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 2017

FINANCIAL HIGHLIGHTS

Revenue increased by 36.9%, from RMB4,223.3 million for FY2016 to RMB5,781.9 million for FY2017.

Gross profit margin for FY2017 was 21.6%, representing a 2.0 percentage point increase as compared to that of 19.6% for FY2016.

Profit for the year attributable to the owners of the Company for FY2017 was RMB396.0 million, representing an increase of RMB 272.9 million or 221.7%, as compared to that for FY2016.

A final dividend of HK7.0 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 2017. These financial results have been reviewed by the audit committee of the Company, 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	**2017** *RMB'000*	2016 *RMB'000*
Revenue	5 & 6	**5,781,857**	4,223,298
Cost of sales		**(4,534,623)**	(3,396,328)
Gross profit		**1,247,234**	826,970
Other income	7	**167,092**	121,378
Other gains or losses	7	**(24,840)**	(28,229)
Distribution and selling expenses		**(269,171)**	(277,836)
Administrative expenses		**(296,947)**	(191,212)
Loss on fair value changes of an investment property		**(18,908)**	(4,516)
Share of profit/(loss) of a joint venture		**12,695**	(12,533)
Finance costs	8	**(252,613)**	(248,707)
Profit before income tax	10	**564,542**	185,315
Income tax expense	9	**(162,918)**	(58,756)
Profit and total comprehensive income for the year		**401,624**	126,559
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**396,031**	123,111
Non-controlling interests		**5,593**	3,448
		401,624	126,559
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted *(RMB)*	12	**0.49**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**3,460,983**	3,353,933
Investment property		**162,879**	181,712
Prepaid lease payments		**327,046**	313,806
Goodwill		**30,326**	18,692
Deferred tax assets		**11,498**	8,184
Interest in a joint venture		**203,542**	70,847
Available-for-sale financial assets		**—**	8,000
Deposits and other receivables	13	**265,075**	366,407
		4,461,349	4,321,581
Current assets			
Prepaid lease payments		**7,317**	5,889
Inventories	14	**768,055**	345,246
Trade receivables	15	**425,576**	310,472
Bills receivables	16	**765,598**	532,016
Prepayments and other receivables	17	**165,778**	178,701
Income tax recoverable		**313**	—
Restricted bank deposits		**1,481,484**	1,445,592
Bank balances and cash		**474,519**	592,175
		4,088,640	3,410,091
Current liabilities			
Trade payables	18	**853,282**	936,017
Bills payables	19	**245,000**	225,000
Other payables	20	**135,779**	214,240
Payables for construction work, machinery and equipment		**37,792**	15,047
Income tax payable		**34,655**	22,047
Obligations under finance leases		**165,571**	88,510
Deferred income		**2,405**	2,758
Discounted bills financing	21	**1,455,751**	1,989,892
Bank borrowings	22	**2,551,969**	1,769,150
Other borrowing	23	**10,000**	11,000
Corporate bond	24	**100,000**	100,000
		5,592,204	5,373,661
Net current liabilities		**(1,503,564)**	(1,963,570)
Total assets less current liabilities		**2,957,785**	2,358,011

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Capital and reserves			
Share capital	25	**73,779**	72,351
Reserves		**1,945,811**	1,543,704
Equity attributable to owners of the Company		**2,019,590**	1,616,055
Non-controlling interests		**187,545**	151,898
Total equity		**2,207,135**	1,767,953
Non-current liabilities			
Obligations under finance leases		**210,659**	94,774
Bank borrowings	22	**213,211**	65,000
Corporate bond	24	**297,321**	396,250
Deferred income		**18,665**	21,045
Deferred tax liabilities		**10,794**	12,989
		750,650	590,058
Total equity and non-current liabilities		**2,957,785**	2,358,011

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 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 2017:

Amendments to IAS7	Disclosure Initiative
Amendments to IAS12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Project	Amendments to IFRS 12 included in Annual Improvements 2012–2014 Cycle

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.

