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 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	
	RMB'000	*RMB'000*	***Change***
Revenue	**2,695,215**	1,971,418	+36.7%
Gross profit margin	**22.7%**	21.4%	+1.3 percentage point
Profit for the period attributable to the owners of the Company	**168,479**	61,854	+172.4%
Basic and diluted earnings per share *(RMB)*	**0.21**	0.08	

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 2017 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	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**2,695,215**	1,971,418
Cost of sales		**(2,083,593)**	(1,549,402)
Gross profit		**611,622**	422,016
Other income	5	**55,863**	46,764
Other gains or losses	6	**(38,365)**	(2,772)
Distribution and selling expenses		**(136,851)**	(136,826)
Administrative expenses		**(120,783)**	(85,184)
Finance costs	7	**(134,296)**	(144,562)
Share of profit/(loss) of a joint venture		**6,292**	(10,237)
Profit before income tax	9	**243,482**	89,199
Income tax expense	8	**(72,518)**	(24,454)
Profit and total comprehensive income for the period		**170,964**	64,745
Profit and total comprehensive income attributable to:			
Owners of the Company		**168,479**	61,854
Non-controlling interests		**2,485**	2,891
		170,964	64,745
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted *(RMB)*	11	**0.21**	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2017** *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**3,276,653**	3,353,933
Investment property		**166,640**	181,712
Prepaid lease payments		**309,044**	313,806
Goodwill		**18,692**	18,692
Deferred tax assets		**8,246**	8,184
Interest in a joint venture		**77,139**	70,847
Available-for-sale financial assets	12	**6,000**	8,000
Deposits and other receivables		**387,386**	366,407
		4,249,800	4,321,581
Current assets			
Prepaid lease payments		**6,989**	5,889
Inventories		**430,424**	345,246
Trade receivables	13	**506,203**	310,472
Bills receivable	14	**774,763**	532,016
Prepayments and other receivables		**198,763**	178,701
Restricted bank deposits		**1,670,305**	1,445,592
Bank balances and cash		**509,201**	592,175
		4,096,648	3,410,091

	Notes	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
Current liabilities			
Trade payables	15	**851,541**	936,017
Bills payable	15	**260,000**	225,000
Other payables		**285,484**	214,240
Payable for construction work, machinery and equipment		**18,505**	15,047
Income tax payable		**26,484**	22,047
Obligations under finance leases	16	**139,924**	88,510
Deferred income		**2,783**	2,758
Discounted bills financing	17	**1,952,867**	1,989,892
Bank borrowings	18	**2,101,906**	1,769,150
Other borrowing		**11,000**	11,000
Corporate bond	19	**100,000**	100,000
		5,750,494	5,373,661
Net current liabilities		**(1,653,846)**	(1,963,570)
Total assets less current liabilities		**2,595,954**	2,358,011
Capital and reserves			
Share capital		**72,351**	72,351
Reserves		**1,689,137**	1,543,704
Equity attributable to owners of the Company		**1,761,488**	1,616,055
Non-controlling interests		**146,039**	151,898
Total equity		**1,907,527**	1,767,953
Non-current liabilities			
Obligations under finance leases	16	**192,910**	94,774
Bank borrowings	18	**70,159**	65,000
Corporate bond	19	**396,623**	396,250
Deferred income		**19,642**	21,045
Deferred tax liabilities		**9,093**	12,989
		688,427	590,058
Total equity and non-current liabilities		**2,595,954**	2,358,011

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 and sale of paper products.

2. BASIS OF PREPARATION

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

The Group has net current liabilities of approximately RMB1,653,846,000 as at 30 June 2017. 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 2016.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim 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 and effective for the Group's consolidated financial statements for accounting period beginning on 1 January 2017.

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

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

4. SEGMENT INFORMATION

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

(a) Segment result

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

Six months ended 30 June 2017

	Paper products					
	White top linerboard	**Light-coated linerboard**	**Core board**	**Specialised paper products**	**Electricity and steam**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**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**

Six months ended 30 June 2016

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

(b) Reconciliation of segment profit

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Segment profit	**629,069**	424,733
Unrealised profit on inter-segment sales	**(42,331)**	(23,816)
	586,738	400,917
Other income	**54,992**	44,936
Other gains or losses	**(38,630)**	(3,224)
Distribution and selling expenses	**(136,851)**	(136,826)
Administrative expenses	**(109,815)**	(74,792)
Finance costs	**(119,244)**	(131,575)
Share of profit/(loss) of a joint venture	**6,292**	(10,237)
Consolidated profit before income tax	**243,482**	89,199

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/(loss) of a joint venture to paper product segment and does not allocate income tax expense to both the paper product segment or the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

