



**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

Interim  
**2016** Report

# CONTENTS

2	Corporate Information
4	Operation Review and Outlook
5	Management Discussion and Analysis
9	Corporate Governance and Other Information
15	Report on Review of Condensed Consolidated Financial Statements
17	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
18	Condensed Consolidated Statement of Financial Position
20	Condensed Consolidated Statement of Changes in Equity
21	Condensed Consolidated Statement of Cash Flows
22	Notes to the Condensed Consolidated Financial Statements





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Dongxing (*Chairman*)  
Mr. Shi Weixin (*Vice Chairman*)  
Mr. Zhang Zengguo (*Deputy General Manager*)  
Mr. Wang Changhai (*General Manager and appointed on 29 February 2016*)  
Mr. Ci Xiaolei (*General Manager and resigned on 29 February 2016*)

### Non-Executive Directors

Mr. Li Hengwen  
Mr. Xu Leihua

### Independent Non-Executive Directors

Mr. Leung Ping Shing  
Mr. Wang Zefeng  
Ms. Jiao Jie

## AUDIT COMMITTEE

Mr. Leung Ping Shing (*Chairman*)  
Mr. Wang Zefeng  
Ms. Jiao Jie

## REMUNERATION COMMITTEE

Mr. Wang Zefeng (*Chairman*)  
Mr. Wang Dongxing  
Mr. Leung Ping Shing

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Chan Yee Ping, Michael

## AUTHORISED REPRESENTATIVES

Mr. Wang Dongxing  
Mr. Chan Yee Ping, Michael

## PRINCIPAL PLACE OF BUSINESS IN CHINA

Changle Economic Development Zone  
Weifang 262400  
Shandong  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 801 & 803, 8/F.,  
Beverly House  
93–107 Lockhart Road  
Wanchai  
Hong Kong

## REGISTERED OFFICE

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedder Road, George Town  
Grand Cayman KY1-1110  
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

## AUDITORS

Grant Thornton Hong Kong Limited  
Certified Public Accountants  
Level 12  
28 Hennessy Road  
Hong Kong

## LEGAL ADVISERS AS TO THE LAWS OF HONG KONG

Orrick, Herrington & Sutcliffe  
43rd Floor, Gloucester Tower  
The Landmark  
15 Queen’s Road Central  
Hong Kong

## STOCK CODE

2002

## WEBSITE

[www.sunshinepaper.com.cn](http://www.sunshinepaper.com.cn)





# OPERATION REVIEW AND OUTLOOK

## OPERATION REVIEW

In the first half of 2016, global economic development remained sluggish. Meanwhile, as certain issues of structural over-capacity surfaced, the paper manufacturing industry continued to be plagued by weak demand. Members of our Group centered on “innovation and revolution” and concentrated on reforms in relation to logistics and purchase so as to continuously improve the standard of supply-chain management. Our Group enhanced the operation standard of enterprise resource planning and further facilitated our management and internal control to promote the spirit of “craftsmanship”. All our officers and staff members had kept a keen eye on opportunities. For the six months ended 30 June 2016, our Group achieved a sales volume of approximately 603,000 tons, representing a growth of approximately 4.8% over the corresponding period last year. Our Group continued to maintain a sound balance between sales and production and reached a historic high in sales volume.

While our Group relentlessly refined our internal management standard, external environment had been favourable as the government introduced a preferential policy on value-added tax rebates for recycled paper manufacturers, which further boosted the productivity and efficiency of enterprises. For the six months ended 30 June 2016, our Group achieved an overall gross profit margin of 21.4%, as compared to 20.8% for the corresponding period last year.

## OUTLOOK

Signs of improvement for future macro-economic condition have been far and between. The paper manufacturing, printing and packaging industry has not yet rebounded from the slump and is undergoing a staggering period of intensifying comprehensive reforms with both challenges and opportunities. Following the introduction and implementation of more stringent environmental policies, obsolete capacity will be eliminated and the entry barrier of paper manufacturing industry will be raised. The decrease in the number of new and alteration projects shall be beneficial to fair competitions between enterprises and the realization of the economies of scale.

Our Group will continue to promote the spirit of entrepreneurship, innovation and creation and offer better products and services. Meanwhile, the completion and the commencement of operation of the container yard will further reduce logistics costs and bring about resource sharing, enterprise efficiency and society efficiency in one go. As always, our Group will be committed to social responsibility and put into practice the principles of environmental costs and natural harmony. Our Group will adapt to the environment which requires constant reforms and achieve sustainable and healthy corporate development.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE

Our revenue increased by 4.5% from RMB1,887.1 million for the six months ended 30 June 2015 ("1H 2015") to RMB1,971.4 million for the six months ended 30 June 2016 ("1H 2016"), primarily as a result of an increase in sales of paper products.

Sales of paper products increased by 5.5% or RMB98.0 million, from RMB1,779.7 million for 1H 2015 to RMB1,877.7 million for 1H 2016, mainly driven by the increase in sales volume. Average selling price of paper products for 1H 2016 was comparable to that for 1H 2015. On the contrary, sales of electricity and steam recorded a decrease of 12.8%, from RMB107.4 million for 1H 2015 to RMB93.7 for 1H 2016. The decrease in sales of electricity and steam reflected the adjustment in its selling price as a result of lower procurement cost for coal.

