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 YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Revenue increased by 13.9%, from approximately RMB5,781.9 million for FY2017 to approximately RMB6,585.7 million for FY2018.

Profit for the year attributable to the owners of the Company for FY2018 was approximately RMB333.0 million, representing an decrease of approximately RMB63.0 million or 15.9%, as compared to that for FY2017.

A final dividend of HK4.0 cents per ordinary share was proposed by the Board.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Sunshine Paper Holdings Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**") together with the comparative figures for the year ended 31 December 2017 ("**FY2017**"). These financial results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), approved by the Board and agreed by the Group's auditor, Grant Thornton Hong Kong Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	5 & 6	**6,585,656**	5,781,857
Cost of sales		**(5,493,906)**	(4,534,623)
Gross profit		**1,091,750**	1,247,234
Other income	7	**246,385**	167,092
Other gains or losses	7	**(70,600)**	(24,840)
Distribution and selling expenses		**(287,734)**	(269,171)
Administrative expenses		**(273,147)**	(296,947)
Gain/(loss) on fair value changes of an investment property		**585**	(18,908)
Share of profit of a joint venture		**4,554**	12,695
Finance costs	8	**(233,853)**	(252,613)
Profit before income tax	10	**477,940**	564,542
Income tax expense	9	**(131,450)**	(162,918)
Profit and total comprehensive income for the year		**346,490**	401,624
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**332,951**	396,031
Non-controlling interests		**13,539**	5,593
		346,490	401,624
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted *(RMB)*	12	**0.41**	0.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,734,877**	3,460,983
Investment property		**120,674**	162,879
Prepaid lease payments		**365,364**	327,046
Goodwill		**30,326**	30,326
Deferred tax assets		**28,614**	11,498
Interest in a joint venture		**208,096**	203,542
Deposits for acquisition for property, plant and equipment		**292,440**	26,172
Deposits and other receivables	13	**226,076**	238,903
		5,006,467	4,461,349
Current assets			
Prepaid lease payments		**8,567**	7,317
Inventories	14	**756,442**	768,055
Trade receivables	15	**507,154**	425,576
Bills receivables	16	**679,101**	765,598
Prepayments and other receivables	17	**290,925**	165,778
Income tax recoverable		**37**	313
Restricted bank deposits		**1,394,637**	1,481,484
Bank balances and cash		**524,252**	474,519
		4,161,115	4,088,640
Current liabilities			
Contract liabilities		**57,818**	—
Trade payables	18	**1,039,778**	853,282
Bills payables	19	**322,000**	245,000
Other payables	20	**180,356**	135,779
Payables for construction work, machinery and equipment		**87,577**	37,792
Income tax payable		**12,818**	34,655
Obligations under finance leases		**308,090**	165,571
Deferred income		**2,405**	2,405
Discounted bills financing	21	**1,916,750**	1,455,751
Bank borrowings	22	**2,045,566**	2,551,969
Other borrowing	23	**8,000**	10,000
Corporate bond	24	**100,000**	100,000
		6,081,158	5,592,204
Net current liabilities		**(1,920,043)**	(1,503,564)
Total assets less current liabilities		**3,086,424**	2,957,785

	Notes	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	25	**73,779**	73,779
Reserves		**2,226,115**	1,945,811
Equity attributable to owners of the Company		**2,299,894**	2,019,590
Non-controlling interests		**287,030**	187,545
Total equity		**2,586,924**	2,207,135
Non-current liabilities			
Obligations under finance leases		**229,668**	210,659
Bank borrowings	22	**47,246**	213,211
Corporate bond	24	**198,393**	297,321
Deferred income		**18,788**	18,665
Deferred tax liabilities		**5,405**	10,794
		499,500	750,650
Total equity and non-current liabilities		**3,086,424**	2,957,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) is a company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). In the opinion of the directors of the Company (the "**Directors**"), the Company's controlling shareholder is China Sunrise Paper Holdings Limited (incorporated in the Cayman Islands), whose controlling shareholder is China Sunshine Paper Investments Limited (incorporated in the British Virgin Islands ("**BVI**")). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "**Corporate Information**" to the annual report.

The consolidated financial statements are presented in Renminbi ("**RMB**"), 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/generation and sale of paper products, electricity and stream.

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

The International Accounting Standards Boards (the "**IASB**") has issued a number of new and revised IFRS. The Group has adopted all these revised IFRS, which are effective for the accounting period beginning on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 1 and IAS 28	As part of the Annual Improvement to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended IFRS had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" ("**ECL**") model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

— IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances and cash).

