CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED
中 國 陽 光 紙 業 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2002)

ANNOUNCEMENT OF RESULTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

— Turnover increased by 25.0% to RMB1,764.6 million

— Profits attributable to equity holders of the Company decreased by 51.6% to RMB64.4 million

— A final dividend of RMB3.2 cents per share is proposed

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of China Sunshine Paper Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2008, as follows:

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December

	Notes	2008 RMB'000	2007 RMB'000 (restated)
Revenue	4	**1,764,552**	1,411,681
Cost of sales		**(1,542,611)**	(1,133,197)
Gross profit		**221,941**	278,484
Other income		**54,521**	10,401
Share of result of an associate		**—**	2,025
Selling and distribution expenses		**(74,939)**	(66,720)
Administrative expenses		**(76,933)**	(41,073)
Change in fair value of derivative financial instruments		**(3,997)**	—
Other expenses		**(7,726)**	(4,207)
Finance costs		**(48,150)**	(33,348)
Profit before tax	5	**64,717**	145,562
Income tax credit/(expense)	6	**1,471**	(8,292)
Profit for the year		**66,188**	137,270
Attributable to:			
Equity holders of the Company		**64,356**	133,001
Minority interests		**1,832**	4,269
		66,188	137,270
Earnings per share	7		
— Basic *(RMB)*		**0.16**	0.69
— Diluted *(RMB)*		**N/A**	0.69

CONSOLIDATED BALANCE SHEET

As at 31 December

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**1,502,266**	891,085
Prepaid lease payments		**90,257**	88,278
Goodwill		**18,692**	19,246
Deferred tax assets		**8,672**	1,087
		1,619,887	999,696
Current assets			
Prepaid lease payments		**1,936**	1,856
Inventories		**226,156**	177,248
Loans receivable	9	**40,811**	—
Trade receivables	10	**171,442**	109,768
Bills receivable		**412,252**	382,398
Prepayments and other receivables		**32,770**	31,988
Derivative financial instruments		**2,434**	—
Restricted bank deposits		**233,190**	40,725
Bank balances and cash		**122,689**	648,871
		1,243,680	1,392,854
Current liabilities			
Trade payables	11	**375,217**	387,997
Other payables		**64,811**	65,452
Payable for construction work, machinery and equipment		**155,107**	129,167
Amount due to a related party		**—**	217
Income tax payable		**3,145**	5,476
Dividend payable		**44**	—
Deferred income — current portion		**1,365**	104
Derivative financial instruments		**6,431**	—
Discounted bill financing	12	**43,804**	24,197
Bank borrowings — due within one year		**784,432**	483,856
		1,434,356	1,096,466
Net current (liabilities) assets		**(190,676)**	296,388
Total assets less current liabilities		**1,429,211**	1,296,084
Capital and reserves			
Share capital	13	**37,872**	37,783
Reserves		**1,166,392**	1,062,837
Equity attributable to equity holders of the Company		**1,204,264**	1,100,620
Minority interests		**31,205**	37,535
Total equity		**1,235,469**	1,138,155
Non-current liabilities			
Bank borrowings — due after one year		**149,067**	132,969
Other borrowings		**17,442**	17,562
Deferred income — non-current portion		**19,504**	832
Deferred tax liabilities		**7,729**	6,566
		193,742	157,929
Total equity and non-current liabilities		**1,429,211**	1,296,084

NOTES

1. General information

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司*) 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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 December 2007. 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"), the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency of the Company and its subsidiaries).