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

	1H 2016			1H 2015		
	RMB'000	GP margin (%)	% of total revenue	RMB'000	GP margin (%)	% of total revenue
White top linerboard	568,921	18.6	28.9	547,663	18.1	29.0
Light-coated linerboard	815,797	25.8	41.4	836,717	21.0	44.3
Core board	230,246	20.7	11.7	237,441	22.6	12.6
Specialized paper products	262,709	15.3	13.3	157,856	27.5	8.4
Subtotal of sales of paper products	1,877,673	21.5	95.2	1,779,677	20.9	94.3
Sales of electricity and steam	93,745	19.1	4.8	107,441	19.2	5.7
Total revenue	1,971,418	21.4	100.0	1,887,118	20.8	100.0

## COST OF SALES

Cost of sales mainly comprised of raw materials cost, labour cost and manufacturing overhead cost such as depreciation and energy consumption.

Cost of sales increased by 3.6% or RMB54.3 million, from RMB1,495.1 million for 1H 2015 to RMB1,549.4 million for 1H 2016, primarily due to increased procurement of raw materials for production. The increase in cost of sales was generally in line with the increase in revenue.

## GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, gross profit increased by RMB30.0 million from RMB392.0 million for 1H 2015 to RMB422.0 million for 1H 2016. Gross profit margin recorded a slight increase of 0.6 percentage points, from 20.8% for 1H 2015 to 21.4% for 1H 2016.





## OTHER PROFIT AND LOSS ITEMS

Other income of RMB46.8 million for 1H 2016 (1H 2015: RMB40.0 million) mainly consisted of interest income on bank deposits of RMB12.1 million, interest income earned from a joint venture of RMB10.5 million and government grants of RMB23.3 million.

Other losses of RMB2.8 million for 1H 2016 (1H 2015: RMB12.7 million) mainly comprised a negative change in fair value of investment properties of RMB3.0 million, gain on disposal of a subsidiary of RMB8.1 million, net exchange loss of RMB2.8 million and loss on disposal of property, plant and equipment of RMB6.7 million.

Distribution and selling expenses primarily consisted of transportation costs and staff costs relating to sales and marketing. It was RMB136.8 million for 1H 2016, which was roughly the same as that of RMB136.9 million for 1H 2015. As a percentage of revenue, it slightly decreased from 7.3% for 1H 2015 to 6.9% for 1H 2016.

Administrative expenses primarily consisted of (i) salaries and other benefits for general and administrative staff, (ii) travel expenses, (iii) depreciation of office buildings and equipment and (iv) office general expenses. Administrative expenses increased by RMB7.0 million, or 9.0%, from RMB78.2 million for 1H 2015 to RMB85.2 million for 1H 2016. As a percentage of revenue, it slightly increased from 4.1% for 1H 2015 to 4.3% for 1H 2016.

Finance costs recorded a decrease of around 8.0%, from RMB157.1 million for 1H 2015 to RMB144.6 million for 1H 2016. The decrease in finance costs reflected the renewal of lower interest bearing bank borrowings and a relatively lower effective interest for the corporate bonds during 1H 2016.

Share of loss of a joint venture of RMB10.2 million (1H 2015: RMB11.8 million) represented the share of loss of our joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd.

## INCOME TAX EXPENSES

Our income tax expenses increased from RMB6.4 million for 1H 2015 to RMB24.5 million for 1H 2016. The applicable enterprise income tax rate for our subsidiaries for both 1H 2016 and 1H 2015 were roughly the same. A reversal of deferred tax charge for 1H 2015 resulted in a lower effective tax rate of 18.2% for 1H 2015 as compared to that of 27.4% for 1H 2016.

## PROFIT AND TOTAL COMPREHENSIVE INCOME

As a result of the factors discussed above, the net profit and the net profit attributable to the owners of the Company for 1H 2016 was RMB64.7 million and RMB61.9 million, respectively, as compared to that of RMB28.8 million and RMB27.1 million, respectively, for 1H 2015.

## LIQUIDITY AND FINANCIAL RESOURCES

### Working capital, gearing and financial resources

Our Group has funded our operations principally with cash generated from our operations, bank borrowings and credit facilities provided by commercial banks in China. In addition, the seven-year corporate bonds of RMB500.0 million issued in 2014 have further strengthened our liquidity position.

As at 30 June 2016, our Group possessed restricted bank deposits of RMB1,636.2 million (31 December 2015: RMB1,506.5 million) and cash and bank balances of RMB429.7 million (31 December 2015: RMB326.9 million). The debt of our Group comprised of bank and other borrowings, obligations under finance leases and corporate bonds totaled RMB2,570.3 million as at 30 June 2016 (31 December 2015: RMB2,720.6 million). Our net gearing ratio was 30.3% as at 30 June 2016, representing a continuous improvement as compared to 54.8% as at 31 December 2015.