For trade receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies either 12-month ECL or lifetime ECL depending on whether there has been a significant increase in credit risk since initial recognition.

Upon the adoption of IFRS 9, the Group recognised additional ECL on the Group's trade receivables and other receivables of RMB319,000 and RMB3,972,000, respectively, which resulted in a decrease in retained earnings of RMB4,291,000 as at 1 January 2018.

The reclassifications and remeasurements made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

	Measurement category				
	Original IAS 39 category	**New IFRS 9 category**	**31 December 2017 (IAS 39)** *RMB'000*	**Adoption of IFRS 9 Remeasurement** *RMB'000*	**1 January 2018 (IFRS 9)** *RMB'000*
Non-current financial assets					
Deposits and other receivables	Amortised cost	Amortised cost	238,903	(2,857)	236,046
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	425,576	(319)	425,257
Bill receivables	Amortised cost	Amortised cost	765,598	—	765,598
Other receivables	Amortised cost	Amortised cost	32,999	(1,115)	31,884
Restricted bank deposits	Amortised cost	Amortised cost	1,481,484	—	1,481,484
Bank balances and cash	Amortised cost	Amortised cost	474,519	—	474,519
			3,180,176	(1,434)	3,178,742
Total financial asset balances			3,419,079	(4,291)	3,414,788

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings:

	Impact of adopting IFRS 9 on opening balance *RMB'000*
Retained earnings	
Recognition of ECL under IFRS 9	(4,291)
Impact at 1 January 2018	(4,291)

ECL

The following table reconciles the loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018:

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	9,530
Additional ECL recognised at 1 January 2018 on:	
— Trade receivables	319
— Other receivables	3,972
	4,291
ECL allowance at 1 January 2018 under IFRS 9	13,821

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" and the related clarification to IFRS 15 "Revenue from Contracts with Customers" (hereinafter referred to as "**IFRS 15**") replace IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Previously, the Group's revenue arising from sale of goods was generally recognised at a point in time when the risk and rewards of ownership had passed to the customers. Upon adoption of IFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. This may be at a single point in time or over time. IFRS 15 identifies three situations where control of the promised goods or services is regarded as being transferred over time:

(1) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(2) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(3) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

The adoption of IFRS 15 does not have a significant impact on adjusting the transaction price containing significant financing component on the financial statements as at date of initial application.

The Group has assessed that on-going contracts for sale of goods as at 1 January 2018 and 31 December 2018 do not fall into any of the 3 situations mentioned above and therefore the adoption of IFRS 15 has no impact to the Group's financial statements. However, future sales contracts entered by the Group may contain elements which will trigger revenue from sale of goods to be recognised over time and the Group will assess the contracts from time to time.

Presentation of contract liabilities

Previously, contract balances relating to advance from customers were presented in the consolidated statement of financial position under "other payables".

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

In summary, the following reclassification was made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount as at 31 December 2017 under IAS 18	**Reclassification**	**Carrying amount as at 1 January 2018 under IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Other payables	135,779	(51,152)	84,627
Contract liabilities	—	51,152	51,152

"Advance from customers" under "other payables" amounting to RMB51,152,000 is now included under contract liabilities. The contract liabilities primarily relate to the advance from customers for sales of paper products.

The adoption of IFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

Issued but not yet effective IFRS

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[5]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet been determined
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors of the Company anticipate that, except as described below, the application of other new and amended IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 16 Leases

IFRS 16 Leases ("**IFRS 16**") replaced IAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of rental premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,404,000, are payable within 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

3. STATEMENT OF COMPLIANCE

These annual consolidated financial statements have been prepared in accordance with IFRSs, issued by the IASB.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost except for certain properties which are stated at fair values.

The Group has net current liabilities of approximately RMB1,920,043,000 at 31 December 2018. 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 in 2019, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional borrowing facilities as necessary. Therefore, 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 the banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

5. REVENUE

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

6. SEGMENT INFORMATION

(a) Operating segments

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the year. Each of the operating segment represents a reportable segment of the Group.