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

2. Adoption of new and revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new IFRSs had no material effect on how the result and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendments)	Eligible hedged items[3]
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRCI 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. The basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared on the historical cost except for certain financial instrument which is measured at fair value, as explained in the accounting policies set out.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. Business and geographical segments

Business segments

The Group is currently organised into two operating divisions namely production and sale of paper products, and generation and sale of electricity and steam. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue from external customers and contribution by business segments is as follows:

For the year ended 31 December 2008

	Paper products *RMB'000*	**Electricity and steam** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Revenue				
External sales	**1,696,807**	**67,745**	**—**	**1,764,552**
Inter-segment sales	**—**	**195,848**	**(195,848)**	**—**
Total	**1,696,807**	**263,593**	**(195,848)**	**1,764,552**
Result				
Segment result	**91,367**	**3,476**	**(673)**	**94,170**
Other income				**49,446**
Change in fair value of derivative financial instruments				**(3,997)**
Unallocated corporate expenses				**(26,752)**
Finance costs				**(48,150)**
Profit before tax				**64,717**
Income tax credit				**1,471**
Profit for the year				**66,188**

For the year ended 31 December 2007

	Paper products *RMB'000*	Electricity and steam *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Revenue				
External sales	1,381,619	30,062	—	1,411,681
Inter-segment sales	—	75,609	(75,609)	—
Total	1,381,619	105,671	(75,609)	1,411,681
Result				
Segment result	170,731	7,561	(652)	177,640
Other income				9,017
Share of result of an associate		2,025		2,025
Unallocated corporate expenses				(9,772)
Finance costs				(33,348)
Profit before tax				145,562
Income tax expense				(8,292)
Profit for the year				137,270

An analysis of the Group's total assets and liabilities by business segments is as follows:

At 31 December 2008

	Paper products *RMB'000*	**Electricity and steam** *RMB'000*	**Consolidated** *RMB'000*
Assets			
Segment assets	**2,095,011**	**357,453**	**2,452,464**
Unallocated corporate assets			**411,103**
Consolidated total assets			**2,863,567**
Liabilities			
Segment liabilities	**554,666**	**50,532**	**605,198**
Unallocated corporate liabilities			**1,022,900**
Consolidated total liabilities			**1,628,098**

At 31 December 2007

	Paper products *RMB'000*	Electricity and steam *RMB'000*	Consolidated *RMB'000*
Assets			
Segment assets	1,367,482	327,536	1,695,018
Unallocated corporate assets			697,532
Consolidated total assets			2,392,550
Liabilities			
Segment liabilities	498,523	83,945	582,468
Unallocated corporate liabilities			671,927
Consolidated total liabilities			1,254,395

Geographical segments

The Group's operations are located in the People's Republic of China ("PRC") only and sales are in the PRC and overseas.

The following table provides an analysis of the Group's revenue based on geographical location of the Group's customers, irrespective of the origin of the goods. As assets, revenue and result contributed by overseas countries are individually below 10% of the segment assets, revenue and results; and external sales to overseas countries is in aggregate less than 75% of total consolidated revenue, no further geographical segments are presented.

	Revenue by geographical market	
	2008	2007
	RMB'000	*RMB'000*
PRC	**1,670,217**	1,217,108
Overseas	**94,335**	194,573
	1,764,552	1,411,681

The Group's segment assets and additions to property, plant and equipment are located in the PRC only.

5. Profit before tax

	2008	2007
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Wages and salaries	**54,836**	31,059
Retirement benefits schemes contributions	**4,413**	1,728
Equity-settled share-based payment	**10,518**	1,601
Total staff costs (including directors emoluments)	**69,767**	34,388
Allowance for inventories provided (reversed)	**4,737**	(863)
Release of prepaid lease payments	**1,865**	1,237
Auditor's remuneration	**1,588**	3,061
Depreciation of property, plant and equipment	**50,694**	35,886
Loss on disposal of property, plant and equipment	**520**	83

6. Income tax credit (expense)

	2008	2007
	RMB'000	*RMB'000*
Current tax:		
PRC	**(4,951)**	(8,720)
Deferred tax:		
Current year	**6,422**	547
Attributable to a change in tax rate	**—**	(119)
	6,422	428
	1,471	(8,292)

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New law. Under the New law and the Implementation Regulation, the tax rate has been changed from 33% to 25% for the Company's PRC subsidiaries from 1 January 2008.