The amendments to IAS 7 require an entity to provide disclosure that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from this additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from contracts with customers[1]
Amendments to IFRS 15	Classifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IAS 9	Employee Benefits[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet been determined

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

IFRS 9 Financial instruments

IFRS 9 Financial instruments ("**IFRS 9**") addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**") to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group currently classifies its financial assets into loans and receivables which are measured at amortised cost. The Group's debt instruments currently classified as measured at amortised cost which meet the condition for classification at amortised cost under IFRS 9. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 and have not been changed.

IFRS 9 replaces IAS 39. 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.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables and loan commitments. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

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 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from provision of services is recognised over time, whereas revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

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

(ii) 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;

(iii) 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 entity 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 will be considered in determining when transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognise revenue from sale of goods and service income.

(b) ***Sales with a right of return***

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of IFRS 15 will not materially affect how the Group recognise revenue and cost of sales when the customers have a right of return.

However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The directors do not consider that the application of IFRS 15 will likely to have significant financial impact on the Group's financial performance and financial position for the current and prior periods. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

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 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$7,877,000, 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.

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 and financial instruments which are measured at fair values.

The Group has net current liabilities of approximately RMB1,503,564,000 at 31 December 2017. 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 2018, 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 2017

	Paper products					
	White top linerboard *RMB'000*	**Light-coated 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**

For the year ended 31 December 2016

	Paper products					
	White top linerboard *RMB'000*	Light-coated linerboard *RMB'000*	Core board *RMB'000*	Specialised paper products *RMB'000*	Electricity and steam *RMB'000*	Total *RMB'000*
Revenue from external customers	1,196,996	1,755,488	514,614	585,605	170,595	4,223,298
Inter-segment revenue	—	—	—	—	323,026	323,026
Segment revenue	1,196,996	1,755,488	514,614	585,605	493,621	4,546,324
Segment profit	206,652	424,885	90,810	87,624	36,430	846,401

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, loss on fair value changes of an investment property, 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:

	2017 *RMB'000*	2016 *RMB'000*
Profit		
Segment profit	**1,274,350**	846,401
Unrealised profit on inter-segment sales	**(92,634)**	(60,235)
	1,181,716	786,166
Distribution and selling expenses	**(269,171)**	(277,836)
Administrative expenses	**(275,726)**	(170,045)
Other income	**164,949**	118,191
Other gains or losses	**(15,937)**	(29,231)
Finance costs	**(215,076)**	(224,881)
Loss on fair value changes of an investment property	**(18,908)**	(4,516)
Share of profit/(loss) of a joint venture	**12,695**	(12,533)
Consolidated profit before income tax	**564,542**	185,315

The Group does not allocate depreciation of property, plant and equipment and amortisation of prepaid lease payments, finance cost 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

	2017	2016
	RMB'000	*RMB'000*
Other income:		
Interest income on:		
Bank deposits	**24,968**	29,605
The balance with a joint venture *(note i)*	**16,654**	22,969
Total interest income	**41,622**	52,574
Rental income from an investment property and other properties	**1,502**	1,695
Government grants *(notes ii & iii)*	**123,968**	67,109
	167,092	121,378
Other gains or losses:		
Net foreign exchange gains/(losses)	**4,245**	(14,696)
Gain from sale of scrap materials, net	**15,627**	4,611
Loss on disposal and written off of property, plant and equipment	**(49,733)**	(20,038)
Reversal/(Allowance) for impairment of trade receivables	**781**	(1,547)
Others	**4,240**	3,441
	(24,840)	(28,229)

Notes:

i. During the year ended 31 December 2017, 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 (2016: 6.80% per annum).

ii. During the year ended 31 December 2017, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd) ("**Century Sunshine**"), a subsidiary of the Company, was granted and received unconditional government subsidy of approximately RMB82,768,000 (2016: RMB49,778,000) from local government for the purpose of supporting its operation.

iii. During the year ended 31 December 2017, 昌樂新邁紙業有限公司 (Numat Paper Industry Co., Ltd.), a subsidiary of the Company, obtained unconditional government subsidy of approximately RMB41,065,000 (2016: RMB15,536,000) from local government, the amount of which was determined by reference to the amount of value-added tax ("**VAT**") paid.

8. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on:		
Discounted bills financing	**80,244**	86,124
Bank and other borrowings wholly repayable within five years	**121,030**	115,404
Obligations under finance leases	**15,032**	8,764
Corporate bond	**38,931**	40,950
	255,237	251,242
Less: Interest capitalised in construction in progress	**(2,624)**	(2,535)
	252,613	248,707

Borrowing costs capitalised during the year ended 31 December 2017 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 5.22% to 6.55% (2016: 5.22% to 7.20%) per annum to expenditure on construction in progress.

9. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**165,632**	59,105
Under-provision in previous year	**2,795**	3,076
	168,427	62,181
Deferred tax credit	**(5,509)**	(3,425)
	162,918	58,756

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% (2016: 25%).

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2017 and 2016 as the Group did not have any 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:

	2017	2016
	RMB'000	*RMB'000*
Wages and salaries	**212,504**	156,708
Retirement benefits schemes contributions	**33,320**	44,485
Share-based compensation	**28,703**	—
Total staff costs (including the Directors' emoluments)	**274,527**	201,193
Cost of inventories recognised as an expense	**4,225,875**	3,231,489
Depreciation of property, plant and equipment	**253,412**	243,070
(Reversal)/Allowance for impairment of trade receivables	**(781)**	1,547
Amortisation of prepaid lease payments	**7,550**	5,804
Auditor's remuneration	**1,492**	1,548
Net foreign exchange (gains)/losses	**(4,245)**	14,696
Rental income from an investment property and other properties	**(1,502)**	(1,695)
Gain on disposal of a subsidiary	**—**	8,067

11. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividend declared for distribution during the year:		
2016 final dividend — HK$0.04 per share		
(2016: 2015 final dividend — HK$0.03 per share)	**27,863**	20,579

A final dividend of HK$0.07 per share in respect of the year ended 31 December 2017 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$0.04 per share in respect of the year ended 31 December 2016 amounting to a total of 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 2017.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit of RMB396,031,000 (2016: RMB123,111,000) for the year attributable to owners of the Company, and the weighted average number of 810,125,000 (2016: 802,588,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the year ended 31 December 2017 and 31 December 2016. The basic earnings per share equals to the diluted earnings per share.

13. DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Other receivables from a joint venture	**142,847**	297,570
Guarantee deposits for obligations under finance leases	**42,140**	27,684
Loan to a third party/a related company*	**53,916**	36,916
Deposits for acquisition of property, plant and equipment	**26,172**	4,237
	265,075	366,407

* The amount represents loan to a related company which a director of the Company, has a direct interest in and significant influence over the entity in 2016. In the Directors' opinion, the loan was made to this related company on normal commercial terms. The amount is unsecured, will be collected after 12 months from the end of the reporting period and carries a fixed interest at 5.22% per annum.

14. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**334,300**	213,478
Finished goods	**433,755**	131,768
	768,055	345,246

15. TRADE RECEIVABLES

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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables due from:		
— Third parties	**412,360**	295,339
— A related party	**13,216**	15,133
	425,576	310,472

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 allowance for impairment of trade receivables presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2017	2016
	RMB'000	*RMB'000*
0–30 days	**379,432**	261,426
31–90 days	**40,711**	37,303
91–365 days	**5,360**	11,743
Over 1 year	**73**	—
	425,576	310,472

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

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB16,016,000 (2016: RMB4,318,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers and the Group considers that these balances are not impaired. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2017	2016
	RMB'000	*RMB'000*
31–90 days	**11,814**	2,922
91–365 days	**4,129**	1,396
Over 1 year	**73**	—
	16,016	4,318

The Directors are of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired at the end of each reporting period is of good quality.

