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CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED
中國陽光紙業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2002)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue was RMB3,318.4 million for 1H2018, representing an increase by approximately 23.1%, from RMB2,695.2 million for the corresponding period last year.
- Gross profit was RMB633.0 million, representing an increase by approximately 3.5%, from RMB611.6 million for the corresponding period last year.
- Profit attributable to the owners of the Company increased by approximately 6.2% to RMB179.0 million, as compared to RMB168.5 million for the corresponding period last year.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Sunshine Paper Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period of last year. These interim results have been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited, and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**3,318,383**	2,695,215
Cost of sales		**(2,685,340)**	(2,083,593)
Gross profit		**633,043**	611,622
Other income	5	**105,823**	55,863
Other gains or losses	6	**(81,297)**	(38,365)
Distribution and selling expenses		**(140,371)**	(136,851)
Administrative expenses		**(139,722)**	(120,783)
Finance costs	7	**(124,014)**	(134,296)
Share of profit of a joint venture		**7,091**	6,292
Profit before income tax	9	**260,553**	243,482
Income tax expense	8	**(74,796)**	(72,518)
Profit and total comprehensive income for the period		**185,757**	170,964
Profit and total comprehensive income attributable to:			
Owners of the Company		**178,976**	168,479
Non-controlling interests		**6,781**	2,485
		185,757	170,964
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted *(RMB)*	11	**0.22**	0.21

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2018** ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**3,358,558**	3,460,983
Investment property		**162,879**	162,879
Prepaid lease payments		**369,692**	327,046
Goodwill		**30,326**	30,326
Deferred tax assets		**34,958**	11,498
Interest in a joint venture		**210,633**	203,542
Deposits and other receivables		**184,322**	238,903
Deposits for acquisition of property, plant and equipment		**338,872**	26,172
		4,690,240	4,461,349
Current assets			
Prepaid lease payments		**8,448**	7,317
Inventories		**576,739**	768,055
Trade receivables	12	**615,013**	425,576
Bills receivables	13	**895,032**	765,598
Prepayments and other receivables		**255,317**	165,778
Income tax recoverable		**186**	313
Restricted bank deposits		**1,644,707**	1,481,484
Bank balances and cash		**596,349**	474,519
		4,591,791	4,088,640
Current liabilities			
Contract liabilities		**62,464**	—
Trade payables	14	**880,205**	853,282
Bills payables	14	**337,000**	245,000
Other payables		**161,419**	135,779
Payable for construction work, machinery and equipment		**40,735**	37,792
Income tax payable		**59,934**	34,655
Obligations under finance leases	15	**269,698**	165,571
Deferred income		**2,405**	2,405
Discounted bills financing	16	**1,522,940**	1,455,751
Bank borrowings	17	**2,574,912**	2,551,969
Other borrowing		**10,000**	10,000
Corporate bond	18	**100,000**	100,000
		6,021,712	5,592,204

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Net current liabilities		**(1,429,921)**	(1,503,564)
Total assets less current liabilities		**3,260,319**	2,957,785
Capital and reserves			
Share capital		**73,779**	73,779
Reserves		**2,072,135**	1,945,811
Equity attributable to owners of the Company		**2,145,914**	2,019,590
Non-controlling interests		**260,277**	187,545
Total equity		**2,406,191**	2,207,135
Non-current liabilities			
Obligations under finance leases	15	**343,914**	210,659
Bank borrowings	17	**184,229**	213,211
Corporate bond	18	**297,901**	297,321
Deferred income		**17,530**	18,665
Deferred tax liabilities		**10,554**	10,794
		854,128	750,650
Total equity and non-current liabilities		**3,260,319**	2,957,785

NOTES

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

The Group has net current liabilities of approximately RMB1,429,921,000 as at 30 June 2018. The directors of the Company (the "Directors") have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the reporting date. In addition, although most of the existing bank facilities will expire within twelve months, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional bank borrowing facilities as necessary. Therefore, the Directors are of the opinion that, taking into account the presently available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for an investment property which is measured at fair value, as appropriate.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017. Except for those disclosed in note 3(a) below, the effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

(a) New and amended IFRSs adopted as at 1 January 2018

In the current period, the Group has applied for the first time all amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which are relevant to the Group's operations and effective for the Group's condensed consolidate interim financial statements for the annual period beginning on 1 January 2018.