Inventories decreased from RMB375.1 million as at 31 December 2015 to RMB273.8 million as at 30 June 2016. Our Group aimed at releasing cash by strategically lowering inventories level throughout 1H 2016. Inventory turnover was 38 days for 1H 2016, as compared to 39 days for 1H 2015.

Trade receivables slightly increased from RMB416.1 million as at 31 December 2015 to RMB434.6 million as at 30 June 2016. The increase in trade receivables was generally in line with the increase in our Group's total revenue. Trade receivables turnover was 39 days for 1H 2016, as compared to 41 days for 1H 2015. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded a decrease from RMB778.8 million as at 31 December 2015 to RMB733.5 million as at 30 June 2016. Trade payable turnover was 89 days for 1H 2016, as compared to 76 days for 1H 2015.

Current ratio was 0.67 times as at 30 June 2016 (31 December 2015: 0.66 times).

#### Notes to financial ratios

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





## MANAGEMENT DISCUSSION AND ANALYSIS

### Cash flows

The following table sets forth a summary of cash flows for the period indicated:

	1H 2016 RMB'000 (Unaudited)	1H 2015 RMB'000 (Unaudited)
Net cash from operating activities	594,958	374,593
Net cash used in investing activities	(170,501)	(155,254)
Net cash used in financing activities	(322,176)	(219,950)
Net increase/(decrease) in cash and cash equivalents	102,281	(611)
Cash and cash equivalents at the beginning of the period	327,377	302,127
Cash and cash equivalents at the end of the period	429,658	301,516

During 1H 2016, our Group recorded an increase in net cash from operating activities mainly due to our strategically lower inventories level to release more free cash. Net cash used in investing activities mainly represented cash paid for the acquisition of property, plant and equipment, loan advanced to a joint venture and the increase in restricted bank deposits. The increase in net cash used in financing activities during 1H 2016 was mainly driven by the net repayment of bank and other borrowings of approximately RMB135.5 million.

### Capital expenditure

Our Group incurred approximately RMB14.3 million to enhance the productivity of existing plant and equipment, and approximately RMB61.6 million on construction in progress during 1H 2016.

### Capital commitments and contingent liabilities

As at 30 June 2016, our Group had capital commitments, which were contracted but not provided for, for acquisition of property, plant and equipment of RMB25.2 million.

There was no contingent liabilities as at 30 June 2016.

### Capital structure and pledge of assets

As at 30 June 2016, our Group's interest-bearing bank borrowings amounted to RMB1,936.3 million, of which RMB1,736.4 million were repayable within one year.

As at 30 June 2016, the carrying amount of our assets of RMB2,633.3 million and the fair value of our investment property of RMB183.2 million were pledged as collateral or security for our Group's bank loans and corporate bond.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout 1H 2016.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by our Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code throughout 1H 2016.

## 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 our Company's financial reporting process, internal control and risk management system and to provide advice and comments to our Board. The audit committee consists of three independent non-executive Directors, namely Mr. Leung Ping Shing, Mr. Wang Zefeng and Ms. Jiao Jie. Mr. Leung Ping Shing is the chairman of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2016 and discussed the financial matters with the management of the Company. The unaudited condensed consolidated financial statements of our Group for 1H 2016 have been reviewed by the Company's auditors, Grant Thornton Hong Kong Limited, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants.

## EMPLOYEES AND REMUNERATION POLICIES

Our Group had approximately 2,890 employees as at 30 June 2016. The staff costs for 1H 2016 were RMB86.7 million (1H 2015: RMB78.4 million). The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance-based remuneration which reflects market standards. Employees' remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our Group's emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group's business development, so as to achieve our Group's operational targets.

## INTERIM DIVIDEND

The Board has not recommended the payment of an interim dividend for 1H 2016 (1H 2015: Nil).

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of our Company's shares.





## SUFFICIENCY PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the public float as required under the Listing Rules throughout 1H 2016.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to our Group's business to which our Company, any of its fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly subsisted at the end of the period or at any time during the period.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2016, the Directors listed below had the following interests and short positions 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 share	Approximate percentage of shareholding
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	325,387,052	40.54%
	Beneficial owner	5,663,500	0.71%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	630,000	0.08%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	325,387,052	40.54%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	6,293,500	0.78%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company <sup>(1)</sup>	325,387,052	40.54%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	6,293,500	0.78%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Director	Nature of interest	Number of share	Approximate percentage of shareholding
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company <sup>(1)</sup>	325,387,052	40.54%
	Beneficial owner	630,000	0.08%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement <sup>(2)</sup>	5,663,500	0.71%

*Notes:*

1. A group of 19 individuals comprising Mr. Chen Xiaojun, Mr. Guo Jianlin, Ms. Li Hua, Mr. Li Zhongzhu, Mr. Lu Yujie, Mr. Ma Aiping, Mr. Sang Yonghua, 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 325,387,052 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 6,293,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 630,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 5,663,500 Shares held by Mr. Wang Dongxing.





