin 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 2025 with our Company for a term of three years commencing on 28 February 2025 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 2025 with our Company for a term of three years commencing on 15 April 2025 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 2025 with our Company to act as a non-executive Director for a period of three years, commencing on 15 April 2025, unless terminated in accordance with the terms and conditions specified in such letter.

Mr. Zhang Xiaohui has signed a letter of appointment dated 22 November 2023 with our Company to act as a non-executive Director for a period of three years, commencing on 22 November 2023, unless terminated in accordance with the terms and conditions specified in such letter.

Ms. Zhang Tao has signed a letter of appointment dated 23 August 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 23 August 2023, 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 2022, 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.

Details of directors' emolument for each of our Directors for FY2024 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 FY2024, 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 2024, 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 FY2024 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 2024, 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[3]
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company[1]	321,687,052	30.20%
	Beneficial owner	18,425,500	1.73%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	3,840,000	0.36%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company[1]	321,687,052	30.20%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	22,265,500	2.09%
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company[1]	321,687,052	30.20%
	Beneficial owner	3,840,000	0.36%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	18,425,500	1.73%
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	30.20%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[2]	22,265,500	2.09%

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.

3. As at 31 December 2024, the number of issued ordinary shares of the Company was 1,065,144,359.

Save as disclosed above, as at 31 December 2024, 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 2024, 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[4]
China Sunrise[1]	Long	Beneficial interest	321,687,052	30.20%
China Sunshine[1]	Long	Interest of a controlled corporation	321,687,052	30.20%
Controlling Shareholders Group[2]	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	30.20%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	22,265,500	2.09%
Hong Kong Paper Source Co., Limited[3]	Long	Beneficial interest	162,000,000	15.21%
Xiamen C&D Paper & Pulp Group Co., Ltd.[3]	Long	Interest of a controlled corporation	162,000,000	15.21%
Xiamen C&D Inc.[3]	Long	Interest of a controlled corporation	162,000,000	15.21%
Xiamen C&D Corporation Limited[3]	Long	Interest of a controlled corporation	162,000,000	15.21%
Xiamen SASAC[3]	Long	Interest of a controlled corporation	162,000,000	15.21%

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.

3. Hong Kong Paper Source Co., Limited is a wholly owned subsidiary of Xiamen C&D Paper & Pulp Group Co., Ltd.* (廈門建發漿紙集團有限公司) ("Xiamen C&D Paper"). Xiamen C&D Paper is directly wholly-owned by Xiamen C&D Inc.* (廈門建發股份有限公司) ("Xiamen C&D Inc."). Being a controlling shareholder of Xiamen C&D Inc., Xiamen C&D Corporation Limited* (廈門建發集團有限公司), is directly wholly-owned by Xiamen SASAC. Each of Xiamen SASAC, Xiamen C&D Corporation Limited, Xiamen C&D Inc. and Xiamen C&D Paper & Pulp Group Co., Ltd. is therefore deemed to be interested in the Shares held by Hong Kong Paper Source Co., Limited by virtue of the SFO, being 162,000,000 Shares.

4. As at 31 December 2024, the number of issued ordinary shares of the Company was 1,065,144,359.

Save as disclosed above, as at 31 December 2024, 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.

2017 SHARE AWARD SCHEME

A share award scheme of the Company (the "2017 Share Award Scheme") was adopted by the Board on 27 June 2017. The purpose of the 2017 Share Award Scheme is to recognise the contributions of certain eligible participants 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 2017 Share Award 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 2017 Share Award Scheme as set out below, the Board shall determine a number of awarded shares which it wishes to be the subject of an award. The Board shall notify a 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 determined by the Board at its sole discretion at the date on which that selected participant is selected for participation in the 2017 Share Award 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 2017 Share Award Scheme representing in excess of 10% of the issued share capital of the Company as at 27 June 2017. Awards lapsed in accordance with the terms of the 2017 Share Award 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 2017 Share Award 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 27 June 2017.

Subject to any early termination as may be determined by the Board, the 2017 Share Award Scheme shall be valid and effective for a period of ten years commencing on 27 June 2017. As at the date of this report, the remaining life of the 2017 Share Award Scheme is approximately 2 years and 3 months.

On 4 October 2017, 16,774,000 awarded Shares have been granted to Wang Dongxing, Wang Changhai and Liu Wenzheng under the 2017 Share Award Scheme. They are not required to pay any consideration for the grant of such awarded Shares. Such awarded Shares have been fully vested immediately on 4 October 2017 upon fulfillment of all conditions disclosed in the Company's circular dated 1 September 2017. No awards were granted, vested, lapsed or cancelled under the 2017 Share Award Scheme during FY2023. As at 1 January 2023 and 31 December 2023, there were no unvested awards under the 2017 Share Award Scheme.

As at 1 January 2024 and 31 December 2024, the total number of awards available for grant under the 2017 Share Award Scheme are 63,484,800 and 63,484,800 respectively. There is no service provider sublimit under the 2017 Share Award Scheme. The total number of Shares available for issue under the 2017 Share Award Scheme is 63,484,800* Shares, representing approximately 5.96% of the total issued Shares (excluding any treasury shares) as at the date of this annual report.

2023 SHARE OPTION SCHEME

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting dated 31 May 2023, the Company adopted a share option scheme ("2023 Share Option Scheme"). The 2023 Share Option Scheme shall be valid and effective for a period of ten years from the adoption of the scheme on 31 May 2023.

The purposes of the 2023 Share Option Scheme are (i) to recognise and reward for the past contributions by the eligible participants, including employee participants and related entity participants; (ii) to retain or otherwise maintain on-going relations with the eligible participants; (iii) to give the eligible participants an opportunity to have a personal stake in the Company and help motivate the eligible participants to optimise their future contributions to the Group; and (iv) to attract suitable personnel for further growth and development of the Group.

Pursuant to the 2023 Share Option Scheme, the Board shall be entitled at any time within 10 years from the adoption on 31 May 2023 to offer the grant of an option to any eligible participant as the Board may in its absolute discretion select to subscribe at the exercise price for such number of Shares as the Board may determine.

Subject to the provisions of the Listing Rules and the 2023 Share Option Scheme, the Board may in its absolute discretion (i) when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2023 Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) (a) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Group and/or the grantee, (b) the satisfactory performance or maintenance by the grantee of certain conditions or obligations or (c) the time or period before the right to exercise the option in respect of all or some of the option shares shall vest, and (ii) at any time after the grant of an option, waive or amend such conditions, restrictions or limitations set forth by the Board in its sole discretion, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the 2023 Share Option Scheme and such waiver or amendments comply with the requirements under Chapter 17 of the Listing Rules.

Where any grant of options to an eligible participant would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the relevant scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant shall be separately approved by the shareholders of the Company in general meeting with such eligible participant and his close associates (or associates if such eligible participant is a connected person) abstaining from voting. The Company must send a circular to the shareholders of the Company.

An offer of the grant of an option under the 2023 Share Option Scheme shall remain open for acceptance by the eligible participant concerned for a period of 28 days from the grant date provided that no such grant of an option under the 2023 Share Option Scheme may be accepted after the expiry of the effective period of the 2023 Share Option Scheme or after the 2023 Share Option Scheme has been terminated in accordance with its terms. An option under the 2023 Share Option Scheme shall be deemed to have been granted and accepted by the Eligible Participant and to have taken effect when the duplicate grant letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favour of the Company of RMB1.00 by way of consideration for the grant thereof is received by the Company on or before the acceptance date. Such remittance shall in no circumstances be refundable.

Subject to the provisions of the Listing Rules, the exercise period in respect of any particular option under the 2023 Share Option Scheme shall be determined by the Board in its absolute discretion and shall not be more than 10 years from the grant date of such option. Subject to the provisions of the Listing Rules, the exercise price in respect of any particular option under the 2023 Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the grant letter) but in any event the exercise price shall not be less than whichever is the higher of: (a) the nominal value (if any) of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the grant date; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date.

Subject to the early termination by the Company, the 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 31 May 2023. As at the date of this report, the remaining life of the 2023 Share Option Scheme is approximately 8 years and 2 months.

The total number of options available for grant under the 2023 Share Option Scheme at the time of the adoption of the 2023 Share Option Scheme and the end of the financial period was 96,785,435* and 96,785,435*, respectively. There is no service provider sublimit under the 2023 Share Option Scheme.

No options were granted, exercised, lapsed or cancelled under the 2023 Share Option Scheme during FY2024. As at 31 December 2024, there were no outstanding options under the 2023 Share Option Scheme.

The total number of Shares available for issue under the 2023 Share Option Scheme is 96,785,435* Shares, representing approximately 9.09% of the issued Shares (excluding any treasury shares) as at the date of this annual report.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during FY2024 divided by weighted average number of Shares in issue for FY2024 is 9.06%.

2025 SHARE AWARD SCHEME

On 6 January 2025, the Company adopted a share award scheme (the "2025 Share Award Scheme"), which is a scheme funded solely by the existing Shares and will not involve the issue of any new Shares and shall be valid and effective for a term of 10 years from 6 January 2025.

The purposes and objectives of the 2025 Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The eligible participants of the 2025 Share Award Scheme include (i) a director or an employee of the Company or any of its subsidiaries (including a person who is granted Awards as an inducement to enter into employment contracts with these companies) selected by the Board or the scheme administrator for participation in the Scheme, provided always that such term shall exclude any person who at the relevant time has tendered his/her resignation or who is working out his/her period of notice pursuant to his employment contract or otherwise; and (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company.

Subject to the provisions of the Scheme Rules, the Board or the scheme administrator may, from time to time, at its sole and absolute discretion select any eligible participant for participation in the 2025 Share Award Scheme as a selected participant, and grant an award to any selected participant at such consideration (if any) subject to such terms and conditions as the Board or the scheme administrator may in its sole and absolute discretion determine.

The Board or the scheme administrator shall not make any further award of awarded Shares which will result in the aggregate number of the Shares awarded by the Board under the 2025 Share Award Scheme exceeding 9% of the issued share capital of the Company (excluding any treasury shares) as at 6 January 2025 (i.e. 1,065,144,359 Shares), which represents 9% of the issued share capital of the Company (excluding treasury shares) as at the date of this annual report. The scheme rules do not specify the maximum entitlement for an individual participant, and the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Awarded Shares to connected persons of the Company.

As at the date of this report, the remaining life of the 2025 Share Award Scheme is approximately 9 years and 10 months.

No awards have been granted, lapsed or cancelled under the 2025 Share Award Scheme since its adoption.

The number of awards available for grant as at 1 January 2024 and 31 December 2024 is not applicable for the 2025 Share Award Scheme.

* *The scheme mandate limit is the total number of Shares which may be issued in respect of all options and awards to be granted under the 2023 Share Option Scheme and any other schemes of the Company.*

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 FY2024 or subsisted at the end of FY2024.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year 2024. 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 FY2024 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 47 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 "2021 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.

The annual caps under the 2021 Steam Supply Agreement are set as RMB147.8 million, RMB162.9 million and RMB179.6 million (exclusive of tax), respectively, for each of the three financial years ending 31 December 2024.

A supplemental agreement dated 20 February 2023 was entered between Shengtai Medicine and Shengshi Thermoelectricity to revise the annual caps under the 2021 Steam Supply Agreement for the two years ending 31 December 2024. The revised annual caps for the two years ending 31 December 2024 under the 2021 Steam Supply Agreement were RMB215.8 million and RMB237.9 million, respectively. For details, please refer to the announcement of the Company dated 20 February 2023.

For FY2024, the aggregate sale of steam by Shengshi Thermoelectricity to Shengtai Medicine amounted to RMB154.7 million, which was below the annual cap of RMB237.9 million for FY2024 under the supplemental agreement as revised on 20 February 2023.

(b) An electricity supply agreement dated 31 December 2021 (the "2021 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.

The annual caps under the 2021 Electricity Supply Agreement are set as RMB56.4 million, RMB62.1 million and RMB68.5 million (exclusive of tax) respectively for each of the three financial years ending 31 December 2024.

A supplemental agreement dated 20 February 2023 was entered between Shengtai Medicine and Shengshi Thermoelectricity to revise the annual caps under the 2021 Electricity Supply Agreement for the two years ending 31 December 2024. The revised annual caps for the two years ending 31 December 2024 under the 2021 Electricity Supply Agreement were RMB79.1 million and RMB87.2 million, respectively. For details, please refer to the announcement of the Company dated 20 February 2023.