In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the New Law and will have an impact on foreign investment enterprises ("FIE"). For enterprises which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of a tax reductions and exemptions, such as the "two-year tax exemption followed by three-year 50% tax reduction", shall continue to enjoy preferential treatment for their initial term as prescribed under the previous tax laws, administrative regulations and related documents after the New Law take effect until the initial term expires. 昌樂世紀陽光紙業有限公司 (Changle Century Sunshine Paper Industry Co., Ltd*) ("Changle Sunshine") and 昆山世紀陽光紙業有限公司 (Kunshan Century Sunshine Paper Industry Co., Ltd*) ("Kunshan Sunshine"), the PRC subsidiaries of the Company, are levied at 12.5% (2007: Nil) for the year ended 31 December 2008 based on relevant tax circulars.

7. Earnings per share

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2008	2007
	RMB'000	*RMB'000*
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**64,356**	133,001
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**405,998,000**	193,603,000

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**405,998,000**	193,603,000
Effect of dilutive potential ordinary shares relating to outstanding share options	**N/A**	330,453
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**N/A**	193,933,453

In calculating the weighted average number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 December 2007, the shares that were issued pursuant to the Group Reorganisation and capitalisation of share premium are treated as if they had been in issue throughout that year.

No diluted earnings per share was presented for the year ended 31 December 2008 as the exercise prices of share options were higher than the average market price for the year.

8. Dividend

The board proposes to declare a final dividend for the year ended 31 December 2008 of RMB3.2 cents (2007: Nil) per ordinary share, amounting to a total dividend of RMB12.8 million (2007: Nil). The declaration of the final dividend is subject to approval at the forthcoming annual general meeting ("AGM") of the Company to be held on 26 May 2009. Formal notice of the AGM will be published by the Company in due course.

9. Loans receivables

	2008	2007
	RMB'000	*RMB'000*
Loans receivable	**40,811**	—

The Group granted short-term unsecured entrusted loans to certain third party with effective interest rate (which is equal to contractual interest rate) of 10% per annum. The amount was subsequently received on maturity date, 14 March 2009.

10. Trade receivables

The following is an aged analysis of trade receivables at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
0 – 30 days	**125,576**	87,215
31 – 90 days	**34,532**	18,977
91 – 365 days	**10,948**	3,389
Over 1 year	**386**	187
	171,442	109,768

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

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately RMB39,097,000 (2007: RMB21,350,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers and the Group considers that these balances are not impaired. The Group does not hold any collateral over these balances.

11. Trade payables

The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**194,538**	217,154
91 – 365 days	**173,380**	166,795
Over 1 year	**7,299**	4,048
	375,217	387,997

12. Discounted bill financing

	2008	2007
	RMB'000	*RMB'000*
Discounted bill financing	**43,804**	24,197

The discounted bill financing represents the amount of cash received on the discounted bills receivable to banks with full recourse.

13. Share capital

	Notes	**Number of shares**	**Share capital**
			HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
Upon incorporation on 22 August 2007	(a)	3,800,000	380
Increase on 19 November 2007	(d) (i)	996,200,000	99,620
At 31 December 2007 and 2008		1,000,000,000	100,000

	Notes	Number of shares	Share capital HK$'000	Shown in the consolidated financial statements RMB'000
Issued and fully paid:				
At the date of incorporation	(a)	1	—	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation	(b)	1,956,389	196	190
Capitalisation of loan owing to China Sunrise	(c), (e)	40,751,910	4,075	3,850
Capitalisation of share premium	(d) (iii)	257,291,700	25,729	24,299
Issue of shares upon listing of the Company's share on the Stock Exchange	(d) (ii)	100,000,000	10,000	9,444
At 31 December 2007		400,000,000	40,000	37,783
Exercise of over-allotment option	(f)	7,500,000	750	699
Shares repurchased and cancelled	(g)	(6,456,000)	(646)	(610)
At 31 December 2008		401,044,000	40,104	37,872

Notes:

(a) The Company was incorporated on 22 August 2007 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. At the time of incorporation, 1 share was allotted, issued at par and fully paid.

(b) On 15 October 2007, the Company acquired the entire issued share capital of China Sunshine Paper Group Limited through the allotment and issue of 1,956,389 new shares of the Company to China Sunrise Paper Holdings Limited ("China Sunrise"), credited as fully paid at par pursuant to a group reorganization (the "Group Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange.