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

So far as we, the Directors, are aware, as at 30 June 2016, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) in the shares, underlying shares or debentures of our Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	325,387,052	40.54%
China Sunshine <sup>(1)</sup>	Long	Interest of a controlled corporation	325,387,052	40.54%
Controlling Shareholders Group <sup>(2)</sup>	Long	Interest of a party to an agreement to acquire interest in our Company	325,387,052	40.54%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	6,293,500	0.78%
Prime Capital Management Company Limited	Long	Beneficial interest	132,141,848	16.46%

Notes:

1. As China Sunshine Paper Investments Limited ("China Sunshine") owns the entire interest of China Sunrise Paper Holdings Limited ("China Sunrise"), China Sunshine is deemed to be interested in the 325,387,052 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 325,387,052 Shares held by China Sunrise. Further, Mr. Wang Dongxing is interested in 5,663,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 630,000 Shares as beneficial owner. Other members of the Controlling Shareholder 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.

Except as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of our Company as at 30 June 2016.

## SHARE OPTION SCHEME

Pursuant to the written resolution of our Shareholders passed on 19 November 2007, a share option scheme (the "Share Option Scheme") was adopted by our Company. The purpose of the Share Option Scheme is to motivate eligible persons ("Eligible Persons" as mentioned in the following paragraph) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

For the purpose of the Share Option Scheme, Eligible Persons include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Employee"), any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Executive"); (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate (as defined in the Listing Rules) of any of the foregoing persons. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 40,000,000 shares (the "Scheme Mandate Limit") provided that our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent of the shares of our Company in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of our Company's issued share capital from time to time.

The exercise of the options is subject to both the achievement of the operating and financial targets of our Group, and the annual appraisal result of the grantees of the options. The remuneration committee of our Company and we, the Directors, will be jointly responsible for monitoring the operating and financial targets of our Group, and the annual appraisal of the grantees.

No option may be granted to any Eligible Person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our Company's issued share capital from time to time. The period within which the options must be exercised will be specified by our Board at the time of grant, which must expire no later than 10 years from the date of grant (being the date on which our Board resolved to offer the grant of an option to the Eligible Person concerned).





## CORPORATE GOVERNANCE AND OTHER INFORMATION

An offer of grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date of offer ("Offer Date") provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme ("Acceptance Date").

An option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the Acceptance Date. Such remittance shall in no circumstances be refundable.

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share of our Company; (b) the closing price of a share of our Company as stated in the daily quotations of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sheet on the Offer Date; and (c) the average closing price of a share of our Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date.

Subject to the terms of the Share Option Scheme, such scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, being 12 December 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme. As at the date of this report, the remaining life of the Share Option Scheme is approximately 1 year and 3 months.

No option was granted, exercised, cancelled or lapsed during 1H 2016. There was no outstanding option granted under the Share Option Scheme as at 30 June 2016, and up to date of this report.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 79,500,000 shares (after adjustment pursuant to the bonus issue of the Company completed on 2 December 2010), representing approximately 9.91% of the issued share capital of the Company.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE BOARD OF DIRECTORS OF CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 17 to 36 which comprise the condensed consolidated statement of financial position of China Sunshine Paper Holdings Company Limited as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion 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.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

#### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

26 August 2016

#### **Kwong Kam Wing Kelvin**

Practising Certificate No.: P05373

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

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	4	1,971,418	1,887,118
Cost of sales		(1,549,402)	(1,495,116)
Gross profit		422,016	392,002
Other income	5	46,764	40,014
Other gains or losses	6	(2,772)	(12,709)
Distribution and selling expenses		(136,826)	(136,924)
Administrative expenses		(85,184)	(78,170)
Finance costs	7	(144,562)	(157,118)
Share of loss of a joint venture		(10,237)	(11,842)
Profit before tax	9	89,199	35,253
Income tax expenses	8	(24,454)	(6,420)
Profit and total comprehensive income for the period		64,745	28,833
Profit and total comprehensive income attributable to:			
Owners of the Company		61,854	27,068
Non-controlling interests		2,891	1,765
		64,745	28,833
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted (RMB)	11	0.08	0.03





# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTES	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	3,280,626	3,338,282
Investment properties	12	183,181	185,522
Prepaid lease payments	13	287,761	282,914
Goodwill		18,692	18,692
Deferred tax assets		5,922	6,108
Interest in a joint venture		73,143	83,380
Deposits and other receivables		247,183	249,945
		<b>4,096,508</b>	4,164,843
<b>Current assets</b>			
Inventories		273,791	375,055
Trade receivables	14	434,593	416,091
Prepaid lease payments	13	5,327	4,922
Bills receivable	15	286,915	347,549
Prepayments and other receivables		274,243	293,707
Restricted bank deposits		1,636,168	1,506,512
Bank balances and cash		429,658	326,865
		<b>3,340,695</b>	3,270,701
<b>Assets classified as held for sale</b>	23	—	59,944
		<b>3,340,695</b>	3,330,645
<b>Current liabilities</b>			
Trade payables	16	733,522	778,830
Bills payable	16	251,000	174,000
Other payables		158,215	135,878
Payable for construction work, machinery and equipment		17,975	8,703
Income tax payable		1,219	2,134
Obligations under finance leases	17	59,184	69,828
Deferred income		1,701	1,655
Discounted bill financing	18	2,004,529	2,010,129
Bank borrowings	19	1,736,395	1,870,430
Other borrowings		11,000	12,500
		<b>4,974,740</b>	5,064,087
<b>Liabilities directly associated with assets classified as held for sale</b>	23	—	6,796
		<b>4,974,740</b>	5,070,883
<b>Net current liabilities</b>		<b>(1,634,045)</b>	(1,740,238)
<b>Total assets less current liabilities</b>		<b>2,462,463</b>	2,424,605