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

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as "IFRS 15") presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed 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

The contract liabilities primarily relate to the advance from customers for sales of paper products.

The full amount of RMB51,152,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2018.

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

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" model for the impairment of financial assets.

When adopting IFRS 9, the Group has 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:

- for trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

- for other receivables and other financial assets, the Group applies either 12-month expected credit losses or life time expected credit loss depending on whether there has been a significant increase in credit risk since initial recognition.

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 expected credit losses under IFRS 9	(4,291)
Impact at 1 January 2018	(4,291)

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 3(c)(ii).

(b) Issued but not yet effective IFRSs

The Group has not applied any new and amended IFRSs that have been published by the IASB but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

IFRS 16 "Leases"

IFRS 16 Leases ("IFRS 16") will replace 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 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 over the period of the lease. As at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB129,000, are payable between 1 and 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. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will 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. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt IFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

(c) Significant accounting policies

The condensed consolidated interim financial statements has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2017, except for the effects of applying IFRS 15 and IFRS 9.

(i) Revenue Recognition

Revenue arises mainly from the sales of paper products and generation of electricity and steam.

To determine whether to recognise revenue, the Group follows a 5-step process:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Sales of goods

Revenue from the sales of paper products for which control of assets is transferred at a point in time are recognised when the goods are delivered to customers. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

Sales of electricity and steam

Revenue from the sales of electricity and steam for which control of assets is transferred at a point in time are recognised when electricity and steam are generated and transmitted or delivered to the customers.

Interest income from a financial asset

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Connection fee income

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the condensed consolidated statement of financial position.

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances and cash fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" ("ECL") model. This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and trade and other receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The adoption of IFRS 9 led to a decrease in trade receivables of approximately RMB319,000, decrease in other receivables of approximately RMB3,972,000 and a decrease of retained earnings amounting to approximately RMB4,291,000.

Trade receivables

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expected that the entire amounts of the receivables will have difficulty to be recovered and has recognised impairment losses. The loss allowances as at 1 January 2018 was determined for trade receivable as follows:

	Less than 31 days past due *RMB'000*	**31 days to 365 days past due** *RMB'000*	**Over 365 days past due** *RMB'000*	**Total** *RMB'000*
At 1 January 2018				
Expected loss rate	0.3%	1.0%	50%	
Gross carrying amount (excluding receivables assessed individually)	41,119	15,943	73	57,135
Loss allowance provision	123	159	37	319
Individually impaired receivables				9,530
				9,849

Other receivables from a joint venture, loans to a third party and other receivables

Impairment on other receivables from a joint venture, loans to a third party and other receivables are measured as either 12-month expected credit losses or life time expected credit loss depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group has concluded that the impact of expected credit loss on other receivables from a joint venture is RMB2,857,000, loans to a third party is RMB1,078,000 and remaining other receivables is RMB37,000 as at 1 January 2018.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include bank and other borrowings, discounted bills financing, trade payables, bills payables, other payables, corporate bond, payables for construction work, machinery and equipment and obligations under finance leases.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

4. SEGMENT INFORMATION

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

(a) Segment result

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

Six months ended 30 June 2018 (unaudited)

	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 customer	**904,863**	**1,325,397**	**390,054**	**581,860**	**116,209**	**3,318,383**
Inter-segment revenue	**—**	**—**	**—**	**—**	**235,358**	**235,358**
Segment revenue	**904,863**	**1,325,397**	**390,054**	**581,860**	**351,567**	**3,553,741**
Segment profit/(loss)	**145,668**	**279,976**	**106,996**	**(18,453)**	**46,867**	**561,054**
Other segment information:						
Impairment loss on property, plant and equipment	**—**	**—**	**—**	**(89,023)**	**—**	**(89,023)**