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

5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on:		
Bank deposits	**10,615**	12,143
The balance with a joint venture *(note i)*	**8,978**	10,469
Loan to a related company *(note ii)*	**1,312**	—
Loan to a third party	**78**	—
Total interest income	**20,983**	22,612
Government grants *(note iii)*	**33,545**	23,300
Rental income from an investment property and other properties	**1,335**	852
	55,863	46,764

Notes:

i. During the six months ended 30 June 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 ("Sunshine Oji")), a joint venture of the Company, at a weighted average effective interest rate of 6.18% per annum (six months ended 30 June 2016: 7.09% per annum).

ii. During the six months ended 30 June 2017, the Group earned interest income from loans to a related company which a director of the Company has a direct interest in and significant influence over the entity at a fixed interest rate of 5.22% per annum (six months ended 30 June 2016: nil).

iii. During the six months ended 30 June 2017, 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 RMB21,533,000 and RMB11,281,000 respectively, the amounts of which were determined by reference to the amount of value-added tax paid (six months ended 30 June 2016: RMB21,846,000).

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Changes in fair value of an investment property	**(15,147)**	(3,047)
Gain from sale of scrap materials, net	**3,359**	—
Gain on disposal of a subsidiary	**—**	8,067
Impairment loss on available-for-sale financial assets	**(2,000)**	—
Impairment loss on prepayments and other receivables	**(2,490)**	—
Loss on disposal of property, plant and equipment	**(27,504)**	(6,663)
Net foreign exchange gain/(loss)	**2,283**	(2,769)
Reversal of allowance of impairment of trade receivables	**421**	—
Others	**2,713**	1,640
	(38,365)	(2,772)

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Discounted bills financing	**54,209**	45,115
Bank and other borrowings	**54,616**	73,674
Finance leases	**4,964**	380
Corporate bond	**21,383**	26,011
Others	**719**	—
	135,891	145,180
Less: Interest capitalised in construction in progress	**(1,595)**	(618)
	134,296	144,562

Borrowing costs capitalised during the six months ended 30 June 2017 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 5.22% to 6.50% (six months ended 30 June 2016: 5.90%) per annum to expenditure on construction in progress.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
People's Republic of China ("PRC") Enterprise Income Tax	**76,476**	25,138
Deferred tax credit	**(3,958)**	(684)
Charge for the period	**72,518**	24,454

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

No provision for Hong Kong Profit Tax had been made for the six months ended 30 June 2017 and 2016 as the Group did not have any assessable profit arising in Hong Kong during both periods.

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages and salaries	**101,391**	73,665
Retirement benefits schemes contributions	**14,114**	13,000
Total staff costs (including directors' emoluments)	**115,505**	86,665
Cost of inventories recognised as an expense	**1,996,969**	1,487,073
Depreciation of property, plant and equipment	**125,771**	119,870
Release of prepaid lease payments	**3,662**	2,962

10. DIVIDENDS

During the current interim period, a final dividend of HK$0.04 (six months ended 30 June 2016: HK$0.03) 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) (six months ended 30 June 2016: HK$24,078,000 (equivalent to approximately RMB20,579,000)) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 8 June 2017.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2017 was based on the profit of RMB168,479,000 (six months ended 30 June 2016: RMB61,854,000) for the period attributable to owners of the Company, and the weighted average number of 802,588,000 (six months ended 30 June 2016: 802,588,000) ordinary shares in issue during the six months ended 30 June 2017.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2017 and 2016. The basic earnings per share equals to the diluted earnings per share.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted securities		
— Equity securities in the PRC, at cost	**8,000**	8,000
Accumulated impairment losses	**(2,000)**	—
Net carrying amount of unlisted securities	**6,000**	8,000

13. TRADE RECEIVABLES

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**400,508**	261,426
31–90 days	**92,483**	37,303
91–365 days	**13,165**	11,743
Over 1 year	**47**	—
	506,203	310,472

14. BILLS RECEIVABLE

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–90 days	**436,836**	186,696
91–180 days	**187,327**	309,280
181–365 days	**150,600**	36,040
	774,763	532,016

As at 30 June 2017, the Group has discounted bills receivable of RMB179,320,000 (31 December 2016: RMB193,026,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivable and has recognised the cash received upon the discounting as discounted bills financing (note 17).

15. 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 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
0–90 days	**750,347**	790,717
91–365 days	**350,836**	329,251
Over 1 year	**10,358**	41,049
	1,111,541	1,161,017

All the bills payable as at 30 June 2017 and 31 December 2016 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 payable granted to the Group.