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTES	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
<b>Capital and reserves</b>			
Share capital		72,351	72,351
Reserves		1,482,447	1,441,172
Equity attributable to owners of the Company		1,554,798	1,513,523
Non-controlling interests		107,969	105,097
<b>Total equity</b>		<b>1,662,767</b>	1,618,620
<b>Non-current liabilities</b>			
Obligations under finance leases	17	68,116	72,740
Bank borrowings	19	199,900	199,900
Corporate bond	20	495,714	495,179
Deferred income		22,500	23,828
Deferred tax liabilities		13,466	14,338
		799,696	805,985
<b>Total equity and non-current liabilities</b>		<b>2,462,463</b>	2,424,605

The condensed consolidated financial statements on pages 17 to 36 were approved by the board of directors on 26 August 2016 and are signed on its behalf by:

\_\_\_\_\_  
**Wang Dongxing**  
 Director

\_\_\_\_\_  
**Wang Changhai**  
 Director





# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Capital redemption reserve	Share premium	Merger reserve	Capital reserve	Assets revaluation reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained earnings	Subtotal			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	72,351	610	695,682	(2,776)	79,992	19,806	78,451	5,429	512,720	1,462,265	100,185	1,562,450	
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	27,068	27,068	1,765	28,833	
At 30 June 2015 (unaudited)	72,351	610	695,682	(2,776)	79,992	19,806	78,451	5,429	539,788	1,489,333	101,950	1,591,283	
At 1 January 2016 (audited)	<b>72,351</b>	<b>610</b>	<b>695,682</b>	<b>(2,776)</b>	<b>79,992</b>	<b>19,806</b>	<b>81,756</b>	<b>5,429</b>	<b>560,673</b>	<b>1,513,523</b>	<b>105,097</b>	<b>1,618,620</b>	
Dividend approved in respect of the previous year	—	—	—	—	—	—	—	—	(20,579)	(20,579)	—	(20,579)	
Dividend paid to non-controlling interests of a subsidiary of the Company	—	—	—	—	—	—	—	—	—	—	(14)	(14)	
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(5)	(5)	
Transactions with owners	—	—	—	—	—	—	—	—	(20,579)	(20,579)	(19)	(20,598)	
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	61,854	61,854	2,891	64,745	
At 30 June 2016 (unaudited)	<b>72,351</b>	<b>610</b>	<b>695,682</b>	<b>(2,776)</b>	<b>79,992</b>	<b>19,806</b>	<b>81,756</b>	<b>5,429</b>	<b>601,948</b>	<b>1,554,798</b>	<b>107,969</b>	<b>1,662,767</b>	

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Operating activities</b>		
Cash generated from operations	620,915	382,959
Tax paid	(25,957)	(8,366)
<b>Net cash from operating activities</b>	<b>594,958</b>	374,593
<b>Investing activities</b>		
Interest received	22,612	32,623
Proceeds on disposal of property, plant and equipment	6,866	3,367
Proceeds from disposal of a subsidiary	54,450	—
Prepaid lease payments for the acquisition of land use rights	(8,214)	—
Additions of investment properties	(576)	—
Additions of property, plant and equipment and construction in progress	(65,983)	(71,503)
Loan to a joint venture	(50,000)	—
Increase in restricted bank deposits	(129,656)	(119,741)
<b>Net cash used in investing activities</b>	<b>(170,501)</b>	(155,254)
<b>Financing activities</b>		
Interest paid	(145,180)	(112,263)
New bank borrowings raised	1,009,435	1,543,760
Repayment of bank borrowings	(1,143,470)	(1,360,734)
New other borrowings raised	—	53,882
Repayment of other borrowings	(1,500)	(43,500)
Repayment of short-term financing notes	—	(300,000)
(Decrease)/Increase in discounted bill financing	(5,600)	47,799
Proceeds from sale and finance lease back transactions	33,469	20,000
Dividend paid to non-controlling interests of a subsidiary of the Company	(14)	—
Dividend paid to owners of the Company	(20,579)	—
Repayment of obligations under finance leases	(48,737)	(68,894)
<b>Net cash used in financing activities</b>	<b>(322,176)</b>	(219,950)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>102,281</b>	(611)
Cash and cash equivalents at beginning of the period, represented by bank balances and cash	327,377	302,127
<b>Cash and cash equivalents at end of the period</b>	<b>429,658</b>	301,516





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

## 1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (the “Company”) is a limited company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 December 2007.