For the year ended 31 December 2018

	Paper products					
	White top linerboard *RMB'000*	**Coated-white top linerboard*** *RMB'000*	**Core board** *RMB'000*	**Specialised paper products** *RMB'000*	**Electricity and steam** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**1,772,195**	**2,485,513**	**822,785**	**1,272,819**	**232,344**	**6,585,656**
Inter-segment revenue	**—**	**—**	**—**	**—**	**490,649**	**490,649**
Segment revenue	**1,772,195**	**2,485,513**	**822,785**	**1,272,819**	**722,993**	**7,076,305**
Segment profit	**242,166**	**472,100**	**224,490**	**116,506**	**97,169**	**1,152,431**
Other segment information:						
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**(89,023)**	**—**	**(89,023)**

* *Previously known as light-coated linerboard*

For the year ended 31 December 2017

	Paper products					
	White top linerboard *RMB'000*	Coated-white top linerboard* *RMB'000*	Core board *RMB'000*	Specialised paper products *RMB'000*	Electricity and steam *RMB'000*	Total *RMB'000*
Revenue from external customers	1,545,784	2,267,706	736,082	1,014,692	217,593	5,781,857
Inter-segment revenue	—	—	—	—	501,411	501,411
Segment revenue	1,545,784	2,267,706	736,082	1,014,692	719,004	6,283,268
Segment profit	303,712	605,636	157,742	149,646	57,614	1,274,350

* *Previously known as light-coated linerboard*

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

A reconciliation of the segment profit to the consolidated profit before income tax is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Profit		
Segment profit	**1,152,431**	1,274,350
Unrealised profit on inter-segment sales	**(87,270)**	(92,634)
	1,065,161	1,181,716
Administrative expenses	**(260,261)**	(275,726)
Other income	**241,771**	164,949
Other gains or losses	**(74,541)**	(15,937)
Distribution and selling expenses	**(287,734)**	(269,171)
Finance costs	**(211,595)**	(215,076)
Gain/(loss) on fair value changes of an investment property	**585**	(18,908)
Share of profit of a joint venture	**4,554**	12,695
Consolidated profit before income tax	**477,940**	564,542

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

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

(b) Information about major customers

There is no single customer contributing over 10% of total sales of the Group for both years.

(c) Geographical information

The Group's operations, assets and all the customers are substantially located in the PRC. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location is presented.

7. OTHER INCOME AND OTHER GAINS OR LOSSES

	2018	2017
	RMB'000	*RMB'000*
Other income:		
Interest income on:		
Bank deposits	**27,230**	24,968
The balance with a third party	**2,343**	—
The balance with a joint venture *(note i)*	**11,195**	16,654
Total interest income	**40,768**	41,622
Rental income from an investment property and other properties	**1,098**	1,502
Government grants *(note ii)*	**204,519**	123,968
	246,385	167,092
Other gains or losses:		
Net foreign exchange (losses)/gains	**(5,331)**	4,245
Gain from sale of scrap materials, net	**27,013**	15,627
Impairment loss on property, plant and equipment	**(89,023)**	—
Loss on disposal and written off of property, plant and equipment	**(8,716)**	(49,733)
Reversal for impairment of trade and other receivables	**1,070**	781
Others	**4,387**	4,240
	(70,600)	(24,840)

Notes:

i. During the year ended 31 December 2018, 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) at a weighted average effective interest rate of 6.18% per annum (2017: 6.18% per annum).

ii. During the year ended 31 December 2018, the Company's subsidiaries 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd) ("**Century Sunshine**") and 昌樂新邁紙業有限公司 (Numat Paper Industry Co., Ltd), was granted and received unconditional government subsidy of approximately RMB200,925,000 and nil respectively, (2017: RMB82,768,000 and RMB41,065,000 respectively) from local government, the amount of which was determined by reference to the amount of value-added tax ("**VAT**") paid.

8. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on:		
Discounted bills financing	**76,001**	80,244
Bank and other borrowings wholly repayable within five years	**128,275**	121,030
Obligations under finance leases	**26,427**	15,032
Corporate bond	**28,665**	38,931
	259,368	255,237
Less: Interest capitalised in construction in progress	**(25,515)**	(2,624)
	233,853	252,613

Borrowing costs capitalised during the year ended 31 December 2018 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 5.12% to 5.22% (2017: 5.22% to 6.55%) per annum to expenditure on construction in progress.

9. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**154,930**	165,632
(Over)/under-provision in previous year	**(975)**	2,795
	153,955	168,427
Deferred tax credit	**(22,505)**	(5,509)
	131,450	162,918

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2017: 25%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong profits tax has not been provided for the year ended 31 December 2018 and 2017 as the Group has no assessable profits subject to Hong Kong Profits Tax during both years.