(c) On 29 October 2007, the Company issued an aggregate of 1,043,610 shares to Seabright SOF (I) Paper Limited, LC Fund III, L.P. and Forebright Management Limited by way of capitalisation of outstanding loans as of that date in a total sum of approximately RMB102,700,000 owing to China Sunrise.

(d) On 19 November 2007, shareholder's resolutions were passed to approve the matters set out in the paragraph headed "Written resolutions of the shareholders of the Company passed on 19 November 2007" in Appendix VII to the Prospectus, pursuant to which:

(i) The authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.10 each.

(ii) On 12 December 2007, 100,000,000 ordinary shares of HK$0.10 each of the Company were issued at HK$6.00 each by way of placing and public offer ("New Issue"). On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(iii) Subject to the share premium account of the Company being credited as a result of the New Issue, the directors of the Company were authorised to capitalise approximately HK$25,729,000 (equivalent to approximately RMB24,299,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 257,291,700 ordinary shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 19 November 2007 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid and gave effect to the capitalisation.

(e) On 12 December 2007, the Company issued an aggregate of 39,708,300 shares to Deutsche Securities Asia Ltd. by way of capitalisation of outstanding loan as of that date in a total sum of approximately RMB166,307,000 owing to China Sunrise.

(f) On 3 January 2008, the Company issued and allotted 7,500,000 ordinary shares of HK$0.10 each at HK$6.00 each upon the partial exercise of the over-allotment option pursuant to the Company's prospectus for a total consideration of approximately HK$45,000,000 (equivalent to approximately RMB41,918,000).

(g) The Company repurchased 6,456,000 ordinary shares of the Company of HK$0.10 each at an aggregate consideration of HK$13,124,055 (equivalent to approximately RMB11,543,000) during the year ended 31 December 2008 and all of these shares were then cancelled. The nominal value of the cacelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

Month of repurchase	**Number of ordinary shares of HK$0.10 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$*
August 2008	139,000	2.69	2.39	349,170
September 2008	850,000	2.43	2.04	1,977,795
October 2008	5,467,000	2.30	1.24	10,797,090
	6,456,000			13,124,055

14. Capital Committment

	2008	2007
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**671,969**	89,944

BUSINESS REVIEW AND OUTLOOK

Business Review

2008 has effectively been a year of two halves. During the first half of 2008, the Company recorded an impressive growth in its revenue and profit. In the second half of 2008, the accelerating global economic downturn as a result of the U.S. subprime crisis and Lehman Brothers' bankruptcy, coupled with the large fluctuation in raw material price in the fourth quarter of 2008 pressured the profit margin of the Group. Despite this difficult economic environment, the Group still posted a 25.0% growth in revenue to RMB1,764.6 million as compared to RMB1,411.7 million in 2007. However, rapidly falling selling price of the Group's product and tremendous fluctuation in raw material price in the fourth quarter of 2008 eroded most of the profit margin. The increase in certain non-core expenses, such as the recognition of share-based payments for unexercised share option and the listing-related professional expenses further pressured the profit margin. As a result, the profits attributable to the equity holders for 2008 were RMB64.4 million, representing a decrease of 51.6% as compared to 2007.

Outlook

In 2009, we continue to face challenges from raw material costs and selling price pressures which may erode the profit margin of the Group. However, there are also certain encouraging news, including, among others, inventories with higher purchase cost have been fully absorbed in January 2009, the cost of raw materials decreased in the first quarter of 2009, and the selling price of the Group's product also rebounded recently. We will continue to adjust our business strategies to overcome all difficulties.

Recently, we have enhanced the standard of modernised enterprise management through the implementation of the ERP system, integrated supply resources to reduce purchase cost and developed three new products with high added value which would be launched to the market soon. It is expected that the above measures will have significant contribution to the results of the Group. We also have sufficient low-cost raw material in reserve, which will further contribute to the Group's performance in 2009.