For FY2024, the aggregate sale of electricity by Shengshi Thermoelectricity to Shengtai Medicine amounted to RMB55.8 million, which was below the annual cap of RMB87.2 million for FY2024 under the supplemental agreement as revised on 20 February 2023.

The background and purpose for entering into the 2021 Steam Supply Agreement and the 2021 Electricity Supply Agreement were: Shengshi Thermoelectricity is principally engaged in the supply of electricity and steam. It is always the intention of both Century Sunshine and Shengtai Medicine, being the shareholders of Shengshi Thermoelectricity, that the steam produced and electricity generated by Shengshi Thermoelectricity should, as a priority, satisfy the production needs of both parties. In addition, supplying steam and electricity to Shengtai Medicine has been generating a reasonable revenue and return to the Group in additional to its core business.

The 2021 Steam Supply Agreement and the 2021 Electricity Supply Agreement expired on 31 December 2024. The Group expects, for the three financial years ending 31 December 2027, to continue the existing continuing connected transactions under the 2021 Steam Supply Agreement and the 2021 Electricity Supply Agreement and enter into certain new recurring transactions similar to the existing continuing connected transactions. Therefore, on 31 December 2024, Shengshi Thermoelectricity and Shengtai Medicine renewed the 2021 Steam Supply Agreement and the 2021 Electricity Supply Agreement by entering into another steam supply agreement (the "2024 Steam Supply Agreement") and another electricity supply agreement (the "2024 Electricity Supply Agreement") for another three years with effect from 1 January 2025 to 31 December 2027, renewable for term(s) of not more than three years each upon expiry (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

The annual caps under the 2024 Steam Supply Agreement are set as RMB173.0 million, RMB206.6 million and RMB243.1 million (exclusive of tax), respectively, for each of the three financial years ending 31 December 2027.

The annual caps under the 2024 Electricity Supply Agreement are set as RMB67.0 million, RMB77.3 million and RMB85.3 million (exclusive of tax) respectively for each of the three financial years ending 31 December 2027.

Purchase Framework Agreement and Sales Framework Agreement

The Group and Xiamen C&D Paper & Pulp Group Co., Ltd ("Xiamen C&D") entered into two framework agreements on 2 January 2024 with a term from 5 March 2024 to 31 December 2026. Xiamen C&D holds 100% shares of Hong Kong Paper Sources Co., Limited (香港紙源有限公司), which is a substantial shareholder of the Company. Xiamen C&D is therefore a connected person of the Company under the Listing Rules and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the details of such continuing connected transactions are set out below:

(a) A purchase framework agreement (the "2024 Purchase Framework Agreement") dated 2 January 2024 was entered between China Ramble Paper Company Limited ("Ramble Paper") as a purchaser and Xiamen C&D as a seller. Any member of Ramble Paper and/or its subsidiaries (collectively, the "Ramble Paper Group") may place individuals orders or enter into individual contracts with any member of Xiamen C&D and/or its subsidiaries (collectively, the "Xiamen C&D Group") to purchase the wood pulp materials and packaging paper products that Xiamen C&D Group is the main distributor. The price of the products purchased by Ramble Paper Group from Xiamen C&D Group shall be determined after arm's length negotiations between the parties with reference to, among others, current market price for similar products and the purchase quotations and policies for similar products of similar qualities provided by third-party suppliers to Ramble Paper Group. In any event, such prices or purchase terms shall be no less favourable than those provided by third-party suppliers to Ramble Paper and/or Ramble Paper Group.

The annual caps for the total purchase amount payable by Ramble Paper Group to Xiamen C&D Group for the transactions contemplated under the 2024 Purchase Framework Agreement for the three years ending 31 December 2026 are RMB370.8 million, 426.8 million and 714.7 million, respectively. For details, please refer to the announcement of the Company dated 2 January 2024 and the circular of the Company dated 19 February 2024.

For FY2024, the aggregate purchase amount for the wood pulp materials and packaging paper products paid by Ramble Paper to Xiamen C&D Group amounted to RMB164.4 million (exclusive of tax amounted to RMB148.2 million), which was below the annual cap of RMB370.8 million for FY2024 under the 2024 Purchase Framework Agreement.

(b) A sales framework agreement (the "2024 Sales Framework Agreement") dated 2 January 2024 was entered between Xiamen C&D as a purchaser and Century Sunshine as a seller. Any member of Xiamen C&D Group may place individual orders or enter into individual contracts with any member of Century Sunshine and/or its subsidiaries (the "Century Sunshine Group") to purchase the packaging paper products that Century Sunshine Group produces. The price of the products sold by Century Sunshine Group to Xiamen C&D Group shall be determined after arm's length negotiations between the parties with reference to, among others, current market price for similar products and the selling prices and policies for similar products of similar qualities provided by Century Sunshine Group to third-party customers. In any event, such prices or sale terms shall be no more favourable than those provided by Century Sunshine and/or Century Sunshine Group to third-party customers.

    The annual caps for the total purchase amount payable by Xiamen C&D Group to Century Sunshine Group for the transactions contemplated under the 2024 Sales Framework Agreement for the three years ending 31 December 2026 are RMB522.1 million, 590.1 million and 657.2, respectively. For details, please refer to the announcement of the Company dated 2 January 2024 and the circular of the Company dated 19 February 2024.

    For FY2024, the aggregate purchase amount for the packaging paper products paid by Xiamen C&D Group to Century Sunshine Group amounted to RMB518.1 million (exclusive of tax amounted to RMB459.2 million), which was below the annual cap of RMB522.1 million for FY2024 under the Purchase Framework Agreement dated on 2 January 2024.

The background and purpose for entering into the 2024 Purchase Framework Agreement and the 2024 Sales Framework Agreement were: Xiamen C&D Group is one of the leading enterprises engaged in the sales and/or import of paper products and pulp and has strong strength and reputation advantages in the industry. The Group has been procuring from and selling to Xiamen C&D Group certain materials and packaging paper products for a number of years. As a result of such long-term business relationship, the parties have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly in a cost-efficient manner to any new requirements that the other group may request. By entering into the 2024 Purchase Framework Agreement and the 2024 Sales Framework Agreement, the Group is able to secure a stable and reliable supply of materials and fulfill its relevant business needs.

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 above 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, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

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.

Details of the related party transactions entered into by the Group during FY2024 are set out in Note 47 to the consolidated financial statements. Save as disclosed above, 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.

EVENTS AFTER THE REPORTING PERIOD

As at date of this annual report, save as disclosed in note 51 to the consolidated financial statements, the Group has no significant events after the reporting period.

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 2023 and 2024 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
28 March 2025

Grant Thornton
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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 99 to 199, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information.

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants ("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, 4.15, 4.17, 4.19, 5, 21, 23, 26 and 47(b) to consolidated financial statements.

The Key Audit Matters	How the matter was addressed in our audit
The Group has joint interest in Sunshine Oji (Shouguang) Specialty Paper Co., Ltd (the "JV") and it is carried at RMB127,671,000 in the consolidated financial position at reporting date. The Group also has receivables totalling RMB325,225,000 from the JV, resulting a collective financial interest in the JV of RMB452,896,000 at reporting date, which represents 8.5% of net assets value (RMB5,300,000,000) of the Group. The JV recorded a loss for the current year of RMB32,541,000. Except for the expected credit loss ("ECL") allowance amounting to RMB80,429,000 on trade and other receivable balances, there was no impairment loss of investment in JV made on these carrying amounts 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 engaged our internal specialists to assist us to assess the reasonableness of management's ECL allowances estimates by examining the information used by forming 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 43(d) to consolidated financial statements.*	
The Group recorded net current liabilities of RMB625,086,000 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 RMB3,298,300,000, RMB212,991,000, RMB56,355,000 and RMB1,520,112,000 respectively at reporting date. RMB3,755,521,000 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 RMB463,950,000 for one year. We obtained 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 2024 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 IFRS Accounting Standards issued by the IASB and the disclosure requirements 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.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

28 March 2025

Kan Kai Ching
Practising Certificate No.: P07816

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6 & 7	8,047,605	8,359,494
Cost of sales		(6,851,682)	(7,049,635)
Gross profit		1,195,923	1,309,859
Other income	8	274,287	291,439
Other gains or losses, net	8	28,933	20,127
Distribution and selling expenses		(372,909)	(403,235)
Administrative expenses		(492,384)	(478,554)
(Provision for)/Reversal of expected credit loss on financial assets, net		(12,450)	20,956
Loss on fair value changes of an investment property	16	(2,336)	(503)
Share of (loss)/profit of a joint venture	21	(18,972)	10,914
Finance costs	9	(151,408)	(175,577)
Profit before income tax	12	448,684	595,426
Income tax expense	11	(113,547)	(144,134)
Profit for the year		335,137	451,292
Other comprehensive income/(expense), net of tax			
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		3,498	(3,832)
Fair value gain on financial assets at fair value through other comprehensive income		20	743
Other comprehensive income/(expense), net of tax		3,518	(3,089)
Total comprehensive income for the year		338,655	448,203
Profit for the year attributable to:			
Owners of the Company		279,872	393,309
Non-controlling interests		55,265	57,983
		335,137	451,292
Total comprehensive income for the year attributable to:			
Owners of the Company		283,390	390,220
Non-controlling interests		55,265	57,983
		338,655	448,203
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted (RMB)	14	0.26	0.39

The notes on pages 105 to 199 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	15	**5,424,744**	5,506,817
Investment property	16	**57,064**	59,400
Prepaid lease payments	17	**822,629**	739,438
Goodwill	18	**49,746**	49,746
Deferred tax assets	19	**88,736**	63,877
Interest in an associate	20	**—**	—
Interest in a joint venture	21	**127,671**	146,643
Deposits for acquisition for property, plant and equipment		**408,581**	251,534
Financial assets at fair value through profit or loss	22	**251,491**	249,722
Deposits and other receivables	23	**323,268**	377,985
		7,553,930	7,445,162
Current assets			
Biological assets	24	**—**	—
Inventories	25	**506,501**	668,788
Trade receivables	26	**632,139**	564,762
Bills receivables	27	**144,973**	144,054
Prepayments and other receivables	28	**557,174**	457,878
Income tax recoverable		**15,898**	11,176
Restricted bank deposits	29	**1,562,344**	1,291,397
Bank balances and cash	29	**1,135,383**	1,571,918
		4,554,412	4,709,973
Current liabilities			
Contract liabilities	30	**52,135**	55,447
Trade payables	31	**923,085**	1,010,140
Bills payables	32	**168,960**	368,573
Other payables	33	**141,373**	189,693
Payables for construction work, machinery and equipment		**102,396**	80,174
Income tax payable		**26,601**	35,979
Lease liabilities	34	**5,172**	4,505
Deferred income	35	**9,427**	8,526
Discounted bills financing	36	**1,520,112**	1,289,377
Bank borrowings	37	**2,017,409**	2,402,961
Other borrowings	38	**212,828**	268,974
		5,179,498	5,714,349
Net current liabilities		**(625,086)**	(1,004,376)
Total assets less current liabilities		**6,928,844**	6,440,786

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Capital and reserves			
Share capital	39	94,581	100,445
Reserves	40	4,758,247	4,468,993
Equity attributable to owners of the Company		4,852,828	4,569,438
Non-controlling interests		447,172	391,907
Total equity		5,300,000	4,961,345
Non-current liabilities			
Lease liabilities	34	51,183	67,048
Bank borrowings	37	1,280,891	954,278
Other borrowings	38	163	188,094
Deferred income	35	221,711	199,490
Deferred tax liabilities	19	74,896	70,531
		1,628,844	1,479,441
Total equity and non-current liabilities		6,928,844	6,440,786

Approved and authorised for issue by the board of directors on 28 March 2025.