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (crediting)/charging:

	2018	2017
	RMB'000	*RMB'000*
Wages and salaries	**260,151**	212,504
Retirement benefits schemes contributions	**42,284**	33,320
Share-based compensation	**—**	28,703
Total staff costs (including the Directors' emoluments)	**302,435**	274,527
Cost of inventories recognised as an expense	**4,823,248**	4,225,875
Depreciation of property, plant and equipment	**253,397**	253,412
Reversal for impairment of trade and other receivables	**(1,070)**	(781)
Amortisation of prepaid lease payments	**6,158**	7,550
Auditor's remuneration	**1,731**	1,492
Net foreign exchange losses/(gains)	**5,331**	(4,245)
Rental income from an investment property and other properties	**(1,098)**	(1,502)

11. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividend declared for distribution during the year:		
2017 final dividend — HK$0.07 per share (2017: 2016 final dividend — HK$0.04 per share)	**48,356**	27,863

A final dividend of HK$0.04 per share in respect of the year ended 31 December 2018 has been proposed by the Directors and is subject to the approval of the Company's shareholders in the forthcoming annual general meeting. A final dividend of HK$0.07 per share in respect of the year ended 31 December 2017 amounting to a total of HK$57,355,000 (equivalent to approximately RMB48,356,000) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 8 June 2018.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit of RMB332,951,000 (2017: RMB396,031,000) for the year attributable to owners of the Company, and the weighted average number of 819,362,000 (2017: 810,125,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the year ended 31 December 2018 and 31 December 2017. The basic earnings per share equals to the diluted earnings per share.

13. DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Other receivables from a joint venture	**184,298**	142,847
Guarantee deposits for obligations under finance leases	**45,464**	42,140
Loan to a third party	**—**	53,916
	229,762	238,903
Less: ECL allowance	**(3,686)**	—
	226,076	238,903

The following are the movements of ECL allowance (2017: loss allowance) of other receivables during the year:

	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**—**	—
Adoption of IFRS 9 *(note 2)*	**2,857**	—
Adjusted balance	**2,857**	—
Allowance during the year	**829**	—
At the end of the year	**3,686**	—

14. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**392,481**	334,300
Finished goods	**363,961**	433,755
	756,442	768,055

15. TRADE RECEIVABLES

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

	2018	2017
	RMB'000	*RMB'000*
Trade receivables due from:		
— third parties	**499,725**	421,890
— a joint venture	**2,540**	—
— a related party	**13,929**	13,216
	516,194	435,106
Less: ECL allowance	**(9,040)**	(9,530)
	507,154	425,576

Included in the balance of trade receivables above, there was no pledge of trade receivables for both years.

The Group normally allows a credit period of 30 to 45 days to its trade customers with trading history, otherwise sales on cash terms are required. The Group's sales to related parties are entered into on the same credit terms of sales to independent customers.

The following is an ageing analysis of trade receivables net of ECL allowance of trade receivables presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**431,060**	379,432
31–90 days	**64,235**	40,711
91–365 days	**11,307**	5,360
Over 1 year	**552**	73
	507,154	425,576

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

The following are the movements of ECL allowance (2017: loss allowance) of trade receivables during the year:

	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**9,530**	10,311
Adoption of IFRS 9 *(note 2)*	**319**	—
Adjusted balance	**9,849**	10,311
Reversal during the year	**(809)**	(781)
At the end of the year	**9,040**	9,530

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors considered that the Group has no significant concentration of credit risk of trade receivables, with exposure spread over a large number of customers.

16. BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Bills receivables	**679,101**	765,598

The bills represent promissory notes issued by banks received by the Group from customers who discharge their liabilities to pay the Group for the goods or services invoiced. These bills are endorsable, unsecured and non-interest bearing.

Included in the above balances, bills receivables of RMB189,619,000 (2017: RMB235,702,000) were discounted to banks with recourse. These bills receivables were not derecognised as the title of these bills receivables were not transferred to the banks. In the other hand, discounted bills financing of RMB189,619,000 (2017: RMB235,702,000) was recognised for the cash received from banks.

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

	2018	2017
	RMB'000	*RMB'000*
0–90 days	**265,417**	278,370
91–180 days	**219,858**	313,560
181–365 days	**193,826**	173,668
	679,101	765,598

17. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2018	2017
	RMB'000	*RMB'000*
Prepayments to suppliers	**123,680**	116,066
Other receivables	**167,270**	49,712
	290,950	165,778
Less: ECL allowance	**(25)**	—
	290,925	165,778

An analysis of other receivables is as follows:

	2018	2017
	RMB'000	*RMB'000*
VAT recoverable	**121,330**	16,713
Deposits	**26,922**	16,863
Guarantee deposits for obligations under finance leases	**10,641**	—
Advance to employees	**4,938**	4,487
Interest receivable	**—**	3,974
Others	**3,414**	7,675
	167,245	49,712

The following are the movements of ECL allowance (2017: loss allowance) of other receivables during the year:

	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**—**	—
Adoption of IFRS 9 *(note 2)*	**1,115**	—
Adjusted balance	**1,115**	—
Reversal during the year	**(1,090)**	—
At the end of the year	**25**	—

18. TRADE PAYABLES

An analysis of trade payables is as follows:

	2018	2017
	RMB'000	*RMB'000*
Trade payables to third parties	**1,039,778**	853,282

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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

	2018	2017
	RMB'000	*RMB'000*
0–90 days	**876,641**	739,145
91–365 days	**151,169**	102,694
Over 1 year	**11,968**	11,443
	1,039,778	853,282

19. BILLS PAYABLES

The balance represents the amounts payables to banks for bills issued by the banks to suppliers of the Group.

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

	2018	2017
	RMB'000	*RMB'000*
0–90 days	**20,000**	20,000
91–180 days	**120,000**	135,000
Over 180 days	**182,000**	90,000
	322,000	245,000

All the bills payables are of trading nature and will be expired within twelve months (2017: twelve months) from the issue date.

20. OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Other payables due to third parties	**180,356**	135,779

21. DISCOUNTED BILLS FINANCING

The balance represents borrowings from banks by discounting, with recourse, bills receivables to the Group. At the reporting date, the balance comprised the follows:

	2018	2017
	RMB'000	*RMB'000*
Discounted bills receivables from third parties *(note a)*	**189,619**	235,702
Discounted bills receivables from a joint venture	**—**	32
Discounted bills receivables from subsidiaries of the Company *(note b)*	**1,727,131**	1,220,017
Total	**1,916,750**	1,455,751

a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 16, since the title of receivables was not transferred to the lending banks.

b. These borrowings arose from discounting, with recourse, of intra-group bills receivables, from one component to another of the Group. The Group continues to recognise the carrying amount of the underlying bills receivables since the title of receivables was not transferred to the lending banks. However, the corresponding intra-group bills receivables were eliminated in consolidation against the original bills payables from the bill issuing component of the Group. The elimination is based on the Directors' judgment that the risk and reward associated with these intra-group bills receivables and bills payables remain within the Group. In obtaining the original intra-group bills, bank deposits of RMB1,137,500,000 (2017: RMB1,211,300,000) were pledged to the issuing banks.

22. BANK BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Secured bank borrowings	**500,691**	1,375,132
Unsecured bank borrowings	**1,592,121**	1,390,048
	2,092,812	2,765,180
The borrowings are repayable as follows:		
— Within one year	**2,045,566**	2,551,969
— In the second year	**34,965**	190,965
— In the third to fifth years inclusive	**12,281**	22,246
	2,092,812	2,765,180
Less: Amount due for settlement within one year and shown under current liabilities	**(2,045,566)**	(2,551,969)
Amount due after one year	**47,246**	213,211
Total borrowings		
— At fixed rates	**860,762**	2,185,680
— At floating rates	**1,232,050**	579,500
	2,092,812	2,765,180
Analysis of borrowings by currency:		
— Denominated in RMB	**2,092,812**	2,746,884
— Denominated in US$	**—**	18,296

Fixed-rate borrowings are charged at the rates ranging from 3.50% to 7.40% per annum as at 31 December 2018 (2017: 3.00% to 7.40% per annum).

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

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2018 was 4.91% per annum (2017: 4.91% per annum).

23. OTHER BORROWING

	2018	2017
	RMB'000	*RMB'000*
Borrowing from Weifang City Investment Co., Ltd.* (濰坊市投資集團有限公司) ("**Weifang City Investment**")	**8,000**	10,000

The borrowing from Weifang City Investment, an unconnected third party, is unsecured and repayable on demand. The weighted average effective interest annual rate for the year ended 31 December 2018 was 6.65% per annum (2017: 6.65% per annum).

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

24. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bond on 23 July 2014. The final offering size of the seven-year corporate bond was RMB500,000,000 with annual coupon rate of 8.19%. The corporate bond is guaranteed by China United SME Guarantee Corporation Co., Ltd., and is with counter-guarantee arrangement with the Group's investment property and construction in progress of RMB120,674,000 and RMB42,790,000 respectively (2017: investment property of RMB162,879,000). RMB100,000,000 had been repaid during the year and the remaining balance will be repaid with 20% of offering size annually from the year 2019 to the year 2021.

25. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2017, 31 December 2017 and 31 December 2018	2,000,000,000	200,000

	Number of shares	**Share capital**	**Shown in the consolidated financial statements**
		HK$'000	*RMB'000*
Issued and fully paid:			
At 1 January 2017	802,588,000	80,258	72,351
Issue and allotment for the share award scheme	16,774,000	1,678	1,428
At 31 December 2017, and 1 January 2018 and 31 December 2018	819,362,000	81,936	73,779

BUSINESS REVIEW

The Group is committed to producing various specifications of high-quality packaging products, including white top linerboard, coated-white top linerboard and core board, and maintains a number of intellectual property rights, invention patents and utility model national patents. The production line of major products imports advanced automatic equipment, which can achieve continuous production throughout the year to ensure timely and sufficient supply of high-quality paper products. Ushering in the 40th anniversary of the economic reform of China in 2018 the paper industry witnessed a cyclical turning point, when the Group strove hard for its steady development. Against complicated and changing economic conditions and an industrial landscape of multiple conflicts, the Group further developed its business despite difficulties, seeking to satisfy the diverse needs of different customers and maintaining a good operating momentum.

In 2018, the most stringent environmental protection measures in the history were introduced, and orders were given to restrict waste paper, during which, the paper manufacturing industry came under the spotlight. Coupled with simmering factors, including tremendous changes in the international trades, the paper manufacturing industry embraced a new norm of development. Small paper mills with a weak comprehensive strength were forced out of the market, contributing to an increasing concentration of enterprises in the industry. This was conducive to the improvement of the competitiveness of the Group, thereby increasing the income from the principal business as a whole. In FY2018, the Group recorded a sales volume of approximately 1.26 million tons of packaging products (approximately 1.22 million tons in FY2017) and sales revenue of approximately RMB6,585.7 million (approximately RMB5,781.9 million in FY2017).

OUTLOOK

Looking into 2019, the economy may experience tough changes despite its overall stability. Against the complexity and severity of external conditions and numerous uncertainties, the paper manufacturing industry will continue to face the challenges and opportunities in upcoming year.

As always, the Group continues to optimize its product mix to identify new growth drivers. By consolidating its management base, the Group will maintain the "momentum of advancing forward amid stability" for the purposes of becoming a paper-making powerhouse with healthy operations and business growth.

Upon successful completion of Phase II of the joint venture, "Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子(壽光)特種紙有限公司)", alongside its successful trial production, the joint venture succeeded in producing qualified paper in the same month. The new production line in full swing will further satisfy the market demands for product customization and diversity, which will help optimize the product mix and expand the market share. As a result, the Company will increase its market share and enhance its comprehensive strength, which in return will boost the economies of scale. This will truly facilitate our penetration into the high-end market of decorative papers.

Furthermore, in the light of the national policy tightening the import of waste paper, the Group will actively expand its diversified upstream business to safeguard the supply of raw materials and reduce production costs. While improving the scale of development, the Group continues to strengthen the concept of "making green and environmental paper" to conserve energy and reduce emissions so as to fulfil our corporate social responsibility.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

Our Group's total revenue for FY2018 was approximately RMB6,585.7 million, representing an increase of approximately RMB803.8 million or 13.9% as compared to that of approximately RMB5,781.9 million for FY2017.

Sales of paper products, which recorded an increase of 14.2% in FY2018 as compared with last year, accounted for substantially all of our Group's total revenue in FY2018. The increase in revenue mainly resulted from increase in selling prices and quantity of the paper products.

Sales of electricity and steam continued to account for a low single digit percentage of our Group's total revenue for FY2018.

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

	FY2018		FY2017	
	RMB'000	*%*	*RMB'000*	*%*
Sales of paper products				
White top linerboard	**1,772,195**	**27.0**	1,545,784	26.7
Coated-white top linerboard*	**2,485,513**	**37.7**	2,267,706	39.2
Core board	**822,785**	**12.5**	736,082	12.7
Specialised paper products	**1,272,819**	**19.3**	1,014,692	17.6
Sub-total of paper products	**6,353,312**	**96.5**	5,564,264	96.2
Sales of electricity and steam	**232,344**	**3.5**	217,593	3.8
	6,585,656	**100.0**	5,781,857	100.0

* *Previously known as light-coated linerboard*

Cost of sales

Our cost of sales was around RMB5,493.9 million for FY2018, whereas the cost of sales for FY2017 was approximately RMB4,534.6 million. Cost of sales for FY2018 was in line with the increase in total revenue in general.

Gross profit and gross profit margin

Our gross profit decreased from approximately RMB1,247.2 million for FY2017 to approximately RMB1,091.8 million for FY2018. Our gross profit margin for FY2018 was 16.6%, representing a 5.0 percentage point decrease as compared to that of 21.6% for FY2017. The decline in gross profit and gross margin are mainly due to the rising cost of raw materials.