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

	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**10,311**	8,764
(Reversal)/provision during the year	**(781)**	1,547
At the end of the year	**9,530**	10,311

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

	2017	2016
	RMB'000	*RMB'000*
Bills receivables	**765,598**	532,016

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 RMB235,702,000 (2016: RMB193,026,000) 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 RMB235,702,000 (2016: RMB193,026,000) was recognised for the cash received from banks (note 21).

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

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**278,370**	186,696
91–180 days	**313,560**	309,280
181–365 days	**173,668**	36,040
	765,598	532,016

Bills receivables endorsed

Not included in the period end balance, during the year, the Group has transferred bills receivables amounted to RMB608,779,000 (2016: RMB659,389,000) to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivables under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant.

The maximum exposure to loss, which is same as the amount payable by the Group to the supplier in respect of the endorsed bills, should the issuing bank fail to settle the bills on maturity date amounted to RMB608,779,000 (2016: RMB659,389,000). All the bills receivables endorsed to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

17. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
Prepayments to suppliers	**116,066**	113,131
Other receivables	**49,712**	65,570
	165,778	178,701

An analysis of other receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
VAT recoverable	**16,713**	41,675
Deposits	**16,863**	10,059
Advance to employees	**4,487**	452
Interest receivable	**3,974**	986
Others	**7,675**	12,398
	49,712	65,570

18. TRADE PAYABLES

An analysis of trade payables is as follows:

	2017	2016
	RMB'000	*RMB'000*
Trade payables to third parties	**853,282**	936,017

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:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**739,145**	770,717
91–365 days	**102,694**	154,251
Over 1 year	**11,443**	11,049
	853,282	936,017

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:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**20,000**	20,000
91–180 days	**135,000**	175,000
Over 180 days	**90,000**	30,000
	245,000	225,000

All the bills payables are of trading nature and will be expired within twelve months (2016: twelve months) from the issue date.

20. OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Other payables due to third parties	**135,779**	214,240

An analysis of other payables is as follows:

	2017	2016
	RMB'000	*RMB'000*
Other payables	**41,226**	22,581
Advance from customers	**51,152**	137,470
VAT and other tax payable	**22,661**	30,548
Interest payable of corporate bond	**16,380**	18,399
Other interest payable	**1,286**	2,369
Accrued payroll and welfare	**3,074**	2,873
	135,779	214,240

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:

	2017	2016
	RMB'000	*RMB'000*
Discounted bills receivables from third parties *(note a)*	**235,702**	193,026
Discounted bills receivables from a joint venture	**32**	—
Discounted bills receivables from subsidiaries of the Company *(note b)*	**1,220,017**	1,796,866
Total	**1,455,751**	1,989,892

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 payable 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 RMB1,211,300,000 (2016: RMB1,192,750,000) were pledged to the issuing banks.

22. BANK BORROWINGS

	2017 *RMB'000*	2016 *RMB'000*
Secured bank borrowings	**1,375,132**	1,220,920
Unsecured bank borrowings	**1,390,048**	613,230
	2,765,180	1,834,150
The borrowings are repayable as follows:		
— Within one year	**2,551,969**	1,769,150
— In the second year	**190,965**	27,000
— In the third to fifth years inclusive	**22,246**	38,000
	2,765,180	1,834,150
Less: Amount due for settlement within one year and shown under current liabilities	**(2,551,969)**	(1,769,150)
Amount due after one year	**213,211**	65,000
Total borrowings		
— At fixed rates	**2,185,680**	1,068,168
— At floating rates	**579,500**	765,982
	2,765,180	1,834,150
Analysis of borrowings by currency:		
— Denominated in RMB	**2,746,884**	1,834,150
— Denominated in US$	**18,296**	—

Fixed-rate borrowings are charged at the rates ranging from 3.00% to 7.40% per annum as at 31 December 2017 (2016: 3.08% 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 2017 was 4.91% per annum (2016: 5.11% per annum).