Wang Dongxing	**Wang Changhai**
Director	*Director*

The notes on pages 105 to 199 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company														
	Share capital RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Treasury shares 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 2023	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
Capital contribution by non-controlling interests of subsidiaries of the Company	–	–	–	–	–	–	–	–	–	–	–	–	–	56	56
Dividend paid to non-controlling interests of a subsidiary of the Company	–	–	–	–	–	–	–	–	–	–	–	–	–	(135)	(135)
Shares subscription (note 39(ii))	14,739	–	350,568	–	–	–	–	–	–	–	–	–	365,307	–	365,307
Shares repurchased and cancelled (note 39 (i))	(4,550)	4,550	–	–	–	–	–	–	–	–	–	(104,403)	(104,403)	–	(104,403)
Repurchase of shares (to be cancelled) (note 40)	–	–	–	(173,613)	–	–	–	–	–	–	–	–	(173,613)	–	(173,613)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	–	81,432	–	–	–	(81,432)	–	–	–
Released upon deregistration of a subsidiary of the Company	–	–	–	–	–	–	–	(15)	–	–	–	15	–	–	–
Transactions with owners	10,189	4,550	350,568	(173,613)	–	–	–	81,417	–	–	–	(185,820)	87,291	(79)	87,212
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	393,309	393,309	57,983	451,292
Other comprehensive income/(expense) for the year															
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(3,832)	–	(3,832)	–	(3,832)
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	743	–	–	–	743	–	743
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	–	–	743	–	(3,832)	393,309	390,220	57,983	448,203
At 31 December 2023	100,445	5,311	1,382,453	(173,613)	(2,776)	114,600	7,015	542,265	(712)	1,078	(2,316)	2,595,688	4,569,438	391,907	4,961,345

	Attributable to owners of the Company														
	Share capital RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Treasury shares 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 2024	100,445	5,311	1,382,453	(173,613)	(2,776)	114,600	7,015	542,265	(712)	1,078	(2,316)	2,595,688	4,569,438	391,907	4,961,345
Shares repurchased and cancelled (note 39 (i))	(5,864)	5,864	–	173,613	–	–	–	–	–	–	–	(173,613)	–	–	–
Appropriation to statutory surplus reserve	–	–	–	–	–	–	–	41,893	–	–	–	(41,893)	–	–	–
Transactions with owners	(5,864)	5,864	–	173,613	–	–	–	41,893	–	–	–	(215,506)	–	–	–
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	279,872	279,872	55,265	335,137
Other comprehensive income for the year															
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	3,498	–	3,498	–	3,498
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	20	–	–	–	20	–	20
Total comprehensive income for the year	–	–	–	–	–	–	–	–	20	–	3,498	279,872	283,390	55,265	338,655
At 31 December 2024	94,581	11,175	1,382,453	–	(2,776)	114,600	7,015	584,158	(692)	1,078	1,182	2,660,054	4,852,828	447,172	5,300,000

The notes on pages 105 to 199 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Profit before income tax	**448,684**	595,426
Adjustments for:		
Interest income	**(82,784)**	(71,294)
Finance costs	**151,408**	175,577
Depreciation of property, plant and equipment		
— right-of-use assets	**6,715**	5,016
— owned assets	**435,297**	396,742
Amortisation of prepaid lease payments	**17,301**	17,301
Loss on disposal and written off of property, plant and equipment	**5,295**	12,771
Change in fair value of biological assets	**6,645**	537
Release of deferred income	**(7,884)**	(6,854)
Loss on fair value change of an investment property	**2,336**	503
Provision for/(Reversal of) ECL allowance on:		
— trade receivables	**2,699**	2,823
— other receivables	**9,751**	(23,779)
Impairment loss on property, plant and equipment	**—**	11,786
Fair value (gain)/loss on financial assets at FVTPL	**(1,769)**	11,003
Share of loss/(gain) of a joint venture	**18,972**	(10,914)
Operating cash flows before movements in working capital	**1,012,666**	1,116,644
Decrease in inventories	**162,376**	232,124
(Increase)/Decrease in trade receivables	**(70,092)**	63,071
(Increase)/Decrease in bills receivables	**(899)**	141,120
Decrease in prepayments and other receivables	**63,745**	13,659
Decrease in trade payables	**(87,207)**	(97,894)
(Decrease)/Increase in bills payables	**(199,613)**	81,123
Decrease in other payables	**(48,980)**	(33,471)
Decrease in contract liabilities	**(3,312)**	(12,624)
Cash generated from operations	**828,684**	1,503,752
Income tax paid	**(148,141)**	(98,157)
Net cash generated from operating activities	**680,543**	1,405,595
Cash flows from investing activities		
Interest received	**54,746**	39,797
Proceeds from disposal of property, plant and equipment	**14,001**	25,815
Purchase of property, plant and equipment	**(199,538)**	(218,355)
Additions of prepaid lease payments	**(100,492)**	(23,107)
Additions of biological assets	**(6,677)**	(550)
(Decrease)/Increase in restricted bank deposits	**(270,947)**	293,715
Loans to third parties	**(340,168)**	(160,000)
Repayment from third parties	**225,539**	172,123
Advance to a joint venture	**(100,411)**	(197,690)
Repayment from a joint venture	**120,699**	249,205
Return of/(Placement on) guarantee deposits for other borrowings	**12,625**	(5,130)
Additions of deposits for acquisition property, plant and equipment	**(294,005)**	(293,829)
Net cash used in investing activities	**(884,628)**	(118,006)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Cash flows from financing activities		
Interest paid	(173,612)	(200,476)
Increase in deferred income	31,006	—
Repayment of a non-controlling interests of a subsidiary of the Company	—	(490)
Repayment to a controlling shareholder	(18)	(3)
Repayment of bank borrowings	(2,975,759)	(2,667,941)
Repayment of other borrowings	(269,077)	(352,244)
Repayment of lease liabilities	(13,780)	(27,831)
Proceeds from capital contribution of non-controlling interests of a subsidiary of the Company	—	56
New bank borrowings raised	2,916,820	3,046,680
Other borrowings raised	25,000	5,860
Increase/(Decrease) in discounted bills financing	230,735	(450,576)
Dividend paid to non-controlling interests of a subsidiary of the Company	—	(135)
Proceeds from the subscription of shares, net of issuance cost	—	365,307
Share repurchase	—	(278,016)
Net cash used in financing activities	(228,685)	(559,809)
Net (decrease)/increase in cash and cash equivalents	(432,770)	727,780
Effect of foreign rate changes, net	(3,765)	(7,041)
Cash and cash equivalents at beginning of the year	1,571,918	851,179
Cash and cash equivalents at end of the year, representing bank balances and cash	1,135,383	1,571,918

The notes on pages 105 to 199 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 IFRS ACCOUNTING STANDARDS

Amended IFRS Accounting Standards that are effective for annual periods beginning on 1 January 2024

The International Accounting Standards Boards (the "IASB") has issued a number of amended IFRS Accounting Standards. The Group has adopted all these amended IFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2024:

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

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

2. NEW OR AMENDED IFRS ACCOUNTING STANDARDS (Continued)

Issued but not yet effective IFRS Accounting Standards

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 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 IFRS Accounting Standards that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRS Accounting Standards are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 replaces IAS 1 "Presentation of Financial Statements". It carries forward many of the existing requirements in IAS 1, with limited changes, and some IAS 1 requirements will be moved to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures".

IFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax" and "discontinued operation"), depending on the reporting entity's main business activities, in the statement of profit or loss;

- disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and

- enhanced guidance of aggregation and disaggregation of information in the financial statements.

2. NEW OR AMENDED IFRS ACCOUNTING STANDARDS (Continued)

Issued but not yet effective IFRS Accounting Standards (Continued)

IFRS 18 "Presentation and Disclosure in Financial Statements" (Continued)

Besides, narrow-scope amendments have been made to IAS 7 "Statement of Cash Flows", which includes:

- using "operating profit or loss" as the starting point for indirect method for the presentation of operating cash flows purposes; and

- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other IFRS Accounting Standards, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are still in the process of assessing the impact of IFRS 18, particularly with respect to the structure of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs.

3. STATEMENT OF COMPLIANCE

These annual consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB, which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards and Interpretations ("IFRS Accounting Standards").

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 material 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 MATERIAL ACCOUNTING POLICIES

4.1 Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for biological assets, which are measured at fair value less costs to sell, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVTPL") and investment property which are stated at fair value.

The Group has net current liabilities of approximately RMB625,086,000 at 31 December 2024. 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 2025, 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 note 43(d), 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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might raise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation (Continued)

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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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 basis 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.

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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.5 Associates and joint ventures (Continued)

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.

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 other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.5 Associates and joint ventures (Continued)

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.

4.6 Revenue recognition

Revenue arises mainly from the sales of paper products, 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 would estimate the sales return at the time of sale at a portfolio level (expected value method) based on its historical experience and recognised refund liability for the products expected to be returned. No contract liability and right to recover returned products are recognised as insignificant amount of returns are expected based on accumulated experience.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.6 Revenue recognition (Continued)

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.

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.

Connection fee income

Connection fee income in relation to transmission of steam is recognised on a time proportion basis over the expected service period of steam transmission to be rendered.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.7 Leases

(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.

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 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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)
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.

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. The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets. 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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

(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.

4.8 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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.8 Foreign currencies translation (Continued)

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.

4.10 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

4.12 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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.12 Taxation (Continued)

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 and does not give rise to equal taxable and deductible temporary differences.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in IAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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 MATERIAL 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.

Bearer plants are living plants used in the production or supply of agricultural produce. They are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants represent giant reed plantations. The Group elects to account for its bearer plants using the cost model under IAS 16 "Property, Plant and Equipment". Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, upkeeping and maintaining the plantations. Immature bearer plants are not depreciated. Immature bearer plants are reclassified to mature bearer plants when they are commercially productive and available for harvest. In general, an giant reed plantation takes about two months maturity from the time of planting the seedlings to reach maturity and can be harvested at the end of December annually for an average of 15 times after the initial harvest.

Mature bearer plants are stated at cost, and are subject to depreciation.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.13 Property, plant and equipment (Continued)

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.

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.

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.15 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill;
- Prepaid lease payments;
- Property, plant and equipment (including right-of-use assets) and bearer plants;
- Deposits 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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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, or the deemed cost for agricultural produce harvested from the bearer plants. 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.

4.17 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 ECL of trade and other receivables which is presented as a separate item in profit or loss.

4. SUMMARY OF MATERIAL 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 FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

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 MATERIAL 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 as at the end of the reporting period, the Group has a 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 MATERIAL 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 MATERIAL 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 MATERIAL 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 43(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 Biological assets

The Group's biological assets comprise agricultural produce of the bearer plants, which represents unharvested giant reed. Biological assets are measured at fair value less costs to sell at initial recognition and the change in fair value of biological assets at each reporting date are recognised in the profit or loss for the period in which they arise.

For the valuation of unharvested produce of giant reed, the Group has applied the actual harvest data subsequent to the year end to derive the fair value.

Unharvested giant reed will be derecognised in the period when harvested.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.22 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(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.

(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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.23 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.

4.24 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.

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 the next twelve months from the date of 31 December 2024. 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 2024 remains proper.

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

Critical judgments in applying accounting policies (Continued)

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.

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 2024, the carrying amount of goodwill is approximately RMB49,746,000 (2023: RMB49,746,000). No impairment loss has been recognised (2023: Nil) on goodwill during the year ended 31 December 2024 to reduce the carrying amount of goodwill to its recoverable amount. Details of the impairment of goodwill are disclosed in note 18.

Impairment of interests in an associate and a joint venture

The Group assesses whether there are any indications of impairment of interests in an associate and a joint venture at the end of each reporting period. Investments in an associate and a joint venture is subject to an additional impairment loss. This process requires management's estimate of future cash flows generated by the associate and 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 2024, the Group had interests in an associate and a joint venture with carrying amount of nil and RMB127,671,000 (2023: nil and RMB146,643,000) and an accumulated impairment loss of RMB245,847,000 and nil (2023: RMB245,847,000 and nil) respectively were recognised in respect of the Group's interests in an associate and a joint venture. Further details of interests in an associate and a joint venture are disclosed in note 20 and note 21.

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

Key sources of estimation uncertainty (Continued)

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

As at 31 December 2024, financial instruments, including the financial assets at FVTPL and bills receivables that are not traded in an active market carried at fair value of RMB251,491,000 and RMB144,973,000 (2023: RMB249,722,000 and RMB144,054,000) respectively. The fair values are determined by using valuation techniques, details of which are set out in note 22, note 27 and note 43(e).

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 2024, the carrying amount of inventories is RMB506,501,000 (2023: RMB668,788,000) (note 25).

Deferred tax assets

As at 31 December 2024, deferred tax assets of RMB88,736,000 (2023: RMB63,877,000) 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 RMB107,038,000 (2023: RMB85,541,000) 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 26, 27, 28, 23 and 29 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.