We will orderly reschedule the production expansion plan for white top linerboard and light-coated linerboard production lines in response to the market changes. Meanwhile, we will progressively expand our waste paper collection base by increasing 5 to 10 collection points in China, of which most of them will be based in Shangdong Province. We believe the orderly rescheduling of the production expansion plan and the progressive expansion of waste paper collection base will ensure and enhance our competitive edge in the paper industry. We are still optimistic about the growth potential in the paper industry in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales

Sales of paper products remained the core business of the Group and it represented 96.2% of the total sales. The remaining 3.8% was from sales of electricity and steam. Notwithstanding the difficult economic environment, it is notable that the Group's sales of paper products still recorded an increase of approximately 22.8% by revenue for the financial year ended 31 December 2008 ("FY 2008"), as compared to RMB1,381.6 million for the financial year ended 31 December 2007 ("FY 2007"). The sale of light-coated linerboard has increased by nearly 7 times to RMB401.0 million for FY2008. The increase was mainly driven by the fast growing consumer markets in China. In addition, some customers ordered light-coated linerboard to substitute white top linerboard as light-coated linerboard allows superior printability by offering better brightness and delivering better ink transfer quality, even though the selling price of light-coated linerboard is higher than that of the white-top linerboard. As the Group's production line can produce both white top linerboard and light-coated linerboard interchangeably, customers' shifting orders between white top linerboard and light-coated linerboard would not have any negative impact to the Group.

The increase in sales of core board primarily resulted from (i) increased demand attributable to favourable industrial market condition in the first half of FY2008, and (ii) increased production volume as the Group's sixth production line for core board products commenced operation in September 2008.

The following table sets out the sales and gross profit margin by product categories:

	Year ended 31 December					
	2008			2007		
	RMB'000	***%***	**Gross profit margin (*%*)**	*RMB'000*	*%*	Gross profit margin (*%*)
White top linerboard	**903,466**	53.3	12.9	1,054,899	76.3	20.2
Light-coated linerboard	**401,026**	23.6	17.2	45,270	3.3	22.4
Core board	**227,911**	13.4	9.7	143,124	10.4	26.5
Specialized paper products	**164,404**	9.7	5.4	138,326	10.0	5.9
Total	**1,696,807**	100.0	13.0	1,381,619	100.0	19.5

China market remained the key market of the Group. Domestic sales of paper products accounted for 94.7% and 86.2% of the Group's total sales of paper products for FY2008 and FY2007, respectively.

Cost of sales

Raw materials

Domestic recovered paper, overseas recovered paper and kraft pulp are the principal raw materials used in the manufacture of the Group's products, which represented the most significant portion of the cost of sales during the year. Raw material costs were RMB1,217.2 million and RMB885.6 million, respectively, and accounted for 78.9% and 78.2% of the Group's cost of sales for FY 2008 and FY 2007, respectively.

Labour costs and overhead costs

Labour costs increased by RMB8.3 million or 30.8% to RMB34.8 million for FY2008. The increase was mainly driven by the increase in production capacity. As the paper industry is not a labour intensive industry and thus, the additional staff cost resulted from the implementation of the new PRC Labour Contract Law would not have any material impact on the Group. Overhead costs relating to production and manufacturing include depreciation charges, utility expenses, other factory overheads and related expenses. Overhead costs were RMB290.6 million and RMB221.1 million, respectively, and accounted for 18.8% and 19.5% of the Group's cost of sales, respectively, for FY 2008 and FY 2007.

Gross profit and gross profit margin

Gross profit decreased by RMB56.5 million to RMB221.9 million in FY2008. The decrease was primarily due to the fact that the Group was unable to fully pass on the rising costs to its customers as a result of the rapid fall in the selling price of the Group's products and the volatile raw material prices in the fourth quarter of FY2008. The gross profit margin was 12.6% for FY 2008 as compared to 19.7% for FY 2007.

Other income

The increase in other income of RMB44.1 million was mainly contributed by the increase in exchange gain of RMB18.6 million, bank interest income of RMB11.4 million and interest income from loan receivables of RMB8.7 million.