23. OTHER BORROWING

	2017 *RMB'000*	2016 *RMB'000*
Borrowing from Weifang City Investment Co., Ltd.* (濰坊市投資集團有限公司) ("**Weifang City Investment**")	**10,000**	11,000

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 2017 was 6.65% per annum (2016: 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 of RMB162,879,000 (2016: RMB181,712,000). 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 2018 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 2016, 31 December 2016 and 31 December 2017	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 2016, 31 December 2016 and 1 January 2017	802,588,000	80,258	72,351
Issue and allotment for the Share Award Scheme *(note)*	16,774,000	1,678	1,428
At 31 December 2017	819,362,000	81,936	73,779

Note:

During the year ended 31 December 2017, 16,774,000 ordinary shares of HK$0.1 each were issued under the special mandate granted by the shareholders of the Company at the extraordinary general meeting on 29 September 2017 for the Company's share award scheme (the "Share Award Scheme"). The market value of the ordinary share on 21 July 2017, being the grant date, is HK$1.9 per ordinary share as disclosed in the Company's announcement dated 21 July 2017.

BUSINESS REVIEW

During the year ended 31 December 2017, domestic and overseas economies continued to recover and showed promising signs of further improvement, with several upturns economic indicators recorded. The Government of the People's Republic of China introduced a number of industry policies consecutively, including the "cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness (三去一降一補)" policy, the "Ten Clauses for Water (水十條)" and the "Ten Clauses for Air (大氣十條)". Restraints on industries were intensified through various measures, such as enhancement of standards for emissions and strict limitation on corporate size and structure. As the elimination process of outdated production capacity continued to progress, concentration in the paper manufacturing industry was further enhanced, while growth in overall supply of paper products slowed down remarkably. This led to the constant rise in product selling prices and continuing expansion of corporate marginal benefits, which provided a favorable environment for the development of sizable enterprises. The Group seized the opportunity and managed to increase its profitability continuously. For the year ended 31 December 2017, profit attributable to owners of the Group amounted to RMB396.0 million (FY2016: RMB123.1 million).

OUTLOOK

The Group has always adhered to the production concept of "making paper by green and environmental-friendly methods" by practicing high industry standards and fulfilling stringent requirements. We will strive to implement the guideline of "lucid waters and lush mountains are invaluable assets". As paper manufacturing is the key industry under the conventional environmental monitoring, coupled with elimination of backward production capacity being the top priority of the country's future supply-side structural reform, the Group will be in a better position for further competition. Meanwhile, with the consumption upgrade and organic growth of industrial demand, the Group is optimistic about the prospect of the industry of paper manufacturing and packaging.

Given the explosive emergence of the express delivery industry, the Group has commenced the construction of production line of corrugated paper at our Shandong base according to our existing development plan, which is expected to be put into operation at the end of this year or early next year, in order to further enhance the Group's cost-optimization deployment and market profitability for overall improvement of our scale efficiency and effectiveness.

2018 is a year of opportunities and challenges, where both difficulties and hopes will ensue. With "implementation and execution" as the management focus, the Group grasps significant opportunities for development and strives to implement the strategies of expanding core businesses and extending industry chains, principally putting efforts to enhance sophisticated production. We will also actively promote quality, efficiency and energy reforms, and prevent and address various risks, so as to maintain sustainable and steady operation of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

Our Group's total revenue for the year ended 31 December 2017 ("**FY2017**") was RMB5,781.9 million, representing an increase of RMB1,558.6 million or 36.9% as compared to that of RMB4,223.3 million for the year ended 31 December 2016 ("**FY2016**").

Sales of paper products, which recorded an increase of 37.3% as compared with last year, accounted for substantially all of our Group's total revenue.

The increase in revenue mainly resulted from increase in selling prices of the paper products, which is mainly attributable to (1) improvement of paper-making environment in PRC, (2) strict environmental protection policies which potentially eliminate those obsolete paper products manufacturers, (3) our successful marketing strategy and (4) our high-qualify paper products with higher profit margin.