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

Key sources of estimation uncertainty (Continued)

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.

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 2024 were RMB5,424,744,000 (2023: RMB5,506,817,000). Further details are included in note 15 to the consolidated financial statements.

Estimation of fair value of investment 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 2024, the carrying amounts of the Group's investment properties carried at fair value are RMB57,064,000 (2023: RMB59,400,000). 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 2024**		
	Paper products RMB'000	**Electricity and steam RMB'000**	**Total RMB'000**
Timing of revenue recognition			
— At a point in time	**7,607,588**	**440,017**	**8,047,605**
Geographical markets			
— PRC	**7,487,571**	**440,017**	**7,927,588**
— Overseas	**120,017**	**—**	**120,017**

Segments	For the year ended 31 December 2023		
	Paper products RMB'000	Electricity and steam RMB'000	Total RMB'000
Timing of revenue recognition			
— At a point in time	7,916,297	443,197	8,359,494
Geographical markets			
— PRC	7,744,568	443,197	8,187,765
— Overseas	171,729	—	171,729

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 2024

	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	1,525,512	1,876,840	601,663	1,795,473	1,808,100	7,607,588	440,017	8,047,605
Inter-segment revenue						–	881,161	881,161
Segment revenue						7,607,588	1,321,178	8,928,766
Segment profit						1,010,590	360,933	1,371,523
Other segment information: Impairment loss on property, plant and equipment	–	–	–	–	–	–	–	–

For the year ended 31 December 2023

	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	1,644,503	2,079,142	644,127	1,711,985	1,836,540	7,916,297	443,197	8,359,494
Inter-segment revenue						–	930,814	930,814
Segment revenue						7,916,297	1,374,011	9,290,308
Segment profit						1,158,182	347,699	1,505,881
Other segment information: Impairment loss on property, plant and equipment	–	–	–	(11,786)	–	(11,786)	–	(11,786)

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, net, distribution and selling expenses, certain administrative expenses, (provision for)/reversal of ECL on financial assets, net, loss on fair value changes of an investment property, share of (loss)/profit of a joint venture and certain finance costs 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:

	2024 RMB'000	2023 RMB'000
Profit		
Segment profit	1,371,523	1,505,881
Unrealised profit on inter-segment sales	(179,493)	(183,874)
	1,192,030	1,322,007
Administrative expenses	(479,805)	(465,838)
Other income	271,021	284,994
Other gains or losses, net	6,281	(18,447)
Distribution and selling expenses	(372,909)	(403,235)
Finance costs	(134,176)	(155,422)
(Provision for)/Reversal of ECL on financial asset, net	(12,450)	20,956
Loss on fair value changes of an investment property	(2,336)	(503)
Share of (loss)/profit of a joint venture	(18,972)	10,914
Consolidated profit before income tax	448,684	595,426

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.

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, NET

	2024 RMB'000	2023 RMB'000
Other income:		
Interest income on:		
bank deposits	**54,746**	39,797
loans to third parties	**9,269**	12,640
the balance with a joint venture (note i)	**18,769**	18,857
Total interest income	**82,784**	71,294
Rental income	**5,410**	5,360
Hotel and catering services income	**5,436**	4,491
Logistics services income	**11,541**	12,435
Government grants (note ii)	**169,116**	197,859
	274,287	291,439
Other gains or losses, net:		
Gain from sale of scrap materials, net	**10,537**	7,113
Impairment loss on property, plant and equipment (note 15(iii))	**—**	(11,786)
Change in the fair value of FVTPL	**1,769**	(11,003)
Change in fair value of biological assets (note 24)	**(6,645)**	(537)
Loss on disposal and written off of property, plant and equipment	**(5,295)**	(12,771)
Net foreign exchange gains	**855**	136
Sale of carbon emission allowances (note iii)	**22,712**	38,179
Others	**5,000**	10,796
	28,933	20,127

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

Notes:

i. During the year ended 31 December 2024, 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)* ("Sunshine Oji") at a weighted average effective interest rate of 4.79% (2023: 4.79%) per annum, unsecured and repayable after 12 months from the end of the reporting period.

ii. During the year ended 31 December 2024, the Group were granted and received unconditional government subsidies of approximately RMB121,156,000 (2023: RMB177,172,000) from local government, the amounts of which were determined by reference to the amount of value-added tax ("VAT") paid.

The remaining amount of government subsidies mainly relates to the subsidies granted by the government in respect of operating and development activities and to provide financial support to the Group which are either unconditional grants or grants with conditions having been satisfied.

iii. During the year ended 31 December 2024, the Company's subsidiary, 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd)* ("Shengshi Thermoelectricity") disposed of its surplus carbon emission allowances of approximately RMB22,712,000 (2023: RMB38,179,000) through the China's National Emissions Trading System.

9. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on:		
discounted bills financing	**25,313**	27,484
bank and other borrowings	**144,699**	167,566
lease liabilities	**2,837**	2,818
	172,849	197,868
Less: Interest capitalised in construction in progress	**(21,441)**	(22,291)
	151,408	175,577

Borrowing costs capitalised during the year ended 31 December 2024 arose from the general borrowing pool and were calculated by applying capitalisation rates ranging from 4.79% to 5.60% (2023: 4.79% 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 (Note ii)	Contributions to retirement benefits schemes RMB'000	Performance related incentive payments RMB'000 (Note i)	Total emoluments RMB'000
2024					
Executive directors:					
Wang Dongxing *(Chairman)*	100	778	–	2,659	3,537
Shi Weixin	100	214	–	–	314
Wang Changhai *(General Manager)*	100	501	46	2,567	3,214
Ci Xiaolei	100	271	38	1,927	2,336
Non-executive directors:					
Wu Rong	100	–	–	–	100
Zhang Xiaohui (note vi)	–	–	–	–	–
Independent non-executive directors:					
Wang Zefeng	100	–	–	–	100
Jiao Jie	100	–	–	–	100
Zhang Tao (note iii)	100	–	–	–	100
	800	1,764	84	7,153	9,801

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000 (Note ii)	Contributions to retirement benefits schemes RMB'000	Performance related incentive payments RMB'000 (Note i)	Total emoluments RMB'000
2023					
Executive directors:					
Wang Dongxing *(Chairman)*	100	809	–	3,441	4,350
Shi Weixin	100	196	–	–	296
Zhang Zengguo (note v)	100	20	31	–	151
Wang Changhai *(General Manager)*	100	347	45	3,331	3,823
Ci Xiaolei	100	233	45	1,525	1,903
Non-executive directors:					
Wu Rong	100	–	–	–	100
Zhang Xiaohui (note vi)	–	–	–	–	–
Independent non-executive directors:					
Wang Zefeng	100	–	–	–	100
Jiao Jie	100	–	–	–	100
Zhang Tao (note iii)	36	–	–	–	36
Shan Xueyan (note iv)	64	–	–	–	64
	900	1,605	121	8,297	10,923

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.

iii. Appointed on 23 August 2023.

iv. Resigned on 23 August 2023.

v. Resigned on 22 November 2023.

vi. Appointed on 22 November 2023.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid individuals of the Group during the year, including 3 directors (2023: 3 directors), details of their emoluments are set out above. The emoluments of the remaining 2 individuals (2023: 2 individuals) during the year are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other allowances	3,383	4,275
Retirement benefits schemes contributions	91	92
	3,474	4,367

The above employees' emoluments fell within the following band:

	2024	2023
Hong Kong dollars ("HK$") 500,001 to HK$1,000,000	1	—
HK$1,500,001 to HK$2,000,000	—	1
HK$2,500,001 to HK$3,000,000	1	1

During both years, no emoluments were paid by the Group to the Directors ("Directors") or the two (2023: two) 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

	2024 RMB'000	2023 RMB'000
Current tax		
PRC enterprise income tax	131,977	122,107
Under/(Over) provision in previous year	2,064	(692)
	134,041	121,415
Deferred tax (credit)/expenses (note 19)	(20,494)	22,719
	113,547	144,134

Under the Law of the PRC 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% (2023: 25%).

11. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2024 and 2023 as the Group sustained a loss for tax purpose.

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

	2024 RMB'000	2023 RMB'000
Profit before income tax	**448,684**	595,426
Tax at the applicable income tax rate of 25% (2023: 25%)	**112,171**	148,856
Tax effect of expenses not deductible	**5,838**	12,839
Tax effect of share of result of a joint venture	**4,881**	(2,740)
Tax effect of non-taxable income	**(21,472)**	(1,847)
Under/(Over) provision in previous year	**2,064**	(692)
Utilisation of tax losses previously not recognised	**(3,545)**	(15,931)
Tax effect of tax losses not recognised	**13,610**	3,649
Tax charge for the year	**113,547**	144,134

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/(crediting):

	2024 RMB'000	2023 RMB'000
Wages and salaries	**430,750**	437,374
Retirement benefits schemes contributions (note)	**66,668**	66,797
Total staff costs (including the Directors' emoluments)	**497,418**	504,171
Cost of inventories recognised as an expense	**4,883,657**	5,024,047
Depreciation of property, plant and equipment		
— right-of-use assets	**6,715**	5,016
— owned assets	**435,297**	396,742
Amortisation of prepaid lease payments (note 17)	**17,301**	17,301
Auditor's remuneration	**2,100**	2,052
Lease charges on short term leases	**2,084**	1,503
Net foreign exchange gains	**(855)**	(136)
Research and development expenses	**9,369**	7,931

Note:

At 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

13. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Approved and paid:		
2023 final dividend — Nil per share (2023: 2022 final dividend — Nil per share)	–	–

	2024 RMB'000	2023 RMB'000
Proposed:		
Final dividend — HK5 cents per share (2023: Nil per share)	49,316	–

A final dividend of HK5 cents per share in respect of the year ended 31 December 2024 has been proposed by the Directors and is subject to the approval of the Company's shareholders in the forthcoming annual general meeting. The Directors do not recommend the payment of final dividends for the year ended 31 December 2023.

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit of RMB279,872,000 (2023: RMB393,309,000) for the year attributable to owners of the Company, and the weighted average number of 1,065,144,000 (2023: 998,051,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2024 and 2023. 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	Bearer plants RMB'000	Farmland infrastructure and machinery RMB'000	Total RMB'000
Cost							
As at 1 January 2023	39,349	2,009,639	5,382,845	792,069	–	–	8,223,902
Additions	–	47,354	52,646	439,790	3,309	57,405	600,504
Transfers	–	230,881	533,611	(768,995)	–	4,503	–
Transfers from investment property (note 16)	–	6,673	–	–	–	–	6,673
Impairment (note iii)	–	–	(11,786)	–	–	–	(11,786)
Disposals and written off	–	(3,016)	(93,474)	–	–	–	(96,490)
At 31 December 2023 and 1 January 2024	39,349	2,291,531	5,863,842	462,864	3,309	61,908	8,722,803
Additions	–	9,634	46,908	306,847	13,059	10,168	386,616
Transfers	–	11,684	72,924	(84,608)	–	–	–
Lease modification	–	1,215	–	–	–	–	1,215
Reassessment of lease term	–	–	–	–	–	(8,596)	(8,596)
Disposals and written off	–	(332)	(67,464)	–	–	(228)	(68,024)
At 31 December 2024	**39,349**	**2,313,732**	**5,916,210**	**685,103**	**16,368**	**63,252**	**9,034,014**
Accumulated depreciation							
At 1 January 2023	6,579	447,846	2,417,707	–	–	–	2,872,132
Provided for the year	3,264	70,760	326,185	–	85	1,464	401,758
Eliminated on disposals and written off	–	(1,337)	(56,567)	–	–	–	(57,904)
At 31 December 2023 and 1 January 2024	9,843	517,269	2,687,325	–	85	1,464	3,215,986
Provided for the year	3,264	77,455	357,132	–	341	3,820	442,012
Eliminated on disposals and written off	–	(137)	(48,548)	–	–	(43)	(48,728)
At 31 December 2024	**13,107**	**594,587**	**2,995,909**	**–**	**426**	**5,241**	**3,609,270**
Carrying amount							
At 31 December 2024	**26,242**	**1,719,145**	**2,920,301**	**685,103**	**15,942**	**58,011**	**5,424,744**
At 31 December 2023	29,506	1,774,262	3,176,517	462,864	3,224	60,444	5,506,817

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%
Farmland infrastructure and machinery	5–20	0–5%
Bearer plants	15	0%

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 44.