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

## 2. BASIS OF PREPARATION

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

The Group has net current liabilities of approximately RMB1,634,045,000 as at 30 June 2016. The directors of the Company (the “Directors”) have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the reporting date. In addition, although most of the existing bank facilities will expire within twelve months, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional bank borrowing facilities as necessary. Therefore, the Directors are of the opinion that, taking into account the presently available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

These condensed consolidated financial statements are unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with International Standards on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values, as appropriate.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

### 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) that have become effective for accounting period beginning on 1 January 2016 and are relevant to the Group as set out below:

Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of these amendments has no material impact on the results and financial position for the current and prior periods.

The Group has not early adopted any new and amended IFRSs that have been published but not yet effective for the current accounting period.

### 4. SEGMENT INFORMATION

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

#### (a) Segment result

The following is an analysis of the Group’s revenue and results by operating segment:

##### Six months ended 30 June 2016

	Paper products					Total RMB’000
	White top linerboard RMB’000	Light- coated linerboard RMB’000	Core board RMB’000	Specialised paper products RMB’000	Electricity and steam RMB’000	
Revenue from external customers	568,921	815,797	230,246	262,709	93,745	1,971,418
Inter-segment revenue	—	—	—	—	127,496	127,496
Segment revenue	568,921	815,797	230,246	262,709	221,241	2,098,914
Segment profit	105,610	210,070	47,630	40,277	21,146	424,733





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (continued)

(a) Segment result (continued)

Six months ended 30 June 2015

	Paper products					Total RMB'000
	White top linerboard RMB'000	Light- coated linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	
Revenue from external customers	547,663	836,717	237,441	157,856	107,441	1,887,118
Inter-segment revenue	—	—	—	—	129,824	129,824
Segment revenue	547,663	836,717	237,441	157,856	237,265	2,016,942
Segment profit	98,976	175,347	53,576	43,424	15,638	386,961

(b) Reconciliation of segment profit

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Profit</b>		
Segment profit	424,733	386,961
Unrealised profit on intra-group sales	(23,816)	(20,027)
	400,917	366,934
Other income	44,936	36,284
Other gains or losses	(3,224)	(14,510)
Distribution and selling expenses	(136,826)	(136,924)
Administrative expenses	(74,792)	(69,904)
Finance costs	(131,575)	(134,785)
Share of loss of a joint venture	(10,237)	(11,842)
<b>Consolidated profit before tax</b>	<b>89,199</b>	35,253

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 4. SEGMENT INFORMATION *(continued)*

#### (b) Reconciliation of segment profit *(continued)*

Segment profit represents the gross profit earned by each paper product and the profit before tax earned by electricity and steam segment. The Group does not allocate other income, other gains or losses, distribution and selling expenses, administrative expenses, finance costs and share of loss of a joint venture to paper product segment and does not allocate income tax expense to both the paper product segment or the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

- (c) 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.

### 5. OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest income on bank deposits	12,143	17,785
Interest income earned from a joint venture (note i)	10,469	12,044
Government grants (note ii)	23,300	6,449
Rental income	852	3,736
	<b>46,764</b>	40,014

Notes:

- i. During the six months ended 30 June 2016, the Group earned interest income from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd) ("Sunshine Oji"), a joint venture of the Company, at an effective weighted average annual rate of 7.09% per annum (six months ended 30 June 2015: 7.80% per annum).
- ii. During the six months ended 30 June 2016, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd. ("Century Sunshine")), a subsidiary of the Company, was granted unconditional government subsidy from local government of approximately RMB21,846,000 (six months ended 30 June 2015: RMB4,359,000).





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Changes in fair value of investment properties	(3,047)	(3,471)
Changes in fair value of derivative financial instruments	—	(40)
Gain on disposal of a subsidiary (Note 23)	8,067	—
Net exchange loss	(2,769)	(9,136)
Loss on disposal of property, plant and equipment	(6,663)	(1,772)
Others	1,640	1,710
	<b>(2,772)</b>	<b>(12,709)</b>

### 7. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest expenses on:		
Discounted bill financing	45,115	68,286
Bank and other borrowings	73,674	64,794
Finance leases	380	8,090
Short-term financing notes	—	1,296
Corporate bond	26,011	21,011
	<b>145,180</b>	<b>163,477</b>
Less: Interest capitalised in construction in progress	(618)	(6,359)
	<b>144,562</b>	<b>157,118</b>

Borrowing costs capitalised during the six months ended 30 June 2016 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.9% (six months ended 30 June 2015: 6.6%) per annum to expenditure on construction in progress.

## 8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Current income tax</b>		
People's Republic of China ("PRC") Enterprise Income Tax	25,138	8,552
Deferred tax credit	(684)	(2,132)
Charge for the period	24,454	6,420

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

No provision for Hong Kong Profit Tax had been made for the six months ended 30 June 2016 and 2015 as the Group did not have any assessable profit arising in Hong Kong during both periods.