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

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

	FY2017		FY2016	
	RMB'000	*%*	*RMB'000*	*%*
Sales of paper products				
White top linerboard	**1,545,784**	**26.7**	1,196,996	28.3
Light-coated linerboard	**2,267,706**	**39.2**	1,755,488	41.6
Core board	**736,082**	**12.7**	514,614	12.2
Specialised paper products	**1,014,692**	**17.6**	585,605	13.9
Sub-total of paper products	**5,564,264**	**96.2**	4,052,703	96.0
Sales of electricity and steam	**217,593**	**3.8**	170,595	4.0
	5,781,857	**100.0**	4,223,298	100.0

Cost of sales

Our cost of sales was around RMB4,534.6 million for FY2017, whereas the cost of sales for FY2016 was RMB3,396.3 million. Cost of sales for FY2017 was progressively grown with the increase in total revenue in general. We saw an increase in purchase cost of both domestic recovered paper and overseas recovered paper during FY2017. With respect to the costs of our paper products segment, domestic recovered paper, overseas recovered paper and kraft pulp accounted for approximately 35.6%, 26.3% and 10.6%, respectively, of our cost of sales for FY2017.

Chemicals and additives was portioned around 8.7% of the cost of sales and the remaining 18.8% were manufacturing overhead costs and labour costs.

Gross profit and gross profit margin

Our gross profit increased from RMB827.0 million for FY2016 to RMB1,247.2 million for FY2017. During FY2017, in line with the increase in selling prices, our gross profit margin for FY2017 was 21.6%, representing a 2.0 percentage point increase as compared to that of 19.6% for FY2016.

Other profit and loss items

Other income of RMB167.1 million for FY2017 (FY2016: RMB121.4 million) mainly comprised interest income of RMB41.6 million (FY2016: RMB52.6 million), rental income from an investment property and other properties of RMB1.5 million (FY2016: RMB1.7 million) and government grants of RMB124.0 million (FY2016: RMB67.1 million). The increase in government grants mainly reflected unconditional government subsidies of RMB82.8 million and RMB41.1 million for the purposes of supporting the Group's operation and refund of value-added tax paid, respectively.

We recorded net other losses of RMB24.8 million for FY2017, as compared to that of RMB28.2 million for FY2016. Other losses mainly reflected a loss on disposal and written off of property, plant and equipment of RMB49.7 million in FY2017 (FY2016: RMB20.0 million). Net foreign exchange gains of RMB4.2 million was reported in FY2017 (FY2016: RMB14.7 million losses). The continuing appreciation of Renminbi against US dollar during FY2017 resulted in the foreign exchange gain of our bank borrowings denominated in US dollar.

Transportation cost and staff costs constituted major parts of the distribution and selling costs. Distribution and selling expenses recorded an decrease from RMB277.8 million for FY2016 to RMB269.2 million for FY2017. For FY2017, it was approximately 4.7% of the total revenue, compared with 6.6% for FY2016. Lower proportion are mainly reflected in the increase of income.

Continuous expansion of operation size of our Group resulted in the increase in administrative expenses from RMB191.2 million for FY2016 to RMB297.0 million for FY2017. For FY2017, it was approximately 5.1% of the total revenue, compared with 4.5% for FY2016.

The loss for the change in fair value of an investment property of RMB18.9 million represented the revaluation loss arising from the investment property located in the PRC (FY2016: RMB4.5 million revaluation loss).

We shared the profit of a joint venture of RMB12.7 million for FY2017, as compared to the loss of RMB12.5 million for FY2016. The launch of high quality decorative papers and market development during FY2017 resulted in the improvement in the operating results of this joint venture.

Finance costs increased by approximately 1.6% or RMB3.9 million, from RMB248.7 million for FY2016 to RMB252.6 million for FY2017. For FY2017, it was approximately 4.4% of the total revenue, compared with 5.9% for FY2016.

Income tax expenses

Income tax expenses were RMB163.0 million and RMB58.8 million, respectively, for FY2017 and FY2016. The sharp increase in income tax expenses reflected the increase in taxable profit of our Group's PRC subsidiaries, which are subject to PRC enterprise tax of 25%.

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 RMB396.0 million for FY2017 (FY2016: RMB123.1 million).