(iii) As management has determined that indication of impairment exists at the end of the reporting period due to market performance was worse than expected. As at 31 December 2024, the Group carried out impairment assessments of certain buildings, machinery and equipment and construction in progress, bearer plant, and farmland infrastructure and machinery (2023: buildings, machinery and equipment and construction in progress) with net carrying amount of RMB2,075,982,000 (2023: RMB1,077,572,000) (before the impairment assessment), in which RMB2,060,524,000 (2023: RMB1,061,627,000) are related to production line under paper products segment and RMB15,458,000 (2023: RMB15,945,000) are idle assets.

The accumulated impairment loss on property, plant and equipment amounts to RMB38,017,000 (2023: RMB41,046,000) as at 31 December 2024, while the accumulated impairment loss on property, plant and equipment of RMB22,559,000 (2023: RMB25,101,000) is for production line under paper product segment and RMB15,458,000 (2023: RMB15,945,000) is for 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 the fair value less cost of disposal of the idle assets, they fall within level 2 of the fair value hierarchy on the basis of quoted prices for identical assets in markets that are not active. For the value-in-use on certain property, plant and equipment under paper products segment, the pre-tax discount rates ranging from 9.00% to 11.73% (2023: 11.9% to 16.2%) were used in the current estimation under the recognition on impairment loss.

(iv) As at 31 December 2024 and 2023, the accumulated impairment loss on property, plant and equipment are as follows:

	Total RMB'000
At 1 January 2023	29,903
Disposals and written off	(643)
Provided for the year (note 8)	11,786
At 31 December 2023 and 1 January 2024	41,046
Disposals and written off	(3,029)
At 31 December 2024	**38,017**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2024 and 2023, 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 2024 RMB'000	As at 1 January 2024 RMB'000	**For the year ended 31 December 2024 RMB'000**
Leasehold land	**26,242**	29,506	**3,264**
Buildings	**1,157**	287	**345**
Farmland infrastructure and machinery	**50,202**	55,941	**3,106**
	77,601	85,734	**6,715**

	Carrying amount		Depreciation
	As at 31 December 2023 RMB'000	As at 1 January 2023 RMB'000	For the year ended 31 December 2023 RMB'000
Leasehold land	29,506	32,770	3,264
Buildings	287	301	288
Farmland infrastructure and machinery	55,941	—	1,464
	85,734	33,071	5,016

During the year ended 31 December 2024, the total additions to right-of-use assets included in buildings and farmland infrastructure and machinery, amounting to Nil and RMB5,963,000 (2023: RMB274,000 and RMB57,405,000), respectively, and lease modification included in buildings amounting to RMB1,215,000 (2023: Nil). The details in relation to these leases are set out in note 34.

16. INVESTMENT PROPERTY

	Completed investment property RMB'000
Fair value	
At 1 January 2023	66,576
Transfer to property, plant and equipment (note 15)	(6,673)
Net decrease in fair value recognised in profit or loss	(503)
At 31 December 2023 and 1 January 2024	59,400
Net decrease in fair value recognised in profit or loss	(2,336)
At 31 December 2024	**57,064**

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 2024. Asia-Pacific Consulting and Appraisal Limited is a member of the Institute of Valuers. The Group's financial controller has discussion with the valuer 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 decrease in fair value of investment property of RMB2,336,000 has been recognised directly in profit or loss for the year ended 31 December 2024 (2023: decrease of RMB503,000).

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	Market approach	Market unit sales rate, using market direct comparable at RMB4,300–4,500/sq.m. (2023: RMB4,600–4,700/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; and (2) Location markdown	Location markdown, based on location and other individual adjustment factors ranging from 4–6% (2023: 2–6%)	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 capitalisation (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 2024 (2023: 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% (2023: 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 RMB1.01 sq.m./day to RMB1.17 sq.m./day (2023: range from RMB1.19 sq.m./day to RMB1.30 sq.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.

Details of investment property pledged are set out in note 44.

17. PREPAID LEASE PAYMENTS

The prepaid lease payments represent prepayments in relation to leases of land in the PRC under medium-term leases for 20–70 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:

	2024 **RMB'000**	2023 RMB'000
Opening net carrying amount	**739,438**	733,632
Additions	**100,492**	23,107
Amortisation (note 12)	**(17,301)**	(17,301)
Closing net carrying amount	**822,629**	739,438

Details of land use rights pledged are set out in note 44.

18. GOODWILL

	2024 **RMB'000**	2023 RMB'000
Net carrying amount	**49,746**	49,746

Impairment tests for CGUs containing goodwill

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"). Management performed an impairment assessment on the goodwill as at 31 December 2024 and 2023. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2024 and 2023 allocated to the CGUs as follows:

	2024 **RMB'000**	2023 RMB'000
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)

Impairment tests for CGUs containing 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 pre-tax discount rate of 6.67% (2023: 8.83%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 1% (2023: 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 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 pre-tax discount rate of 12.22% (2023: 14.36%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 2% (2023: 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 pre-tax discount rate of 12.01% (2023: 15.90%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 1% (2023: 1%). 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 (before offset) recognised and movements thereon during the current and prior years:

Deferred tax assets

	Tax loss	Fair value adjustment on property, plant and equipment	Unrealised profit in inventories	Allowance for doubtful debts	Change in fair value of leasehold/ investment properties	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	47	14,855	2,729	31,947	3,679	30,205	83,462
Credited/(Charged) to profit or loss (note 11)	65,296	(1,464)	(1,387)	(5,076)	126	12,286	69,781
At 31 December 2023 and 1 January 2024	65,343	13,391	1,342	26,871	3,805	42,491	153,243
(Charged)/Credited to profit or loss (note 11)	(11,665)	(1,455)	(31)	2,554	584	6,756	(3,257)
At 31 December 2024	**53,678**	**11,936**	**1,311**	**29,425**	**4,389**	**49,247**	**149,986**

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Undistributed profits of PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	(62,246)	(5,151)	(67,397)
Charged to profit or loss (note 11)	(92,500)	—	(92,500)
At 31 December 2023 and 1 January 2024	(154,746)	(5,151)	(159,897)
Credited to profit or loss (note 11)	23,751	—	23,751
At 31 December 2024	**(130,995)**	**(5,151)**	**(136,146)**

19. DEFERRED TAXATION (Continued)

Deferred tax liabilities (Continued)

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**88,736**	63,877
Deferred tax liabilities	**(74,896)**	(70,531)
	13,840	(6,654)

Unrecognised deductible unused tax losses:

	2024 RMB'000	2023 RMB'000
Deductible tax losses	**321,750**	346,914
Less: available for offset future profit	**(214,712)**	(261,373)
Unused tax losses for which no deferred tax assets have been recognised	**107,038**	85,541

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:

	2024 RMB'000	2023 RMB'000
2024	**–**	18,765
2025	**17,693**	18,365
2026	**22,363**	27,920
2027	**4,162**	5,895
2028	**8,380**	14,596
2029	**54,440**	–
Total deductible tax losses	**107,038**	85,541

20. INTEREST IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
At cost	300,830	300,830
Share of post-acquisition loss and other comprehensive expense	(54,983)	(54,983)
Impairment loss (note)	(245,847)	(245,847)
	–	–

Note:

In prior years, 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 during the acquisition. An associate incurred further operating loss during the years ended 31 December 2023 and 2024. 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 business structure	Place of incorporation	% of interest held 2024 %	% of interest held 2023 %	Principal activities and place of operation
Top Speed Energy Holding Limited ("Top Speed")	Limited incorporated	BVI	45	45	Provision of electricity, storage and related support to internet data centres in the United States

20. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of Top Speed and its subsidiary ("Top Speed Group")

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

	2024 RMB'000	2023 RMB'000
Current asset	44,000	44,024
Non-current asset	83,392	57,605
Current liabilities	(167,525)	(136,258)
Non-current liabilities	(29,075)	(31,778)

	2024 RMB'000	2023 RMB'000
Revenue	89,717	76,610
Loss and total comprehensive expense for the year	(2,801)	(11,439)

The Group has not incurred any contingent liabilities or other commitments relating to its investment in an associate. The amounts of unrecognised share of losses, both for the year and cumulatively are RMB1,260,000 and RMB14,728,000 (2023: RMB5,478,000 and RMB13,468,000).

21. INTEREST IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
At cost	**241,800**	241,800
Share of post-acquisition loss and other comprehensive expense	**(109,161)**	(89,637)
Recognition of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji for the year	**552**	552
	133,191	152,715
Less: Effect of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	**(5,520)**	(6,072)
	127,671	146,643

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

Name of entity	Form of business structure	Principal place of operation and incorporation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2024 **%**	2023 %	**2024** **%**	2023 %	
Sunshine Oji	Limited incorporated	PRC	**60**	60	**60**	60	Special paper production

21. INTEREST IN A JOINT VENTURE (Continued)

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 IFRS Accounting Standards.

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

	2024 RMB'000	2023 RMB'000
Current asset	**407,057**	509,668
Non-current asset	**477,742**	487,462
Current liabilities	**(613,249)**	(649,983)
Non-current liabilities	**(50,485)**	(93,541)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**38,489**	63,823
Current financial liabilities (excluding trade and other payables and provisions)	**(59,976)**	(80,000)

* Pursuant to the joint venture agreement of Sunshine Oji, Sunshine Oji has been owned as to 60% by 山東世紀陽光紙業集團有限公司 (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.

21. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of Sunshine Oji (Continued)

	2024 RMB'000	2023 RMB'000
Revenue	**720,173**	899,725
(Loss)/Profit and total comprehensive (loss)/income for the year	**(32,541)**	17,270
The above (loss)/profit for the year include the following:		
Depreciation and amortisation	**34,170**	34,377
Interest income	**(1,273)**	(285)
Interest expense	**27,843**	29,365

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

	2024 RMB'000	2023 RMB'000
Net assets of Sunshine Oji	**221,065**	253,606
Proportion of the Group's ownership interest in Sunshine Oji	**132,639**	152,163
Less: Effect of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	**(4,968)**	(5,520)
Carrying amount of the Group's interest in Sunshine Oji	**127,671**	146,643

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR 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 acquire 45% equity interest in Top Speed Group ("Acquired Shares"), which is engaged in 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 which the Company shall receive compensation shares ("Compensation Shares") and compensation cash (the "Compensation Cash") from the Vendors and the Vendors' Guarantors, if Top Speed Group's net profit during each of the years ended 31 December 2022, 2023 and 2024 (the "Relevant Guarantee Period"), was less than 90% but more than 70% of the guaranteed profit, respectively. If the net profit in the Relevant Guarantee Period was less than or equal to 70% of the guaranteed profit ("Guarantee 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 from the date on which the relevant Audited Accounts ("Audited Accounts") were delivered to 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.

Pursuant to the Purchase Agreement, as a result of the Top Speed Group failure to meet more than 70% of the Guaranteed Profit, the Vendors and Vendors' Guarantors shall jointly and severally within 30 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 Top Speed which are owned by the Group on such date at the consideration of RMB265,000,000 (the "Repurchase").

On 17 August 2023, the Purchaser, the Vendors and the Vendors' Guarantors entered into a repurchase agreement (the "Repurchase Agreement"), pursuant to which the Group (as vendor in the Repurchase Agreement) has agreed to re-sell, and the Vendors (as purchasers in the Repurchase Agreement) have agreed to re-purchase, the Sale Shares at a total consideration of RMB265,000,000, subject to the terms and conditions of the Repurchase Agreement. Under the Repurchase Agreement, the Purchaser shall have the right (the "Termination Right") (but not an obligation) at its sole and absolute discretion to unconditionally terminate the Repurchase Agreement at any time prior to completion, which is subject to the following conditions (the "Conditions") being fulfilled (or waived by the Purchaser in its absolute discretion, save for Condition specified in (ii) below which cannot be waived) on or before 18 months of the date of execution of the Repurchase Agreement:

(i) the Vendors having complied with and performed all of their respective obligations under the Repurchase Agreement including having effected payment of the Consideration in full;

(ii) the Repurchase Agreement and the transactions contemplated thereunder having fully complied with all relevant laws and regulations; and

(iii) no event having occurred since the date of the Repurchase Agreement which in the sole opinion of the Purchaser is or is likely to be materially adverse to the transactions contemplated under the Repurchase Agreement, or makes or is likely to make it impracticable or inadvisable or inexpedient for the Purchaser to proceed with.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

In order to protect the interest of the Group by ensuring the financial performance of the Top Speed Group meets with the Group's expectation after the exercise of the Termination Right under Repurchase Agreement, in the event that the Group exercises the Termination Right, the Guaranteed Profit contained in the Purchase Agreement shall be replaced by a new profit guarantees of Top Speed Group during each of the years ending 31 December 2025 and 2026. For details, please refer to the announcement of the Company dated 17 August 2023.