## 9. PROFIT FOR THE PERIOD

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Wages and salaries	73,665	67,577
Retirement benefits schemes contributions	13,000	10,850
Total staff costs (including directors' emoluments)	86,665	78,427
Cost of inventories recognised as an expense	1,487,073	1,452,505
Depreciation of property, plant and equipment	119,870	108,473
Release of prepaid lease payments	2,962	2,760

## 10. DIVIDENDS

During the current interim period, a final dividend of HK\$0.03 per share in respect of the year ended 31 December 2015 amounting to a total of HK\$24,077,640 (equivalent to approximately RMB20,579,000) (six months ended 30 June 2015: nil) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 8 June 2016.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 10. DIVIDENDS *(continued)*

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

### 11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2016 was based on the profit of RMB61,854,000 (six months ended 30 June 2015: RMB27,068,000) for the period attributable to owners of the Company, and the weighted average number of 802,588,000 (six months ended 30 June 2015: 802,588,000) ordinary shares in issue during the six months ended 30 June 2016.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2016 and 2015. The basic earnings per share equals to the diluted earnings per share.

### 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB13,529,000 (six months ended 30 June 2015: RMB5,139,000) for proceeds of RMB6,866,000 (six months ended 30 June 2015: RMB3,367,000), resulting in a loss on disposal of RMB6,663,000 (six months ended 30 June 2015: RMB1,772,000).

In addition, during the current interim period, the Group incurred approximately RMB14,301,000 (six months ended 30 June 2015: RMB13,989,000) on the acquisition of property, plant and equipment and approximately RMB61,572,000 (six months ended 30 June 2015: RMB72,498,000) on construction in progress in order to maintain its manufacturing capabilities, which included interest capitalisation of approximately RMB618,000 (six months ended 30 June 2015: RMB6,359,000), and transferred approximately RMB130,000 (six months ended 30 June 2015: nil) from construction in progress to an investment property.

The Group's investment properties as at the end of the current interim period were remeasured to fair value by reference to a valuation performed by Asia-Pacific Consulting and Appraisal Limited, independent qualified professional valuer not connected with the Group. 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. During the current interim period, the Group incurred approximately RMB576,000 (six months ended 30 June 2015: nil) on the acquisition of investment properties and had a transfer from construction in progress to investment properties of RMB130,000 (six months ended 30 June 2015: nil). The resulting decrease in fair value of investment properties of RMB3,047,000 has been recognised directly in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: decrease in fair value of investment properties of RMB3,471,000).

The investment properties located in Weifang, Shandong, the PRC with a fair value of RMB183,181,000 as at 30 June 2016 (31 December 2015: RMB185,522,000) are pledged for counter guarantee under the guarantee agreement of the corporate bonds entered by the Group and 中合中小企業融資擔保股份有限公司 (China United SME Guarantee Corporation) (the "SME Guarantee").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 13. PREPAID LEASE PAYMENTS

As at 30 June 2016, the Group is in the process of applying for the title certificates for certain of its land use rights with an aggregate carrying amount of RMB48,742,000 (31 December 2015: RMB49,288,000) which are located in the People's Republic of China. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

### 14. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
0–30 days	329,280	329,797
31–90 days	97,385	58,551
91–365 days	4,893	24,659
Over 1 year	3,035	3,084
	<b>434,593</b>	416,091

### 15. BILLS RECEIVABLE

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
0–90 days	241,009	235,830
91–180 days	27,332	109,899
181–365 days	18,574	1,820
	<b>286,915</b>	347,549





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 15. BILLS RECEIVABLE (continued)

As at 30 June 2016, the Group has discounted bills receivable of RMB116,105,000 (31 December 2015: RMB186,000,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivable and has recognised the cash received upon the discounting as discounted bill financing (see Note 18).

### 16. TRADE AND BILLS PAYABLES

The following is an analysis of trade and bills payables by age, presented based on goods received date at the end of the reporting period:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
0-90 days	686,614	668,197
91-365 days	279,334	240,336
Over 1 year	18,574	44,297
	<b>984,522</b>	952,830

All the bills payable as at 30 June 2016 and 31 December 2015 are trading nature and will mature within twelve months respectively.

### 17. OBLIGATIONS UNDER FINANCE LEASE

The Group has entered into several sale and leaseback transactions with independent third parties by way of sale and lease back of certain machineries. In accordance with the lease agreements, the term of the lease was 2 to 5 years and the Group has the option to purchase the assets at a nominal consideration upon the end of the lease term. Such transaction was considered as sale and leaseback arrangement resulting in a finance lease.

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	59,184	69,828
Non-current liabilities	68,116	72,740
	<b>127,300</b>	142,568

**17. OBLIGATIONS UNDER FINANCE LEASE** *(continued)*

Nominal interest rates underlying all obligations under finance leases are at respective contract dates ranging from 6.80% to 7.30% (31 December 2015: 6.80% to 7.73%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
<b>Amounts payable under finance leases</b>				
Within one year	64,930	75,562	59,184	69,828
In more than one year but not more than two years	38,185	40,400	35,438	37,862
In more than two years but not more than five years	33,621	36,003	32,678	34,878
	136,736	151,965	127,300	142,568
Less: future finance charges	(9,436)	(9,397)	—	—
Present value of lease obligations	127,300	142,568	127,300	142,568
Less: Amount due for settlement within 12 months (shown under current liabilities)			(59,184)	(69,828)
Amount due for settlement after 12 months			68,116	72,740

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 18. DISCOUNTED BILL FINANCING

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
<b>Discounted bill financing</b>		
Comprising:		
Discounted bills receivable from third parties	116,105	186,000
Discounted bills receivable from subsidiaries of the Group	1,888,424	1,824,129
<b>Total</b>	<b>2,004,529</b>	2,010,129

Discounted bill financing represents the amount of cash received from discounting bills receivable to banks with full recourse.