* previously known as light-coated linerboard

Six months ended 30 June 2017 (unaudited)

	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 customer	724,009	1,098,550	322,882	436,666	113,108	2,695,215
Inter-segment revenue	—	—	—	—	249,524	249,524
Segment revenue	724,009	1,098,550	322,882	436,666	362,632	2,944,739
Segment profit	153,464	316,568	61,130	61,544	36,363	629,069

* previously known as light-coated linerboard

(b) Reconciliation of segment profit

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Segment profit	**561,054**	629,069
Unrealised profit on inter-segment sales	**(37,275)**	(42,331)
	523,779	586,738
Other income	**105,260**	54,992
Other gains or losses	**5,791**	(38,630)
Distribution and selling expenses	**(140,371)**	(136,851)
Administrative expenses	**(133,794)**	(109,815)
Finance costs	**(107,203)**	(119,244)
Share of profit of a joint venture	**7,091**	6,292
Consolidated profit before income tax	**260,553**	243,482

Segment profit represents the gross profit earned by each paper product 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, certain finance costs and share of profit of a joint venture to paper product segment and does not allocate income tax expense to both the paper product segment or the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

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.

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on:		
Bank deposits	**13,929**	10,615
The balance with a joint venture *(note i)*	**7,399**	8,978
Loans to a related company *(note ii)*	**—**	1,312
Loans to a third party *(note ii)*	**1,599**	78
Total interest income	**22,927**	20,983
Government grants *(note iii)*	**81,731**	33,545
Rental income from an investment property and other properties	**1,165**	1,335
	105,823	55,863

Notes:

i. During the six months ended 30 June 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 ("Sunshine Oji")), a joint venture of the Group, at a weighted average effective interest rate of 6.18% per annum (six months ended 30 June 2017: 6.18% per annum).

ii. On 21 June 2017, a director of the Company disposed all his shares in this related company to an independent third party. The loans were reclassified as "loans to a third party" from "loans to a related company". The interest earned from the loans at a fixed interest rate of 5.22% per annum (six months ended 30 June 2017: 5.22% per annum).

iii. During the six months ended 30 June 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.), were granted and received unconditional government subsidy from local government of approximately RMB80,406,407 and nil respectively (six months ended 30 June 2017: RMB21,533,000 and RMB11,281,000 respectively).

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Changes in fair value of an investment property	**—**	(15,147)
Gain from sale of scrap materials, net	**9,376**	3,359
Impairment loss on available-for-sale financial assets	**—**	(2,000)
Impairment loss on prepayments and other receivables	**—**	(2,490)
Impairment loss on property, plant and equipment *(note)*	**(89,023)**	—
Loss on disposal of property, plant and equipment	**(3,842)**	(27,504)
Net foreign exchange (losses)/gains	**(1,885)**	2,283
Reversal of allowance of impairment of trade receivables	**940**	421
Others	**3,137**	2,713
	(81,297)	(38,365)

Note: During the six months ended 30 June 2018, the Group carried out a review of the recoverable amount of the property, plant and equipment in a segment owned by a subsidiary, as management has determined that an indication of impairment existed at the end of the reporting period due to the market performance was worse than expected and the management has changed the plan on the related assets. The review led to the recognition of impairment loss of RMB89,023,000 (six months ended 30 June 2017: nil) that has been recognised in the "other gains or losses" in the Group's profit or loss. The recoverable amount of the related assets has been determined by reference to a valuation performed by an independent qualified professional valuer not connected with the Group. The valuation was arrived at on the basis of making reference to comparable sales evidence as available in the relevant market.