Other profit and loss items

Other income of approximately RMB246.4 million for FY2018 (FY2017: approximately RMB167.1 million) mainly comprised interest income of approximately RMB40.8 million (FY2017: approximately RMB41.6 million), rental income from an investment property and other properties of approximately RMB1.1 million (FY2017: approximately RMB1.5 million) and government grants of approximately RMB204.5 million (FY2017: approximately RMB124.0 million).

We recorded net other losses of approximately RMB70.6 million for FY2018, as compared to that of approximately RMB24.8 million for FY2017. Other losses mainly reflected impairment loss on property, plant and equipment of approximately RMB89.0 million in FY2018 (FY2017: Nil), and a loss on disposal and written off of property, plant and equipment of approximately RMB8.7 million in FY2018 (FY2017: approximately RMB49.7 million). Gain from sale of scrap materials recorded approximately RMB27.0 million for FY2018 (FY2017: approximately RMB15.6 million).

Products of the packaging business achieved a very low margin level. During FY2018, it was estimated that the recoverable amount of the related equipment was lower than the current carrying amount. With reference to the valuation performed by an independent external valuer, there were indicators of impairment in respect of the equipment. The Group therefore recognised an impairment loss on property, plant and equipment of RMB89.0 million.

Distribution and selling expenses recorded RMB287.7 million for FY2018 as compared to RMB269.2 million for the corresponding period last year. For FY2018, such expenses represented approximately 4.4% of the total revenue, as compared with approximately 4.7% of the total revenue for FY2017.

Administrative expenses recorded RMB273.1 million for FY2018 as compared to RMB296.9 million for the corresponding period last year. For FY2018, it accounted for approximately 4.1% of the total revenue, as compared with approximately 5.1% of the total revenue for FY2017.

Finance costs recorded approximately RMB233.9 million for FY2018 as compared to approximately RMB252.6 million for the corresponding period last year. For FY2018, it accounted for approximately 3.6% of the total revenue, as compared with approximately 4.4% of the total revenue for FY2017. The decrease was mainly due to the reduction in the amount of liabilities and the discount interest rate.

Income tax expenses

Income tax expenses were approximately RMB131.5 million for FY2018 as compared to approximately RMB162.9 million for FY2017.

Profit for the year

As a result of the above factors, we recorded a profit for the year attributable to the owners of our Company of approximately RMB333.0 million for FY2018, representing a decrease of approximately RMB63.0 million from approximately RMB396.0 million for FY2017.

Liquidity and financial resources

Treasury policy

Our working capital requirement and capital expenditure are financed by a combination of cash generated from our operations and bank and other borrowings. It is our Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During FY2018, our Group continued to adopt a conservative approach to financial risk management.

Market risks

As the functional and reporting currencies of our Group are Renminbi, there are no foreign exchange differences arising from the translation of financial statements. In addition, as our Group conducts business transactions which are principally denominated in Renminbi, the exchange rate risk at our Group's operational level is not significant. Nevertheless, the management continues to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when needed.

Working capital

Net current liabilities of our Group was approximately RMB1,920.0 million as at 31 December 2018, as compared to approximately RMB1,503.6 million as at 31 December 2017. Current ratio was 0.68 times and 0.73 times, respectively, as at 31 December 2018 and 31 December 2017.

Bank balances and cash, and restricted bank deposits were approximately RMB1,918.9 million as at 31 December 2018, as compared to approximately RMB1,956.0 million as at 31 December 2017.

Inventories were approximately RMB756.4 million as at 31 December 2018, as compared to approximately RMB768.1 million as at 31 December 2017. Inventory turnover was 51 days for FY2018, as compared to 45 days for FY2017.

Trade receivables were approximately RMB507.2 million as at 31 December 2018, as compared to approximately RMB425.6 million as at 31 December 2017. Trade receivables turnover for FY2018 was 26 days as compared to 23 days for FY2017.

Trade payables were approximately RMB1,039.8 million as at 31 December 2018, as compared to approximately RMB853.3 million as at 31 December 2017. Trade payables turnover for FY2018 was 63 days, as compared to 72 days for FY2017.

Cashflow

Net cash from operating activities amounted to approximately RMB1,030.5 million for FY2018 (FY2017: approximately RMB236.1 million).

Net cash used in investing activities amounted to approximately RMB644.7 million for FY2018 (FY2017: approximately RMB528.7 million), primarily representing the purchase of property, plant and equipment of RMB494.1 million, and additions of deposits for acquisition property, plant and equipment RMB292.3 million, and proceeds from disposal of property, plant and equipment of RMB9.1 million.