As at 31 December 2023 and 2024, the Top Speed Group's net profit is less than 70% of the guaranteed profit for the years ended 31 December 2023 and 2024, respectively, and the above share repurchase arrangement is classified as derivative financial instruments and measured at fair value.

As at 31 December 2023 and 2024, 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 input is the discount factor of 0.95 (2023: 0.94). An increase in the discount factor would increase in the fair value. The fair value of derivative financial instruments at the end of the reporting period also considered the business valuation of Top Speed Group which were determined by using income approach, which is used to a cash flow projection covering a detailed five-year budget plan, followed by an extrapolation of discounted cash flow and within level 3 of the fair value hierarchy. The cash flow projection were based on cashflow projected by management with key assumptions and estimates including revenue growth rate, sales margin, terminal growth rate and discount rate. The pre-tax discount rate applied to the estimated cash flow projections was 22.0% (2023: 25.1%) with a terminal growth rate of 0% (2023: 0%) beyond the five-year period. The significant unobservable inputs are forecasted net profits of Top Speed Group, terminal growth rate and discount rate. An increase in the net profits of Top Speed Group and terminal growth rate would increase the fair value, and increase in the discount factor would decrease the fair value.

23. DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Other receivables from a joint venture (note 47(b))	**395,734**	397,253
Guarantee deposits for sale and leaseback obligations	**–**	11,000
Loan to a third party (note)	**6,000**	41,888
	401,734	450,141
Less: ECL allowance	**(78,466)**	(72,156)
	323,268	377,985

Note: As at 31 December 2024, the loan was made to the third party on normal commercial terms. The amounts are unsecured, will be collected after 12 months from the end of the reporting period and carry a fixed interest rate at 6% per annum (2023: 5% per annum).

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

	Stage 1 RMB'000	Stage 2 RMB'000	Total RMB'000
Balance at 1 January 2023	23,625	429,912	453,537
Net changes on the gross amount	29,263	(32,659)	(3,396)
Balance at 31 December 2023 and 1 January 2024	52,888	397,253	450,141
Net changes on the gross amount	(46,888)	(1,519)	(48,407)
Balance at 31 December 2024	**6,000**	**395,734**	**401,734**

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

	Stage 1 RMB'000	Stage 2 RMB'000	Total RMB'000
At 1 January 2023	–	97,132	97,132
Allowance/(Reversal) during the year	1,095	(26,071)	(24,976)
At 31 December 2023 and 1 January 2024	1,095	71,061	72,156
(Reversal)/Allowance during the year	(1,091)	7,401	6,310
At 31 December 2024	**4**	**78,462**	**78,466**

Details of the credit risks are set out in note 43(c).

24. BIOLOGICAL ASSETS

	2024 RMB'000	2023 RMB'000
Fair value		
At the beginning of the year	–	–
Increase due to cultivation	6,677	550
Realised loss from changes in fair value less costs to sell	(6,645)	(537)
Decrease due to harvested	(32)	(13)
At the end of the year	–	–

The Group's biological assets solely comprise unharvested giant reed. The fair value of biological assets is a Level 3 recurring fair value measurement. The decrease in fair value of biological assets for the year ended of approximately HK$6,645,000 (2023: HK$537,000) was recognised in the profit or loss.

Valuation techniques and assumptions

Since there was no active market for unharvested giant reed and they are only around three-day after harvested and there is insignificant biological transformation that takes place, the independent valuer measured the fair value of unharvested giant reed using market approach, which has applied harvest data for the year end and applicable market prices at year end to derive the fair value of unharvested giant reed.

The values of such variables are determined by the independent valuer, Asia-Pacific Consulting and Appraisal Limited, using information supplied by the Group and third-party data as well as under some assumptions. There were no changes to the valuation techniques during the period. Major assumption adopted for valuation is the market price of giant reed is RMB120 per ton (2023: RMB30 per ton).

The unaudited non-financial measure and output of agricultural produce are as follows:

The total area of giant reed plantations as at 31 December 2024 was around 120 hectares (2023: 40 hectares).

The physical quantities of agricultural produce of giant reed harvested from giant reed plantation are 268 tonnes (2023: 432 tonnes) during the year ended 31 December 2024.

25. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**362,012**	402,847
Finished goods	**144,489**	265,941
	506,501	668,788

26. TRADE RECEIVABLES

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

	2024 RMB'000	2023 RMB'000
Trade receivables due from:		
— third parties	**625,993**	579,671
— a joint venture (note 47(b))	**9,920**	5,479
— related parties (note 47(b))	**26,330**	23,194
	662,243	608,344
Less: ECL allowance	**(30,104)**	(43,582)
	632,139	564,762

The Group normally allows a credit period of 30 to 45 days (2023: 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, based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2024 RMB'000	2023 RMB'000
0–30 days	**418,510**	421,149
31–90 days	**159,846**	111,682
91–365 days	**53,783**	31,931
	632,139	564,762

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

26. TRADE RECEIVABLES (Continued)

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**43,582**	40,759
Allowance during the year	**3,393**	3,471
Allowance reversed during the year	**(694)**	(648)
Deregistration of a subsidiary	**(7,766)**	—
Written off	**(8,411)**	—
At the end of the year	**30,104**	43,582

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.

As at 31 December 2024, included in tare receivables represents a receivable amounting to RMB24,550,000 (2023: RMB39,527,000) from the debtors who has delayed its settlement for over 365 days. Having considered the economic environment in which the debtors' operation and the liquidity condition of the debtors, the Group considered that there is significant increase in credit risk of the trade receivables since initial recognition and, therefore, an ECL allowance of RMB24,550,000 (2023: RMB39,527,000) was recognised. 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 43(c).

27. BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Bills receivables	**144,973**	144,054

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, bills receivables 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 2024 and 2023 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.

27. BILLS RECEIVABLES (Continued)

Included in the above balances, bills receivables of RMB112,000 (2023: RMB1,337,000) 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 RMB112,000 (2023: RMB1,337,000) was recognised for the cash received from banks (note 36).

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

	2024 RMB'000	2023 RMB'000
0–90 days	**89,550**	86,379
91–180 days	**55,352**	55,985
181–365 days	**71**	1,690
	144,973	144,054

Bills receivables endorsed

Not included in the period end balance, during the year, the Group has transferred bills receivables amounted to RMB680,006,000 (2023: RMB728,803,000) 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 RMB680,006,000 (2023: RMB728,803,000). 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.

28. PREPAYMENTS AND OTHER RECEIVABLES

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

	2024 RMB'000	2023 RMB'000
Prepayments	131,456	181,713
Other receivables	434,765	281,771
	566,221	463,484
Less: ECL allowance	(9,047)	(5,606)
	557,174	457,878

An analysis of other receivables is as follows:

	2024 RMB'000	2023 RMB'000
VAT recoverable	61,420	68,693
Deposits	16,384	18,549
Guarantee deposits for sale and leaseback obligations	11,000	12,625
Advance to employees	3,018	5,210
Loans to third parties (note)	328,169	168,383
Others	14,774	8,311
	434,765	281,771

Note:

The loans were made to the third parties on normal commercial terms. The amounts are unsecured, will be collected within 12 months from the end of the reporting period and carry the fixed interest rates ranging from 3.5% to 8.0% (2023: 7.5% to 8.0%) per annum. For details on the loans to the third parties of RMB250,169,000 as at 31 December 2024, please refer to the announcements of the Company dated 21 November 2024, 26 November 2024 and 28 November 2024.

28. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	Stage 1 RMB'000	Stage 2 RMB'000	Total RMB'000
Balance at 1 January 2023	232,517	–	232,517
Net changes on the gross amount	(19,439)	–	(19,439)
Balance at 31 December 2023 and 1 January 2024	213,078	–	213,078
Transfer from Stage 1 to Stage 2	(11,083)	11,083	–
Net changes on the gross amount	171,350	–	171,350
Balance at 31 December 2024	**373,345**	**11,083**	**384,428**

The movements of ECL allowance of other receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Total RMB'000
At 1 January 2023	4,409	–	4,409
Allowance during the year	1,197	–	1,197
At 31 December 2023 and 1 January 2024	5,606	–	5,606
Transfer from Stage 1 to Stage 2	(690)	690	–
(Reversal)/Allowance during the year	(2,598)	6,039	3,441
At 31 December 2024	**2,318**	**6,729**	**9,047**

Details of the credit risks are set out in note 43(c).

29. 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 ranging from 0.1% to 1.15% (2023: 0.20% to 1.55%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills facilities and bank borrowings.

Bank balances carry market interest rates ranging from 0.2% to 2.0% per annum as at 31 December 2024 (2023: 0.20% to 2.50% per annum).

Bank balances and cash at 31 December 2024 and 2023 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.

30. CONTRACT LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Amounts received in advance for sales of paper products	**52,135**	55,447

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 2024 mainly due to the decrease in the number of customers for payment in advance.

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

Revenue amounting to RMB55,447,000 (2023: RMB68,071,000) recognised during the year ended 31 December 2024 relates to carried-forward contract liabilities.

31. TRADE PAYABLES

An analysis of trade payables is as follows:

	2024 RMB'000	2023 RMB'000
Trade payables due to third parties	**915,758**	1,009,838
Trade payables due to related parties (note 47(b))	**7,327**	302
	923,085	1,010,140

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

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

	2024 RMB'000	2023 RMB'000
0–90 days	**738,272**	793,662
91–365 days	**116,559**	150,849
Over 1 year	**68,254**	65,629
	923,085	1,010,140

32. 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:

	2024 RMB'000	2023 RMB'000
0–90 days	**82,890**	209,113
91–180 days	**86,070**	159,460
	168,960	368,573

All the bills payables are of trading nature and will be expired within twelve months (2023: twelve months) from the issue date.

33. OTHER PAYABLES

An analysis of other payables is as follows:

	2024 RMB'000	2023 RMB'000
Other payables	77,788	93,522
Other payables due to related parties (note 47(b))	25,928	25,946
VAT and other tax payable	25,086	58,608
Other interest payable	11,233	10,470
Accrued payroll and welfare	1,338	1,147
	141,373	189,693

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Amounts payable under lease liabilities				
— Within one year	5,944	5,247	5,172	4,505
— In more than one year but not more than two years	5,833	5,039	4,909	4,156
— In more than two years but not more than five years	13,345	27,881	10,438	20,932
— After five years	52,780	70,033	35,836	41,960
	77,902	108,200	56,355	71,553
Less: future finance charges	(21,547)	(36,647)	—	—
Present value of lease obligations	56,355	71,553	56,355	71,553
Less: Amount due for settlement within 12 months (shown under current liabilities)			(5,172)	(4,505)
Amount due for settlement after 12 months			51,183	67,048

34. LEASE LIABILITIES (Continued)

As at 31 December 2024, lease liabilities amounting to RMB56,355,000 (2023: RMB71,553,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2024, the total cash outflows for the leases are RMB18,701,000 (2023: RMB32,152,000).