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Discounted bills financing	**32,957**	54,209
Bank and other borrowings	**61,652**	54,616
Obligation under finance leases	**13,764**	4,964
Corporate bond	**16,960**	21,383
Others	**—**	719
	125,333	135,891
Less: Interest capitalised in construction in progress	**(1,319)**	(1,595)
	124,014	134,296

Borrowing costs capitalised during the six months ended 30 June 2018 arose on the general borrowing pool and were calculated by applying a capitalisation rate at 5.22% (six months ended 30 June 2017: from 5.22% to 6.50%) per annum to expenditure on construction in progress.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
People's Republic of China ("PRC") Enterprise Income Tax	**98,496**	76,476
Deferred tax credit	**(23,700)**	(3,958)
Charge for the period	**74,796**	72,518

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

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 six months ended 30 June 2018 and 2017 as the Group has no assessable profits for the period.

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages and salaries	**122,479**	101,391
Retirement benefits schemes contributions	**19,225**	14,114
Total staff costs (including directors' emoluments)	**141,704**	115,505
Cost of inventories recognised as an expense	**2,540,222**	1,996,969
Depreciation of property, plant and equipment	**184,968**	125,771
Impairment of property, plant and equipment	**89,023**	—
Release of prepaid lease payments	**5,205**	3,662

10. DIVIDENDS

During the current interim period, a final dividend of HK$0.07 (six months ended 30 June 2017: HK$0.04) per share in respect of the year ended 31 December 2017 amounting to a total of HK$57,355,000 (equivalent to approximately RMB48,361,000) (six months ended 30 June 2017: HK$32,104,000 (equivalent to approximately RMB27,863,000)) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 8 June 2018.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2018 was based on the profit of RMB178,976,000 (six months ended 30 June 2017 (unaudited): RMB168,479,000) for the period attributable to owners of the Company, and the weighted average number of 819,362,000 (six months ended 30 June 2017 (unaudited): 802,588,000) ordinary shares in issue during the six months ended 30 June 2018.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2018 and 2017. The basic earnings per share equals to the diluted earnings per share.

12. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 45 days to its trade customers. The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
0–30 days	**538,947**	379,432
31–90 days	**70,612**	40,711
91–365 days	**5,454**	5,360
Over 1 year	**—**	73
	615,013	425,576

13. BILLS RECEIVABLES

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

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
0–90 days	**480,121**	278,370
91–180 days	**239,458**	313,560
181–365 days	**175,453**	173,668
	895,032	765,598

As at 30 June 2018, the Group has discounted bills receivables of RMB94,153,000 (31 December 2017: RMB235,702,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivables and has recognised the cash received upon the discounting as discounted bills financing (note 16).

14. TRADE AND BILLS PAYABLES

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

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
0–90 days	**879,148**	759,145
91–365 days	**191,072**	327,694
Over 1 year	**146,985**	11,443
	1,217,205	1,098,282

All the bills payables as at 30 June 2018 and 31 December 2017 are of trading nature and will mature within twelve months respectively. At the end of the reporting period, certain of the Group's bank deposits were pledged to secure bills payables granted to the Group.

15. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain machinery for a term of 2 to 5 years under the sales and lease back arrangements resulting in finance leases.

The Group has options to purchase these equipment for a nominal amount at the end of the lease terms. Such transactions were considered as sales and lease back arrangements resulting in a finance lease.

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Analysed for reporting purposes as:		
Current liabilities	**269,698**	165,571
Non-current liabilities	**343,914**	210,659
	613,612	376,230

Nominal interest rates underlying all obligations under finance leases are at respective contract dates ranging from 4.39% to 7.43% (31 December 2017: 4.38% to 8.73%) per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)	**As at 30 June 2018** *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Amounts payable under finance leases				
Within one year	**300,296**	182,803	**269,698**	165,571
In more than one year but not more than two years	**270,264**	153,518	**254,954**	144,909
In more than two years but not more than five years	**92,097**	67,309	**88,960**	65,750
	662,657	403,630	**613,612**	376,230
Less: future finance charges	**(49,045)**	(27,400)	**—**	—
Present value of lease obligations	**613,612**	376,230	**613,612**	376,230
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(269,698)**	(165,571)
Amount due for settlement after 12 months			**343,914**	210,659

The Group's obligations under finance leases are secured by the lessor's charge over certain property, plant and equipment.