During the current interim period, bank bills issued by certain subsidiaries of the Group to the suppliers and other subsidiaries within the Group were discounted to the banks for financing.

### 19. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,009,435,000 (six months ended 30 June 2015: RMB1,543,760,000), and repaid loans amounting to RMB1,143,470,000 (six months ended 30 June 2015: RMB1,360,734,000). The newly raised loans bear interest from 1.80% to 6.60% per annum (six months ended 30 June 2015: 1.95% to 8.50%).

### 20. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bonds on 23 July 2014. The final offering size of the seven-year corporate bonds was RMB500,000,000 with annual coupon rate of 8.19% per annum. The corporate bonds are guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's one piece of investment property of RMB183,181,000 (see Note 12), and will be repaid with 20% of offering size annually from the year 2017 to year 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 21. CAPITAL COMMITMENTS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	25,156	79,190

## 22. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of electricity and steam to a non-controlling shareholder of a subsidiary	49,700	63,491
Interest income earned from a joint venture (Note 5)	10,469	12,044

Besides the transaction disclosed above, the Company purchased as an agent certain wood pulp of RMB5,755,665 on behalf of Sunshine Oji, a joint venture of the Company, for its business activities during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 22. RELATED PARTY TRANSACTIONS *(continued)*

#### (b) Balance with related parties

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade receivables from (*) a non-controlling shareholder of a subsidiary	16,918	10,134
Other receivables from a joint venture (**) Receivables from the disposal of buildings, equipment and land used right	76,480	76,480
Receivables from the trial run operation financing	146,828	146,828
Interest and other receivables	1,400	6,517
Loan to a joint venture (***)	224,708 100,000	229,825 50,000
<b>Total</b>	<b>324,708</b>	279,825

\* The trade receivables from a non-controlling shareholder of a subsidiary are aged within 30 days, with credit term of 30 days granted by the Group.

\*\* The balance is unsecured, carries at 6.8% (31 December 2015: 7.8%) and will be collected after 12 months from the end of the reporting period, see Note 5(i) for more details.

\*\*\* The balance is unsecured, carries interest at 7.8% (31 December 2015: 7.8%) and will be collected within 12 months from the end of the reporting period, see Note 5(i) for more details.

**22. RELATED PARTY TRANSACTIONS** *(continued)***(c) Compensation of key management personnel**

The remuneration of directors and other members of key management during the period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2016 RMB'000 (Unaudited)</b>	<b>2015 RMB'000 (Unaudited)</b>
Short term employee benefit	<b>3,216</b>	2,066
Retirement benefit scheme contributions	<b>22</b>	22
	<b>3,238</b>	2,088

**23. DISPOSAL OF A SUBSIDIARY**

On 18 December 2015, the Group entered into an agreement with an independent third party for the disposal of 100% equity interests in Kunshan Sunshine Huamai Packaging Co., Ltd ("Kunshan Sunshine"), a 100% indirectly owned subsidiary of the Company, at a consideration of RMB59,000,000. As at 31 December 2015, the Directors determine the disposal is highly probable and expect the disposal to be completed within 12 months from the date of agreement. Accordingly, the relevant assets and liabilities of Kunshan Sunshine are classified as held for sale respectively at 31 December 2015. On 3 June 2016, a supplement agreement was signed to increase the consideration to RMB60,500,000. The disposal was completed on 23 June 2016, on which date the control of Kunshan Sunshine was transferred to this third party. The net assets of Kunshan Sunshine at the date of disposal were as follows:

	<b>As at 30 June 2016 RMB'000</b>
<b>Cash consideration*</b>	<b>60,500</b>

\* Cash consideration consisted of cash received of RMB54,450,000 and cash receivable of RMB6,050,000.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

**23. DISPOSAL OF A SUBSIDIARY** *(continued)*

	As at 23 June 2016 RMB'000
<b>Analysis of assets and liabilities over which control was lost:</b>	
Investment properties	58,757
Deferred tax assets	525
Trade and other receivables	65
Other payables	(659)
Income tax payables	(486)
Deferred income	(1,800)
Deferred tax liabilities	(3,964)
<b>Net assets disposed of</b>	<b>52,438</b>
	As at 30 June 2016 RMB'000
<b>Gain on disposal of a subsidiary:</b>	
Consideration received and receivable	60,500
Net assets disposed of	(52,438)
Non-controlling interests at disposal date	5
<b>Gain on disposal</b>	<b>8,067</b>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration received	54,450