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 FY2016 and FY2017, 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 principally 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 RMB1,491.6 million as at 31 December 2017, as compared to that of RMB1,963.6 million as at 31 December 2016. Current ratio was 0.73 times and 0.63 times, respectively, as at 31 December 2017 and 31 December 2016.

As at 31 December 2017, we had bank balances and cash, and restricted bank deposits, of approximately RMB1,956.0 million, representing an decrease of RMB81.8 million as compared to that of RMB2,037.8 million as at 31 December 2016.

Inventories increased from RMB345.2 million as at 31 December 2016 to RMB768.1 million as at 31 December 2017. Inventory turnover was 45 days for FY2017, as compared to that of 39 days for FY2016.

Trade receivables increased from RMB310.5 million as at 31 December 2016 to RMB425.6 million as at 31 December 2017. Trade receivables turnover for FY2017 was 23 days as compared to 31 days for FY2016. The shorter trade receivables turnover day reflected the improving business environment of paper manufacturing for FY2017.

Trade payables were RMB853.3 million as at 31 December 2017, as compared to RMB936.0 million as at 31 December 2016. Trade payables turnover for FY2017 was 72 days, as compared to that of 92 days for FY2016.

Cashflow

Net cash from operating activities amounted to RMB236.1 million for FY2017 (FY2016: RMB848.3 million). Net cash used in investing activities amounted to RMB528.7 million for FY2017 (FY2016: RMB40.9 million), primarily representing the purchase of property, plant and equipment of RMB337.1 million, increase in restricted bank deposits of RMB35.9 million, and acquisition of the subsidiaries of RMB36.8 million.

Net cash generated from financing activities amounted to RMB175.0 million for FY2017 (FY2016: Net cash used in financing activities amounted to RMB542.7 million), primarily attributable to interest paid of RMB260.9 million, the net repayment of bank and other borrowings of RMB2,591.2 million, and the repayment of obligations under finance leases of RMB154.7 million, offset in part by the net proceeds from sale and finance lease back transactions of RMB347.6 million.

The combined effect of the above resulted in a net decrease in cash and cash equivalents of RMB117.6 million for FY2017 (FY2016: Net increase in cash and cash equivalents of RMB264.7 million).

Gearing

Our net gearing ratio increased from 27.5% as at 31 December 2016 to 72.2% as at 31 December 2017. The increase in net gearing ratio was mainly driven by the increase in bank borrowings.

Capital expenditure

During FY2017, our capital expenditure was approximately RMB362.4 million, which mainly related to the upgrade of our plant and machinery, and the construction of ancillary facilities.

Pledge of assets

As at 31 December 2017, the aggregate carrying amount of our assets pledged was approximately RMB3,723.9 million. (2016: RMB2,794.6 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 RMB207.8 million as at 31 December 2017 (2016: RMB33.0 million).

As at 31 December 2017, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 3,500 full-time employees in the PRC and Hong Kong as at 31 December 2017. The staff costs for FY2017 were approximately RMB274.5 million, representing an increase of RMB73.3 million over FY2016 of approximately RMB201.2 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 FY2017, 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 FY2017.

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 FY2017.

AUDIT COMMITTEE

The primary duties of the audit committee of our Company (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 FY2017 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with our management and our Company's external auditors.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's annual results for FY2017 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 auditor, Grant Thornton Hong Kong Limited.

DIVIDEND

The Board proposed the payment of a final dividend of HK7.0 cents per ordinary share for FY2017 (FY2016: HK4 cents), subject to approval of the shareholders of the Company (the "**Shareholders**") at the annual general meeting of the Company expected to be held on 31 May 2018 (the "**AGM**").

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The register of members of our Company will be closed from 28 May 2018 to 31 May 2018, 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 25 May 2018.

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 8 June 2018 will qualify for the proposed final dividend. The register of members of our Company will be closed from 7 June 2018 to 8 June 2018, 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 6 June 2018. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is payable on or about 20 June 2018 to the Shareholders whose names appear on the register of members of the Company on 8 June 2018.

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 FY2017 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

Hongkong, China, 27 March 2018

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*