16. DISCOUNTED BILLS FINANCING

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Discounted bills receivables from third parties	**94,153**	235,702
Discounted bills receivables from a joint venture	**—**	32
Discounted bills receivables from subsidiaries of the Company	**1,428,787**	1,220,017
Total	**1,522,940**	1,455,751

17. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,660,807,000 (six months ended 30 June 2017: RMB1,446,764,000), and repaid loans amounting to RMB1,666,846,000 (six months ended 30 June 2017: RMB1,108,849,000). The newly raised loans bear interest from 4.34% to 7.40% per annum (six months ended 30 June 2017: 3.59% to 6.60%). At the end of the reporting period, certain of the Group's property, plant and equipment and land use rights were pledged to secure bank borrowings granted to the Group.

18. 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% per annum. The corporate bond is guaranteed by 中合中小企業融資擔保股份有限公司 (China United SME Guarantee Corporation Co. Ltd.), and is with counter-guarantee arrangement with the Group's one piece of investment property of RMB162,879,000 (31 December 2017: RMB162,879,000), and will be repaid with 20% of offering size annually from the year 2018 to year 2021.

19. CAPITAL COMMITMENTS

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**349,147**	207,765

OPERATION REVIEW

During the first half of 2018, continuous implementation of more stringent environmental policies had imposed tremendous pressure on costs for the paper manufacturing industry. Prompted by high-handed measures on environmental protection, small-scale enterprises with poor profitability had accelerated the process of eliminating excessive production capacities. The overall industrial structure achieved further optimisation and adjustments, while the demand-supply condition had also seen certain degree of improvement. Such measure had enabled the Group to enhance their comprehensive competitiveness and further boosted utilisation of existing production capacities. During the period ended 30 June 2018, main products of the Group achieved a sales volume of 635,000 tonnes, representing an increase as compared to 619,000 tonnes for the corresponding period last year. Our sales revenue increased from RMB2.695 billion for the period ended 30 June 2017 to RMB3.318 billion for the period ended 30 June 2018, representing a growth of 23.1%.

Currently, the Company primarily produces various kinds of white top linerboard, coated-white top linerboard and core board, cultivates the market meticulously and devotes to meeting the needs from different clients. The Group insists on the development strategy of differentiation and conducting self-managed research and development of white top linerboard and coated-white top linerboard, which possess a variety of patents. Ever since we entered the market, the Group have been standing firmly at the number one spot of each segmented sector by making use of the advantages given by our light-weight and high intensity white top linerboard and light-coated linerboard, which contribute to the Company's primary productive energy. In the first half of 2018, the sales of these two main products amounted to 508,000 tonnes, which was the source of most of the Group's income.

BUSINESS OUTLOOK

With PRC's structural reform on the supply side in the future, the concentration rate of paper manufacturing enterprises will be further enhanced. At the same time, with rising household living standards and awareness for environmental protection, market demand for packaging papers will maintain continuous growth. The Group is confident about the prospects of the paper manufacturing industry and will continue to grasp opportunities at this transitional junction. We will proceed in full swing with the implementation of strategies for expanding its principal business and actively promote the development of the high-intensity corrugated paper project, with the aim to expand and enhance our paper products and thereby achieving leapfrog development of our enterprises.

Our joint venture Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. completed the second phase of its high-end decoration paper project and commenced pilot production. The project caters for the market's requirements for diverse assortment and customised products. It facilitates optimisation of product structure as well as expansion of market share, thereby enhancing the market competitiveness and integrated strength of the Company, boosting economies of scale, and enabling the Group to stride firmly towards the high-end realm of decoration papers, which in turn make larger contribution to the Group.