16. OBLIGATIONS UNDER FINANCE LEASES

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

	As at 30 June 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Analysed for reporting purposes as:		
Current liabilities	**139,924**	88,510
Non-current liabilities	**192,910**	94,774
	332,834	183,284

Nominal interest rates underlying all obligations under finance leases are at respective contract dates ranging from 4.38% to 7.50% (31 December 2016: 6.30% to 7.73%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2017	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Amounts payable under finance leases				
Within one year	**155,509**	97,217	**139,924**	88,510
In more than one year but not more than two years	**122,396**	70,078	**114,298**	66,388
In more than two years but not more than five years	**81,213**	29,213	**78,612**	28,386
	359,118	196,508	**332,834**	183,284
Less: future finance charges	**(26,284)**	(13,224)	**—**	—
Present value of lease obligations	**332,834**	183,284	**332,834**	183,284
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(139,924)**	(88,510)
Amount due for settlement after 12 months			**192,910**	94,774

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

17. DISCOUNTED BILLS FINANCING

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Discounted bills financing		
Comprising:		
Discounted bills receivable from third parties (note 14)	**149,320**	193,026
Discounted bills receivable from a joint venture (note 14)	**30,000**	—
Discounted bills receivable from subsidiaries of the Group	**1,773,547**	1,796,866
Total	**1,952,867**	1,989,892

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

During the current interim period, bank bills issued by certain subsidiaries of the Group to the suppliers and other subsidiaries within the Group were discounted to the banks for financing. At the end of the reporting period, certain of the Group's bank deposits were pledged to secure discounted bills financing granted to the Group.

18. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,446,764,000 (six months ended 30 June 2016: RMB1,009,435,000), and repaid loans amounting to RMB1,108,849,000 (six months ended 30 June 2016: RMB1,143,470,000). The newly raised loans bear interest from 3.59% to 6.60% per annum (six months ended 30 June 2016: 1.80% 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.

19. 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 RMB166,640,000 (31 December 2016: RMB181,712,000), and will be repaid with 20% of offering size annually from the year 2017 to year 2021.

20. CAPITAL COMMITMENTS

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**10,266**	33,004
— acquisition of a subsidiary	**20,325**	—

OPERATION REVIEW

For the first six months ended 30 June 2017, the main products of the Group achieved sales volume of around 619,000 tonnes, increased slightly from around 603,000 tonnes for the corresponding period last year. With the stringent environmental policies implemented by the PRC, its vigorous elimination of outdated production capacities and high entry barriers for new entry production capacity, as well as the demand recovery in the paper manufacturing industry where the demand-supply conditions had seen certain degree of improvement, sales revenue of the Group's companies had accordingly increased by 36.7% from RMB1,971.4 million for the first six months ended 30 June 2016 to RMB2,695.2 million for the first six months ended 30 June 2017. Due to the stable operation of the direct on-site internal customs control station of the Group and benefiting from the government's preferential measures on value-added tax rebates for recycled paper manufacturers, the enterprise productivity and efficiency had been further boosted. For the first six months ended 30 June 2017, the Group achieved an overall gross profit margin of 22.7%, as compared to 21.4% for the corresponding period last year.

OUTLOOK

Looking forward, while we anticipate slower economic growth ahead, in longer term, with the improvement in household living standard and greater awareness in environmental protection, market demand for packaging papers is expected to realise continuous growth. On this basis, the Group remains confident about the prospects of the packaging paper industry. The Group will steadily strengthen the research and development efforts on high-end decoration papers of the joint venture Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. capitalising on its established strength in resources. The Group intends to invest in the second phase construction of the project to offer our customers with products characterised by features such as diverse assortment, small quantity and customised requirements. With the ongoing course of optimisation of product structure, expansion in market share and economies of scale improvement, the Group is striding firmly towards the high-end realm of decoration papers.

The Group will keep pursuing management sophistication, effective cost control and suitable operation policies with an aim to continuously boost our profit growth. Meanwhile, the Group will also continue to strictly uphold the concept of environmental-friendly operation and the principle of harmonious co-existence with nature to achieve mutually beneficial relationship between economic development and ecological balance, facilitating the sustainable organic growth for the corporation.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the first six months ended 30 June 2017 ("1H 2017"), our Group's total revenue was RMB2,695.2 million, representing an increase of 36.7% as compared to that of RMB1,971.4 million for the first six months ended 30 June 2016 ("1H 2016").