Net cash used in financing activities amounted to approximately RMB336.1 million for FY2018 (FY2017: Net cash generated from financing activities amounted to approximately RMB175.0 million), primarily attributable to interest paid of RMB258.7 million, the repayment of bank and other borrowings of RMB3,668.7 million, and the repayment of obligations under finance leases of RMB254.1 million, offset in part by the net proceeds from sale and finance lease back transactions of RMB374.0 million and new bank borrowings raised of RMB2,994.4 million, etc.

The combined effect of the above resulted in a net increase in cash and cash equivalents of RMB49.7 million for FY2018 (FY2017: Net decrease in cash and cash equivalents of RMB117.6 million).

Gearing ratio

Our net gearing ratio decreased from approximately 72.2% as at 31 December 2017 to approximately 39.4% as at 31 December 2018. The decrease in net gearing ratio was mainly driven by the decrease in bank borrowings.

Capital expenditure

During FY2018, our capital expenditure was approximately RMB494.1 million, which mainly involved the purchase of equipment and land for our new corrugated paper production line, as well as the construction of ancillary facilities.

Pledge of assets

FY2018, the aggregate carrying amount of our assets pledged was approximately RMB2,988.1 million. (FY2017: approximately RMB3,723.9 million).

Capital commitments and contingent liabilities

Capital expenditure contracted for in the consolidated financial statements in respect of acquisition of property, plant and equipment was approximately RMB371.0 million as at 31 December 2018 (FY2017: RMB207.8 million).

As at 31 December 2018, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 3,970 full-time employees in the PRC and Hong Kong as at 31 December 2018. The staff costs for FY2018 were approximately RMB302.4 million, representing an increase of RMB27.9 million over FY2017 of approximately RMB274.5 million. The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets.

Notes to financial ratios

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

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

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

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

(5) *Net gearing ratio equals total of borrowings, corporate bond and obligations under finance leases, net of bank balances and cash, and restricted bank deposits divided by total equity as of the end of the year.*

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2018, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of their respective securities.

CORPORATE GOVERNANCE PRACTICES

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 maximizing shareholders' interests. Our Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules during FY2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all Directors by our Company to confirm that all Directors have complied with the Model Code during FY2018.

AUDIT COMMITTEE

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 provide advice and comments to our Board. The Audit Committee, comprising Ms. Shan Xueyan (Chairlady), Mr. Wang Zefeng and Ms. Jiao Jie, has reviewed the annual results for FY2018 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with our management and our Company's external auditor.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's annual results for FY2018 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure. The financial information set out in this announcement has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, Grant Thornton Hong Kong Limited.

DIVIDEND

The Board proposed the payment of a final dividend of HK4.0 cents per ordinary share for FY2018 (FY2017: HK7.0 cents), subject to approval of the shareholders of the Company (the "**Shareholders**") at the annual general meeting of the Company which is expected to be held on or around 30 May 2019 (the "**AGM**").

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The register of members of our Company will be closed from 27 May 2019 to 30 May 2019, both days inclusive, for the purpose of determining entitlement to attend the AGM, during which no transfer of shares of our Company will be registered. In order to qualify for attending and voting at the AGM, Shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 24 May 2019.

Notice of the AGM will be published on our website at www.sunshinepaper.com.cn and on the website of the Stock Exchange at www.hkexnews.hk, and dispatched to the Shareholders in due course.

In relation to the final dividend

Shareholders whose names appear on the Company's register of members on 11 June 2019 will qualify for the proposed final dividend. The register of members of our Company will be closed from 6 June 2019 to 11 June 2019, both days inclusive, for the purpose of determining entitlement to the proposed final dividend, during which no transfer of shares of our Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 5 June 2019. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is payable on or about 20 June 2019 to the Shareholders whose names appear on the register of members of the Company on 11 June 2019.

PUBLICATION OF RESULTS

This announcement of results has been published on our website at www.sunshinepaper.com.cn and the website of the Stock Exchange at www.hkexnews.hk. The annual report of our Company for FY2018 containing all the information required by Appendix 16 to the Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) will be dispatched to the Shareholders and published on our website at www.sunshinepaper.com.cn and the website of the Stock Exchange at www.hkexnews.hk in due course.

APPRECIATION

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

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

Shanghai, China, 29 March 2019

As at the date of this announcement, the directors of the Company are:

Executive directors:	*Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Wang Changhai and Mr. Zhang Zengguo*
Non-executive directors:	*Mr. Li Hengwen and Mr. Xu Leihua*
Independent non-executive directors:	*Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie*

* *For identification purposes only*