The Group will grasp the propitious opportunity to replace its old growth drivers with new ones. Leveraging on effective informatised management approaches and advanced operating philosophies, we deliver high quality and efficient services to customers and facilitate sustainable organic growth of the corporation. Meanwhile, the Group will also continue to strictly uphold high standards of environmental-friendly operation and the principle of harmonious co-existence with nature by resolutely implementing measures on energy conservation and emission reduction, therefore achieving mutually beneficial relationship between economic development and ecological balance.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the first six months ended 30 June 2018 ("1H 2018"), our Group's total revenue was RMB3,318.4 million, representing an increase of 23.1% as compared to that of RMB2,695.2 million for the first six months ended 30 June 2017 ("1H 2017").

As a result of the recovery in demand of paper products and the state policy gradually eliminated obsolete production facilities and backward production capacity in paper industry, sales volume and average selling price of paper products of our Group continued to increase during 1H 2018. Sales of paper products strongly increased by 24.0% to RMB3,202.2 million for 1H 2018 with sales volume of around 635,000 tonnes, as compared to that of RMB2,582.1 million and around 619,000 tonnes for the corresponding period last year.

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

	1H 2018			1H 2017		
		GP margin	***% of total***		*GP margin*	*% of total*
	RMB'000	***(%)***	***revenue***	*RMB'000*	*(%)*	*revenue*
White top linerboard	**904,863**	**16.1**	**27.3**	724,009	21.2	26.8
Coated-white top linerboard*	**1,325,397**	**21.1**	**39.9**	1,098,550	28.8	40.8
Core board	**390,054**	**27.4**	**11.8**	322,882	18.9	12.0
Specialised paper products	**581,860**	**12.1**	**17.5**	436,666	14.1	16.2
Subtotal of sales of paper products	**3,202,174**	**18.8**	**96.5**	2,582,107	23.0	95.8
Sales of electricity and steam	**116,209**	**13.3**	**3.5**	113,108	10.0	4.2
Total revenue	**3,318,383**	**19.1**	**100.0**	2,695,215	22.7	100.0

* previously known as light-coated linerboard

Cost of sales

Cost of sales was RMB2,685.3 million for 1H 2018, representing an increase of 28.9% as compared to that of RMB2,083.6 million for 1H 2017. The increase in cost of sales was generally in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the increase in the average selling price of paper products, our Group maintained an increase in gross profit of RMB633.0 million for 1H 2018, from RMB611.6 million for 1H 2017. Gross profit margin recorded a decrease of 3.6 percentage points from 22.7% for 1H 2017 to 19.1% for 1H 2018 because of increased material purchase costs.

Other profit and loss items

Other income of RMB105.8 million for 1H 2018 (1H 2017: RMB55.9 million) mainly consisted of interest income on bank deposits of RMB13.9 million, interest income earned from a joint venture and a third party of RMB9.0 million, rental income of RMB1.2 million and government grants of RMB81.7 million.

Other losses of RMB81.3 million for 1H 2018 (1H 2017: RMB38.4 million) mainly consisted of gain from sale of scrap materials of RMB9.4 million, loss of disposal of property, plant and equipment of RMB3.8 million, net foreign exchange losses of RMB1.9 million, impairment loss on property, plant and equipment of RMB89.0 million.

Products of the packaging business achieved a very low margin level. In 1H 2018, it is 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 was RMB140.4 million for 1H 2018, which was comparable to that of RMB136.9 million for the corresponding period last year. As a percentage of revenue, it decreased from 5.1% for 1H 2017 to 4.2% for 1H 2018.

Administrative expenses primarily consisted of (i) salaries and other benefits for general and administrative staff, (ii) travel expenses, (iii) depreciation of office buildings and equipment and (iv) office general expenses. Due to expansion of operation size of our Group, administrative expenses increased by 15.6%, from RMB120.8 million for 1H 2017 to RMB139.7 million for 1H 2018. As a percentage of revenue, it slightly decreased from 4.5% for 1H 2017 to 4.2% for 1H 2018.

Finance costs recorded a decrease of 7.7%, from RMB134.3 million for 1H 2017 to RMB124.0 million for 1H 2018.

During 1H 2018, there was a share of profit of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB7.1 million, representing an increase of 12.7% as compared to that of RMB6.3 million for the first six months ended 30 June 2017. The improvement in profitability of the joint venture was mainly due to the increase in the average selling prices of its decorative paper products benefited from its brand recognition.