Profit before tax

Distribution expenses mainly comprise transportation costs (rail, road and marine), travel and related expenses of the Group's sales and marketing staff, staff salary costs and related expenses, advertising, rentals and utilities of sales offices, and depreciation. Measures taken by the Group to tighten cost control reduced the distribution costs down to 4.2% as a percentage of revenue for FY2008 as compared to 4.7% for FY 2007.

Administrative expenses mainly consist of administrative staff salaries and their related expenses, depreciation, listing-related professional charges, provision for inventories and share based payments for share option granted. Administrative expenses were RMB76.9 million or 4.4% as a percentage of revenue for FY 2008, as compared to RMB41.1 million or 2.9% as a percentage of revenue for FY 2007. The substantial increase was primary driven by the increase in (i) share-based payment for unexercised share option of approximately RMB8.9 million, (ii) the listing-related professional expenses of approximately RMB3.0 million, (iii) depreciation and amortization of approximately RMB3.8 million and (iv) the staff cost of approximately RMB7.8 million resulted from the commencement of the Group's sixth production line operation.

Other expense represented the exchange loss arising on the translation of monetary items.

Finance costs

Finance costs were RMB48.2 million and RMB33.3 million, respectively, for FY2008 and FY2007. The increase in finance costs reflected the Group's increased bank borrowings to fund the expansion of its production capacity and its daily operations.

Income tax expenses

The income tax credit was because of the deferred tax income of RMB6.4 million exceeded the tax expenses of RMB5.0 million. The deferred tax income of RMB6.4 million mainly consisted of temporary differences between the carrying amounts and the corresponding tax bases of the allowances for doubtful debts and inventories, and the deferred income.

Net profit attributable to the equity holders of the Company

As a result of the factors discussed above, the net profit attributable to the equity holders of the Company for FY 2008 decreased by RMB68.6 million or 51.6% to RMB64.4 million from RMB133.0 million for FY2007.

Liquidity and Financial Resources

The Group had net current liabilities of RMB190.7 million as at 31 December 2008 as compared to its net current assets of RMB296.4 million as at 31 December 2007. The net current liabilities resulted from the Group's primarily reliance on short term bank borrowings, which were mainly provided by commercial banks in China and subject to annual renewal, to finance capital expenditures. In view of the turbulence in the global financial markets, the Group has already taken several measures to strengthen its liquidity position, including restructuring short term loans to long term loans, and negotiating syndicated mid to long term loans.

The inventory turnover days slightly improved from 57.1 days in FY 2007 to 53.5 days in FY 2008. The trade receivable turnover days increased from 28.4 days in FY2007 to 35.4 days in FY2008, which was in line with the average credit period of 30 days given to customers. The trade payable days decreased from 124.9 days in FY2007 to 88.8 days in FY2008.

The Group generally finances its operations with internally generated cashflow and credit facilities provided by its principal bankers. As at 31 December 2008, the Group had total borrowings of RMB950.9 million (31 December 2007: RMB634.4 million). These bank loans were secured by corporate guarantees and assets of the Group. The Group's net borrowings to equity ratio (total borrowings net of cash and bank balances, and restricted bank deposits, over the total equity) was around 48.2% times in FY 2008 (FY 2007: net cash position). The IPO proceeds of approximately RMB521.2 million received in December 2007 has resulted in the Group recording a net cash position as at 31 December 2007.

As at 31 December 2008, the Group had credit facilities around RMB1,724.8 million, of which around RMB791.3 million were unutilized.

In view of the Group's current funds and the unutilized banking facilities, the Group is confident that there are sufficient resources to meet its capital expenditure and debt repayment requirements.

Capital expenditure

During FY 2008, the Group's expenditure for the purchase of property, plant and equipment totaled RMB620.5 million. Given the current economic downturn, the Group has orderly rescheduled the production expansion plan to address the changes in the market. However, the Group is still optimistic about for the growth potential in the paper industry in the long run after the current global economic downturn.