Details of the lease activities

As at 31 December 2024 and 2023, the Group has entered into leases for the offices, 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
Office premises	Buildings carried at cost in "property, plant and equipment"	2 (2023: 2)	0.5 to 4.8 years (2023: 0.5 to 1.5 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 (2023: 5)	2 to 19 years (2023: 3 to 20 years)	• No option to renew the lease after the end of the contract
Farmland infrastructure and machinery	Farmland infrastructure and machinery carried at cost in "property, plant and equipment"	6 (2023: 4)	2 to 19 years (2023: 3 to 20 years)	• No option to renew the lease after the end of the contract • For the lease of laboratory for farmland, it contains an option to renew the lease after the end of the contract before the end of lease term
Land use right	Prepaid lease payments	51 (2023: 49)	14 to 57.8 years (2023: 15 to 58.8 years)	• No option to renew the lease after the end of the contract • All lease payments are prepaid upon entering the contract

35. 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 RMB'000	Government grant related to land use rights RMB'000	Government grant related to certain equipment RMB'000	Total RMB'000
At 1 January 2023	4,964	202,377	7,529	214,870
Released to income	(1,513)	(4,313)	(1,028)	(6,854)
At 31 December 2023 and 1 January 2024	3,451	198,064	6,501	208,016
Addition	—	—	31,006	31,006
Released to income	(1,513)	(4,137)	(2,234)	(7,884)
At 31 December 2024	**1,938**	**193,927**	**35,273**	**231,138**

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

	2024 **RMB'000**	2023 RMB'000
Current portion	**9,427**	8,526
Non-current portion	**221,711**	199,490
	231,138	208,016

36. 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:

	2024 RMB'000	2023 RMB'000
Discounted bills receivables from third parties (note a)	112	1,337
Discounted bills receivables from subsidiaries of the Company (note b)	1,520,000	1,288,040
Total	1,520,112	1,289,377

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 27 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 RMB1,092,235,000 (2023: RMB847,756,000) were pledged to the issuing banks.

37. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured bank borrowings	1,020,195	1,355,008
Unsecured bank borrowings	2,278,105	2,002,231
	3,298,300	3,357,239
The borrowings are repayable as follows:		
— Within one year	2,017,409	2,402,961
— In the second year	295,483	323,671
— In the third to fifth years inclusive	856,537	630,607
— After fifth year	128,871	—
	3,298,300	3,357,239
Less: Amount due for settlement within one year and shown under current liabilities	(2,017,409)	(2,402,961)
Amount due after one year	1,280,891	954,278
Total borrowings		
— At fixed rates	3,045,526	2,995,039
— At floating rates	252,774	362,200
	3,298,300	3,357,239
Analysis of borrowings by currency:		
— Denominated in RMB	3,227,526	3,275,490
— Denominated in euro ("EUR")	70,774	81,749
	3,298,300	3,357,239

Fixed-rate bank borrowings are charged at the interest rates ranging from 1.95% to 6.30% per annum as at 31 December 2024 (2023: 1.70% to 6.30% per annum).

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

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2024 was 3.60% per annum (2023: 4.01% per annum).

Details of pledge of assets for the Group's secured bank borrowings are set out in note 44.

38. OTHER BORROWINGS

	2024 RMB'000	2023 RMB'000
Current:		
Borrowings from		
— Sale and leaseback obligations (note i)	**137,513**	268,974
— The Partnership (note ii)	**75,315**	—
	212,828	268,974
Non-current:		
Borrowings from		
— Sale and leaseback obligations (note i)	**163**	137,779
— The Partnership (note ii)	**—**	50,315
	163	188,094
Total other borrowings	**212,991**	457,068
The other borrowings are repayable as follow:		
— Within one year	**212,828**	268,974
— In the second year	**163**	187,931
— In the third to fifth years inclusive	**—**	163
	212,991	457,068

Notes:

(i) During the year ended 31 December 2024, the Group has not entered into new sale and leaseback agreements. During the year ended 31 December 2023, the Group entered into several sale and leaseback agreements with leasing companies for machinery and equipment ("Secured Assets") amounting to RMB5,860,000 for a period of 3 years. Upon maturity, the Group will be entitled to purchase the Secured Assets.

Nominal interest rates underlying all these contracts are at respective contract dates ranging from 4.34% to 7.50% (2023: 4.34% to 7.50%) per annum.

Sale and leaseback obligations of RMB137,676,000 (2023: RMB406,753,000) as at 31 December 2024 were secured by certain of the Group's machineries, the total carrying amount of which at 31 December 2024 was RMB427,022,000 (2023: RMB830,560,000) (note 15).

38. OTHER BORROWINGS (Continued)

Notes: (Continued)

(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 approximately RMB395,000,000 in total to 濰坊市世紀陽光新舊動能轉換股權投資基金合夥企業(有限合夥) (Weifang City Century Sunshine Old-to-New Momentum Conversion Equity Investment Fund Partnership (Limited Partnership))* (the "Partnership"), while the Partnership would contribute up to RMB500,000,000 into the Group in exchange for a subsidiary's shares. Details of the transaction are set out in the Company's circular dated 10 December 2020. As at 31 December 2024, the Partnership has contributed approximately RMB276,500,000 (2023: RMB251,500,000) to the Group, which RMB75,315,000 (2023: RMB50,315,000) recorded as other borrowing. The Group has further made approximately RMB196,315,000 (2023: RMB196,315,000) capital commitment to the Partnership, which set out in note 45.

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

39. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	200,000

	Number of shares	Share capital	Shown in the consolidated financial statements
		HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2023	1,019,130,359	101,912	90,256
Shares repurchased and cancelled (Note i)	(51,276,000)	(5,128)	(4,550)
Shares subscription (Note ii)	162,000,000	16,200	14,739
At 31 December 2023 and 1 January 2024	1,129,854,359	112,984	100,445
Shares repurchased and cancelled (Note i)	(64,710,000)	(6,471)	(5,864)
At 31 December 2024	**1,065,144,359**	**106,513**	**94,581**

39. SHARE CAPITAL (Continued)

Notes:

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

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

40. 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.

Treasury shares

During the year ended 31 December 2023, the Company repurchased 115,986,000 of its own ordinary shares from the market. The Company cancelled 51,276,000 ordinary shares during the year ended 31 December 2023 and further cancelled 64,710,000 ordinary shares during the year ended 31 December 2024. The shares were repurchased at prices ranging from HK$2.72 per share to HK$3.13 per share, with an average price of HK$2.96 per share.

40. RESERVES (Continued)

Assets revaluation reserve

Included in the balance of assets revaluation reserve at 31 December 2023 and 2024, amount of RMB4,196,000 is the fair value adjustment in respect of the interests held by the Group, arising on acquisition of 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 (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.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Bank borrowings RMB'000	Other borrowings RMB'000	Lease liabilities RMB'000	Discounted bills financing RMB'000	Amount due to a non controlling shareholder of a subsidiary (Note 47(b)) RMB'000	Amount due to a controlling shareholder (Note 47(b)) RMB'000	Other interest payable RMB'000
At 1 January 2023	2,978,500	803,452	41,705	1,739,953	24,990	1,449	13,078
Cash-flows:							
– Proceeds	3,046,680	5,860	–	1,289,377	–	–	–
– Repayment	(2,667,941)	(352,244)	–	(1,739,953)	(490)	(3)	–
– Capital element of repayment	–	–	(27,831)	–	–	–	–
– Interest element of repayment	–	(34,660)	(2,818)	–	–	–	(162,998)
Non-cash:							
– Entering into new leases	–	–	57,679	–	–	–	–
– Interest expenses	–	34,660	2,818	–	–	–	160,390
At 31 December 2023 and 1 January 2024	3,357,239	457,068	71,553	1,289,377	24,500	1,446	10,470
Cash-flows:							
– Proceeds	2,916,820	25,000	–	1,520,112	–	–	–
– Repayment	(2,975,759)	(269,077)	–	(1,289,377)	–	(18)	–
– Capital element of repayment	–	–	(13,780)	–	–	–	–
– Interest element of repayment	–	(15,353)	(2,837)	–	–	–	(153,896)
Non-cash:							
– Lease reassessment (note 15)	–	–	(8,596)	–	–	–	–
– Lease modification (note 15)	–	–	1,215	–	–	–	–
– Entering into new leases	–	–	5,963	–	–	–	–
– Interest expenses	–	15,353	2,837	–	–	–	154,659
At 31 December 2024	**3,298,300**	**212,991**	**56,355**	**1,520,112**	**24,500**	**1,428**	**11,233**

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Material non-cash transaction

(i) Interest income

During the year ended 31 December 2024, the interest income received from a joint venture was settled through the current account of a joint venture amounted to RMB18,769,000 (2023: RMB18,857,000).

(ii) Lease liabilities

During the year ended 31 December 2024, the Group entered into new lease agreements for the use of farmland infrastructure and machinery (2023: leasehold land and buildings) from 3 to 10 years (2023: 2 to 20 years). On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB5,963,000 (2023: RMB57,679,000) respectively.

42. 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 34, 36, 37 and 38 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.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost	**4,015,671**	4,013,533
Financial assets at FVOCI (recycling)	**144,973**	144,054
Financial assets at FVTPL	**251,491**	249,722
	4,412,135	4,407,309
Financial liabilities		
Financial liabilities at amortised cost	**6,397,148**	6,764,056

(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 United States dollars ("US$"), HK$, Thai Baht ("THB"), EUR and Japanese Yan ("JPY") 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.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

(i) *Foreign currency risk management* (Continued)

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:

	2024 RMB'000	2023 RMB'000
Assets		
US$		
Bank balances and cash	**46,596**	46,810
Trade receivables	**3,197**	44,585
Prepayment and other receivables	**1,720**	37,025
HK$		
Bank balances and cash	**18,325**	211,079
Trade receivables	**–**	6,758
Prepayment and other receivables	**73**	68
THB		
Bank balances and cash	**199**	179
Trade receivables	**1,844**	5,942
Prepayment and other receivables	**14,709**	14,565
EUR		
Bank balances and cash	**512**	298
Trade receivables	**22**	12,340
Prepayment and other receivables	**–**	40
Liabilities		
US$		
Trade payables	**33,443**	21,849
Other payables	**1,539**	306
HK$		
Other payables	**59**	34
THB		
Trade payables	**5,598**	4,711
Other payables	**2,530**	3,617
EUR		
Trade payables	**22**	160
Bank borrowings	**70,774**	81,749
Other payables	**477**	380
JPY		
Trade payables	**445**	241

43. 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$, HK$, THB and EUR 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 post-tax profit for the year.

	Increase/(Decrease) in post-tax profit for the year	
	2024	2023
Foreign currencies	**RMB'000**	RMB'000
US$	**620**	3,955
HK$	**688**	8,170
THB	**323**	463
EUR	**(2,653)**	(2,610)

43. 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 34, 36, 37, 38, 23 and 28 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 37 for details), restricted bank deposits and bank balances (see note 29 for details).

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 (2023: 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 (2023: 25 basis points) and all other variables were held constant, the Group's post-tax profit would increase (decrease) by approximately RMB4,583,000 (2023: RMB4,690,000) for the year ended 31 December 2024.

43. 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 and individual assessment. The ECL rate of collectively assessed trade receivables according to the follow table:

	2024	2023
Less than 31 days past due	**0.5%**	0.5%
31–365 days past due	**1.5%**	1.2%
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.

43. 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, loan 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 probability of default rate of 32.63% (2023: 33.30%) and default rate of 61.70% (2023: 61.51%), which both rates have been determined by reference to market information, 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 RMB78,462,000 (2023: RMB71,061,000) in relation to the other receivables from a joint venture based on lifetime ECL (stage 2) as at 31 December 2024.

The Group applies the expected credit loss model on loan receivables. Impairment on loan receivables are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. All the loan receivables are classified as stage 1 due to limited exposure of credit risk and there is no significant increase in credit risk since initial recognition and not credit-impaired at the end of reporting period. Therefore, the loss allowance was limited to 12-month ECL calculation and the average expected credit loss rate of the loan receivables for the year ended 31 December 2024 is 0.1% (2023: 0.7%). Therefore, the Group recognises ECL amount to RMB323,000 (2023: RMB1,419,000) in relation to the loan receivables as at 31 December 2024.

The remaining balance of other receivables with aggregate gross carrying amount of RMB11,083,000 (2023: Nil) was classified as stage 2 due to the other receivables were past due, which has increased significantly since initial recognition. Therefore, the Group recognises ECL amount to RMB6,729,000 (2023: Nil) in relation to the remaining balance of other receivables as at 31 December 2024.

Details of the ECL movement for other receivables are set out in notes 23 and 28.

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.

43. 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 2024, the Group had net current liabilities of approximately RMB625,086,000 (2023: RMB1,004,376,000). 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 2024. 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 2025, the management believes that they can successfully renew these facility lines based on their experience in the previous years.

Meanwhile, the management considers that subsequent to the year ended 31 December 2024, certain banks agreed to extend one year for certain bank borrowings amounting to RMB463,950,000 (2023: RMB700,000,000) originally with the expiration dates in the year 2025 (2023: originally with the expiration dates in the year 2024).