Income tax expenses

Our income tax expenses increased from RMB72.5 million for 1H 2017 to RMB74.8 million for 1H 2018. The applicable enterprise income tax rate for our subsidiaries for both 1H 2018 and 1H 2017 were roughly the same. Effective tax rate for 1H 2018 and 1H 2017 was 28.7% and 29.8%, respectively.

Profit and total comprehensive income

As a result of the above factors, we recorded a profit for the year attributable to the owners of our Company of RMB179.0 million for the first six months ended 30 June 2018 (1H 2017: RMB168.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

Working capital, gearing and financial resources

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

As at 30 June 2018, our Group had restricted bank deposits, cash and bank balances of RMB2,241.1 million (31 December 2017: RMB1,956.0 million). The debt of our Group comprised of bank and other borrowings, obligations under finance leases and corporate bond totaled RMB3,780.7 million as at 30 June 2018 (31 December 2017: RMB3,548.7 million). Net gearing ratio decreased from 72.2% as at 31 December 2017 to 64.0% as at 30 June 2018.

Inventories decreased from RMB768.1 million as at 31 December 2017 to RMB576.7 million as at 30 June 2018. Inventory turnover was 46 days for 1H 2018, as compared to 34 days for 1H 2017.

Trade receivables increased from RMB425.6 million as at 31 December 2017 to RMB615.0 million as at 30 June 2018. The increase in trade receivables was generally in line with the increase in our Group's total revenue. Trade receivables turnover was 29 days for 1H 2018, as compared to 28 days for 1H 2017. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded an increase from RMB853.3 million as at 31 December 2017 to RMB880.2 million as at 30 June 2018. Trade payable turnover was 59 days for 1H 2018, as compared to 78 days for 1H 2017.

Current ratio continued to improve from 0.73 times as at 31 December 2017 to 0.76 times as at 30 June 2018.

Notes to financial ratios

(1) Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.

(2) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables of the relevant period divided by revenue of the relevant period and multiplied by 182 days.

(3) Trade payables turnover days equal the average of the opening and closing balances of trade payables of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.

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

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

Capital expenditure

For 1H 2018, our capital expenditure was approximately RMB359.4 million, which mainly involves the purchase of equipment and land for our new corrugated paper production line, as well as the construction of ancillary facilities.

Capital commitments and contingent liabilities

As at 30 June 2018, our Group had capital commitments, which were contracted but not provided for acquisition of property, plant and equipment of RMB349.1 million.

There was no contingent liabilities as at 30 June 2018.

Pledge of assets

As at 30 June 2018, the carrying amount of our assets of RMB1,888.5 million and the fair value of our investment property of RMB162.9 million were pledged as collateral or security for our Group's bank loans, obligations under finance leases and corporate bond.

Foreign exchange risks

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

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

CORPORATE GOVERNANCE

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout 1H 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by our Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code throughout 1H 2018.

AUDIT COMMITTEE

Our Board has established an audit committee in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our Company's financial reporting process, internal control and risk management system and to provide advice and comments to our Board. The audit committee consists of three independent non-executive Directors, namely Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Shan Xueyan is the chairlady of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2018 and discussed the financial matters with the management of the Company. The unaudited condensed consolidated financial statements of our Group for 1H 2018 have been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants.

EMPLOYEES AND REMUNERATION POLICIES

Our Group had approximately 4,000 employees as at 30 June 2018. The staff costs for 1H 2018 were RMB141.7 million (1H 2017: RMB115.5 million). The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance-based remuneration which reflects market standards. Employees' remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our Group's emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group's business development, so as to achieve our Group's operational targets.

INTERIM DIVIDEND

The Board has not recommended the declaration of an interim dividend for 1H 2018 (1H 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of Company's shares.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

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

APPRECIATION

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

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

Shanghai, China 29 August 2018

As at the date of this announcement, the Directors 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*