Capital commitments and contingent liabilities

The Group had capital commitments of RMB672.0 million for the acquisition of property, plant and equipment, which were contracted but not provided for, as at 31 December 2008.

As at 31 December 2008, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 31 December 2008, the Group had around 1,500 full-time employees. The staff costs for FY 2008 was around RMB69.8 million, representing an increase of 102.9% over FY 2007. The increase was mainly driven by the increase in production capacity, the commencement of operation of the Group's sixth production line and the recognition of share-based payment for unexercised share options.

The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance based remuneration which reflects market standards. Individual employees' remuneration packages are generally determined based on their job nature and position with reference to market standards. Employees also receive certain welfare benefits. The Group's emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of the Group's business development, so as to achieve the Group's operational targets.

Use of net proceeds from the Company's initial public offering

	Net proceeds raised		Utilized proceeds		Unutilized proceeds	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Establishment of the seventh production line	493,000	87.7	197,000	76.1	296,000	97.6
Expansion of recovered paper collection points	44,800	8.0	44,800	17.3	—	—
Research and development costs	19,600	3.5	15,000	5.8	4,600	1.5
Installation of enterprise resource planning system	4,800	0.8	2,200	0.8	2,600	0.9
	562,200	100.0	259,000	100.0	303,200	100.0

The unutilized proceeds are primarily deposited with licensed banks as short-term deposits in China and Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the financial year ended 31 December 2008, the Company has repurchased 6,456,000 ordinary shares of the Company of HK$0.10 each with an aggregate consideration of HK$13.1 million (equivalent to approximately RMB11.5 million) on the Stock Exchange and all of these shares were subsequently cancelled.

Month of repurchase	Number of ordinary shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
August 2008	139,000	2.69	2.39	349,170
September 2008	850,000	2.43	2.04	1,977,795
October 2008	5,467,000	2.30	1.24	10,797,090
	6,456,000			13,124,055

The nominal value of the cancelled shares were credited to the capital redemption reserve and the aggregated consideration was paid out of the retained profits.

The repurchase of the Shares was effected by the Directors pursuant to the mandate obtained from the Shareholders, at the last annual general meeting held on 8 May 2008 with a view to enhance shareholders' value of the Group.

Saved as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2008.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 December 2008, except for the deviation from Code Provision A2.1 under the CG Code. Code Provision A2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the Company does not have the position of chief executive officer and Mr. Wang Dongxing is the chairman of the Board, an executive director of the Company and also the general manager of Changle Century Sunshine Paper Industry Co., Ltd., the principal operating subsidiary of the Group. In addition to such roles, with Mr. Wang's extensive experience in the paper industry, the Board considers that it is in the interest of the Group and the shareholders as a whole for him to be given the overall management responsibility of the Group. The Board considers that vesting the roles of chairman and functions of chief executive officer in the same person, namely Mr. Wang Dongxing, is appropriate to the Company at this stage and believes such arrangement will not result in any material adverse impact to the efficiency of operation and management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all Directors by the Company to confirm that all Directors have complied with the Model Code during the year ended 31 December 2008.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The Company's audit committee, comprising Ms. Wong Wing Yee, Jessie (Chairman), Mr. Wang Zefeng and Mr. Xu Ye, has reviewed the Group's consolidated financial statements for the year ended 31 December 2008 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with management and the external auditors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2009 (Tuesday) to 25 May 2009 (Monday), both days inclusive, during which no transfer of Shares will be registered. To qualify for the proposed dividends as well as attending and voting at the AGM of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 18 May 2009 (Monday). Members whose names appear on the register of members of the Company at the close of business on 18 May 2009 will be entitled to attend and vote at the AGM.

PUBLICATION OF RESULTS

This announcement of results has been published on the websites of the Company (www.sunshinepaper.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, banks, professional parties and employees of the Group for their continuous support.

By order of the Board
Wang Dongxing
Chairman

Hong Kong, 7 April 2009

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

Executive Directors:	*Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Yilong*
Non-executive Directors:	*Mr. Xu Fang and Mr. Wang Nengguang*
Independent non-executive Directors:	*Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye*

* *For identification purpose*