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.

43. 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 2024							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	3.52	1,908,927	246,429	926,693	141,612	3,223,661	3,045,526
Variable-rate bank borrowings	4.55	139,534	77,775	46,377	15,459	279,145	252,774
Other borrowings	3.26	217,315	164	–	–	217,479	212,991
Bills payables		168,960	–	–	–	168,960	168,960
Trade payables		923,085	–	–	–	923,085	923,085
Other payables		114,949	–	–	–	114,949	114,949
Payables for construction work, machinery and equipment		102,396	–	–	–	102,396	102,396
Discounted bills financing		1,520,112	–	–	–	1,520,112	1,520,112
Lease liabilities	4.82	5,944	5,833	13,345	52,780	77,902	56,355
		5,101,222	330,201	986,415	209,851	6,627,689	6,397,148
At 31 December 2023							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	3.98	2,177,582	248,916	778,643	–	3,205,141	2,995,039
Variable-rate bank borrowings	4.32	274,824	101,245	–	–	376,069	362,200
Other borrowings	5.24	285,915	192,314	164	–	478,393	457,068
Bills payables		368,573	–	–	–	368,573	368,573
Trade payables		1,010,140	–	–	–	1,010,140	1,010,140
Other payables		129,932	–	–	–	129,932	129,932
Payables for construction work, machinery and equipment		80,174	–	–	–	80,174	80,174
Discounted bills financing		1,289,377	–	–	–	1,289,377	1,289,377
Lease liabilities	4.82	5,247	5,039	27,881	70,033	108,200	71,553
		5,621,764	547,514	806,688	70,033	7,045,999	6,764,056

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.

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 RMB112,000 (2023: RMB1,337,000) will be offset with corresponding bills receivables upon maturity.

43. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurements

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at 31 December 2024 and 2023 in the consolidated financial statements approximate their fair values.

The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	2024 RMB'000	2023 RMB'000	Fair value hierarchy	Valuation technique and key inputs
Bills receivable measured at FVOCI recycling	144,973	144,054	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	251,491	249,722	Level 3	Discounted cash flows An increase of the discount rate would decrease the fair value.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Bills receivable measured at FVOCI recycling RMB'000	Financial assets at FVTPL RMB'000
Fair value at 1 January 2023	284,431	260,725
Additions	143,311	—
Fair value gain recognised in other comprehensive income	743	—
Fair value loss recognised in profit or loss	—	(11,003)
Sales proceeds	(284,431)	—
Fair value at 31 December 2023 and 1 January 2024	144,054	249,722
Additions	144,973	—
Fair value gain recognised in other comprehensive income	20	—
Fair value gain recognised in profit or loss	—	1,769
Sales proceeds	(144,074)	—
Fair value at 31 December 2024	**144,973**	**251,491**

44. 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:

	2024 RMB'000	2023 RMB'000
Buildings	702,771	442,223
Plant, machinery and equipment	1,006,266	1,573,574
Investment property	57,064	—
Prepaid lease payments	142,640	526,019
Restricted bank deposits	1,562,343	1,291,397
	3,471,084	3,833,213

Besides the pledge of assets to secure banking facilities disclosed above, certain assets are pledged under sale and leaseback obligations.

45. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of		
— property, plant and equipment	33,796	91,244
— investment cost in a partnership	196,315	196,315
	230,711	287,559

46. LEASE COMMITMENTS

The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**62**	46

The Group as lessor

Property rental income earned during the year was RMB3,274,000 (2023: RMB2,646,000). All of the properties held have committed tenants for the next 1 to 10 years (2023: 1 to 8 years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2024 RMB'000	2023 RMB'000
Within one year	**3,665**	4,309
In the second to fifth year inclusive	**1,553**	2,316
After five years	**124**	677
	5,342	7,302

47. 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:

	2024 RMB'000	2023 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary (note i)	**210,501**	206,788
Interest income earned from a joint venture (note 8(i))	**18,769**	18,857
Provision of goods and services to a joint venture	**9,292**	21,023
Acquisition of land use right from a joint venture	**–**	22,573
Purchase of goods from the related companies (notes i and 47(b)(iii))	**148,161**	–
Sales of goods to the related companies (notes i and 47(b)(iii))	**459,186**	–

Note:

(i) The transactions 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.

47. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	2024 RMB'000	2023 RMB'000
Trade receivables from		
— a joint venture (note 26)	**7,953**	4,499
— a non-controlling shareholder of a subsidiary (note 26)	**26,149**	22,960
— related companies (note 26 and note iii)	**38**	—
	34,140	27,459
Trade payables due to the related companies (note iii)	**7,327**	302
Contract liabilities from the related companies (note iii)	**8,409**	25
Prepayments and other receivable from		
— a joint venture (note ii)	**317,272**	326,192
— related companies (note iii)	**2,702**	157
	319,974	326,349
Other payable due to		
— a non-controlling shareholder of a subsidiary (note i)	**24,500**	24,500
— a controlling shareholder (note i)	**1,428**	1,446
	25,928	25,946

Notes:

(i) The balances are 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.

(iii) The related companies are Xiamen C&D Paper & Pulp Group Co., Ltd.* (廈門建發漿紙集團有限公司) ("Xiamen C&D") and its subsidiaries, in which the non-executive director of the Company is a senior management and director of Xiamen C&D.

* For identification purpose only

47. 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:

	2024 RMB'000	2023 RMB'000
Short term employee benefit	**14,085**	16,723
Retirement benefit scheme contributions	**214**	306
	14,299	17,029

48. 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 17% to 33% (2023: 16% to 33%) of the employee's basic salaries during the year.

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 2024	2023	Principal activities
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

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		Principal activities
				2024	2023	
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$298,019,090	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
上海王的實業有限公司 (Shanghai Wangreat Industrial Co., Ltd.) (note i)	Private limited company	PRC	RMB673,000,000	97.05%	97.05%	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

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 2024	2023	Principal activities
山東華邁紙業有限公司 (Shandong Wamat Paper Co., Ltd.) (note i)	Private limited company	PRC	RMB800,000,000	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.) (notes i and iii)	Private limited company	PRC	RMB50,000,000	–	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
山東科邁生物製漿有限公司 (Shandong Kemat Paper Co., Ltd.) (note i)	Private limited company	PRC	RMB215,270,000	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
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%	100.00%	Manufacture of paper products
山東顯華新材料科技有限公司 (Shandong Xianhua New Material Technology Co., Ltd.)	Sino-foreign equity joint venture	PRC	US$54,000,000	100.00%	100.00%	Manufacture 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%	100.00%	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%	100.00%	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	98.00%	98.00%	Manufacture of paper products
山東金蘆竹生態科技有限公司 Shandong Jinluzhu Ecological Technology Co., Ltd. (note i)	Private limited company	PRC	RMB20,000,000	100.00%	100.0%	Giant reed cultivation
世紀陽光(日照)漿紙有限公司 Shandong Jinluzhu Ecological Technology Co., Ltd. (notes i and ii)	Sino-foreign equity joint venture	PRC	US$1,914,247	100.00%	–	Manufacture of paper products

49. PARTICULARS OF SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Notes:

(i) The English names of these companies are for reference only and have not been registered.

(ii) The subsidiary has established during the year ended 31 December 2024.

(iii) The subsidiary has been deregistered during the year ended 31 December 2024.

(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	Form of business structure	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2024 %	2023 %	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Shengshi Thermoelectricity	PRC	Private limited company	**20**	20	**54,411**	53,626	**351,246**	296,835
Individually immaterial subsidiaries with non-controlling interests							**95,931**	95,072
							447,177	391,907

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.

	2024 RMB'000	2023 RMB'000
Current assets	**1,802,597**	1,452,338
Non-current assets	**611,248**	661,999
Current liabilities	**(636,907)**	(542,340)
Non-current liabilities	**(20,706)**	(87,822)
Equity attributable to owners of the Company	**1,404,986**	1,187,340
Non-controlling interests	**351,246**	296,835
Revenue	**1,321,179**	1,374,011
Total expenses	**(1,049,123)**	(1,105,880)
Profit for the year	**272,056**	268,131
Profit and total comprehensive income attributable to owners of the Company	**217,645**	214,505
Profit and total comprehensive income attributable to the non-controlling interests	**54,411**	53,626
Profit and total comprehensive income for the year	**272,056**	268,131

	2024 RMB'000	2023 RMB'000
Net cash (outflow)/inflow from operating activities	**(144,698)**	169,340
Net cash inflow/(outflow) from investing activities	**65,522**	(2,740)
Net cash inflow/(outflow) from financing activities	**186,210**	(167,621)
Net cash inflow/(outflow)	**107,034**	(1,021)

50. 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:

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investments in subsidiaries	**770,257**	725,195
Amounts due from subsidiaries	**1,030,694**	831,346
	1,800,951	1,556,541
Current assets		
Prepayments and other receivables	**2**	2
Bank balances and cash	**17,969**	210,773
	17,971	210,775
Current liabilities		
Amounts due to subsidiaries	**42,114**	41,315
Amount due to a controlling shareholder	**1,428**	1,445
Dividend payable	**—**	7
	43,542	42,767
Net current (liabilities)/assets	**(25,571)**	168,008
Total assets less current liabilities	**1,775,380**	1,724,549
Capital and reserves		
Share capital	**94,581**	100,445
Reserves (note)	**1,680,799**	1,624,104
Total equity	**1,775,380**	1,724,549

50. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's reserves are as follows:

	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2023	90,256	1,031,885	–	311,372	–	171,556	1,605,069
Subscription (note 39 (ii))	14,739	350,568	–	–	–	–	365,307
Shares repurchased and cancelled (note 39 (i))	(4,550)	–	–	4,550	–	(104,403)	(104,403)
Repurchase of shares (to be cancelled) (note 40)	–	–	(173,613)	–	–	–	(173,613)
Profit and total comprehensive (expense)/income for the year	–	–	–	–	(2,011)	34,200	32,189
At 31 December 2023 and 1 January 2024	100,445	1,382,453	(173,613)	315,922	(2,011)	101,353	1,724,549
Shares repurchased and cancelled (note 39 (i))	(5,864)	–	173,613	5,864	–	(173,613)	–
Profit and total comprehensive income for the year	–	–	–	–	3,874	46,957	50,831
At 31 December 2024	**94,581**	**1,382,453**	**–**	**321,786**	**1,863**	**(25,303)**	**1,775,380**

51. EVENTS AFTER THE REPORTING PERIOD

On 14 February 2025, the Group entered into a termination agreement (the "Termination Agreement") with independent third parties (the "Purchasers") and Purchasers' guarantors pursuant to which the Group has agreed to terminate the Repurchase Agreement (Note 22) to re-sell, and the Purchasers have agreed to re-purchase of 45% equity interest in the Top Speed at a total consideration of RMB265 million, and amended the clause in relation to the mechanism under profit guarantees in the years of 2025 and 2026.

For details, please refer to the announcement of the Company dated 14 February 2025.

Financial Summary

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000
Results					
Revenue	**8,047,605**	8,359,494	9,538,229	7,982,231	6,673,435
Profit before income tax	**448,684**	595,426	358,879	747,282	733,683
Taxation	**(113,547)**	(144,134)	(124,334)	(198,778)	(219,694)
Non-controlling interests	**(55,265)**	(57,983)	(28,816)	8,117	(16,279)
Profit attributable to owners of the Company	**279,872**	393,309	205,729	556,621	497,710
Assets					
Non-current assets	**7,553,930**	7,445,162	7,359,073	6,876,318	5,995,476
Current assets	**4,554,412**	4,709,973	4,745,351	4,151,818	3,384,982
Total assets	**12,108,342**	12,155,135	12,104,424	11,028,136	9,380,458
Liabilities					
Non-current liabilities	**1,628,844**	1,479,441	1,695,766	1,061,107	763,296
Current liabilities	**5,179,498**	5,714,349	5,982,728	5,882,600	5,185,478
Total liabilities	**6,808,342**	7,193,790	7,678,494	6,943,707	5,948,774
Equity and reserves					
Total equity	**5,300,000**	4,961,345	4,425,930	4,084,429	3,431,684
Non-controlling interests	**(447,172)**	(391,907)	(334,003)	(304,724)	(312,914)
Equity attributable to owners of the Company	**4,852,828**	4,569,438	4,091,927	3,779,705	3,118,770