As a result of the recovery in demand of paper products and the gradual reduction of overcapacity by eliminating obsolete production facilities in paper industry, sales volume and average selling price of paper products of our Group continued to increase during 1H 2017. Sales of paper products strongly increased by 37.5% to RMB2,582.1 million for 1H 2017 with sales volume of around 619,000 tonnes, as compared to that of RMB1,877.7 million and around 603,000 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 2017			1H 2016		
	RMB'000	***GP margin (%)***	***% of total revenue***	*RMB'000*	*GP margin (%)*	*% of total revenue*
White top linerboard	**724,009**	**21.2**	**26.8**	568,921	18.6	28.9
Light-coated linerboard	**1,098,550**	**28.8**	**40.8**	815,797	25.8	41.3
Core board	**322,882**	**18.9**	**12.0**	230,246	20.7	11.7
Specialized paper products	**436,666**	**14.1**	**16.2**	262,709	15.3	13.3
Subtotal of sales of paper products	**2,582,107**	**23.0**	**95.8**	1,877,673	21.5	95.2
Sales of electricity and steam	**113,108**	**15.6**	**4.2**	93,745	19.1	4.8
Total revenue	**2,695,215**	**22.7**	**100.0**	1,971,418	21.4	100.0

Cost of sales

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

Cost of sales was RMB2,083.6 million for 1H 2017, representing an increase of 34.5% as compared to that of RMB1,549.4 million for 1H 2016. 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 RMB611.6 million for 1H 2017, from RMB422.0 million for 1H 2016. Gross profit margin also recorded an increase of 1.3 percentage points, from 21.4% for 1H 2016 to 22.7% for 1H 2017.

Other profit and loss items

Other income of RMB55.9 million for 1H 2017 (1H 2016: RMB46.8 million) mainly consisted of interest income on bank deposits of RMB10.6 million, interest income earned from a joint venture of RMB9.0 million, rental income of RMB1.3 million and government grants of RMB33.5 million.

Other losses of RMB38.4 million for 1H 2017 (1H 2016: RMB2.8 million) mainly comprised a negative change in fair value of an investment property of RMB15.1 million and loss on disposal of property, plant and equipment of RMB27.5 million.

Distribution and selling expenses primarily consisted of transportation costs and staff costs relating to sales and marketing. It was RMB136.9 million for 1H 2017, which was comparable to that of RMB136.8 million for the corresponding period last year. As a percentage of revenue, it decreased from 6.9% for 1H 2016 to 5.1% for 1H 2017.

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 a packaging company newly acquired in 2016 second half year and further expansion of our business, administrative expenses increased by 41.8%, from RMB85.2 million for 1H 2016 to RMB120.8 million for 1H 2017. As a percentage of revenue, it slightly increased from 4.3% for 1H 2016 to 4.5% for 1H 2017.

Finance costs recorded a decrease of 7.1%, from RMB144.6 million for 1H 2016 to RMB134.3 million for 1H 2017. The decrease in finance costs reflected the renewal of lower interest bearing bank borrowings during 1H 2017.

During 1H 2017, there was a share of profit of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB6.3 million. On the contrary, there was a share of loss of the joint venture of RMB10.2 million for the corresponding period last year. 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 RMB24.5 million for 1H 2016 to RMB72.5 million for 1H 2017. The applicable enterprise income tax rate for our subsidiaries for both 1H 2017 and 1H 2016 were roughly the same. Effective tax rate for 1H 2017 and 1H 2016 was 29.8% and 27.4%, respectively.

Profit and total comprehensive income

As a result of the factors discussed above, the profit and total comprehensive income attributable to the owners of our Group strongly increased by nearly 2.7 times, from RMB61.9 million for 1H 2016 to RMB168.5 million for 1H 2017.

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 2017, our Group had restricted bank deposits, cash and bank balances of RMB2,179.5 million (31 December 2016: RMB2,037.8 million). The debt of our Group comprised of bank and other borrowings, obligations under finance leases and corporate bond totaled RMB3,012.5 million as at 30 June 2017 (31 December 2016: RMB2,524.7 million). Our Group increased bank borrowings to meet working capital and capital expenditure requirements during 1H 2017, which resulted in the increase in net gearing ratio from 27.5% as at 31 December 2016 to 43.7% as at 30 June 2017.

Inventories increased from RMB345.2 million as at 31 December 2016 to RMB430.4 million as at 30 June 2017. The increase in inventories was mainly driven by the increase in finished goods to meet strong demands in the third quarter 2017. Inventory turnover was 34 days for 1H 2017, as compared to 38 days for 1H 2016.

Trade receivables increased from RMB310.5 million as at 31 December 2016 to RMB506.2 million as at 30 June 2017. The increase in trade receivables was generally in line with the increase in our Group's total revenue. Trade receivables turnover was 28 days for 1H 2017, as compared to 39 days for 1H 2016. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded a decrease from RMB936.0 million as at 31 December 2016 to RMB851.5 million as at 30 June 2017. Trade payable turnover was 78 days for 1H 2017, as compared to 89 days for 1H 2016.

Current ratio continued to improve from 0.63 times as at 31 December 2016 to 0.71 times as at 30 June 2017.

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.

Cash flows

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

	1H 2017	1H 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	**(88,318)**	594,958
Net cash used in investing activities	**(313,615)**	(170,501)
Net cash from/(used in) financing activities	**318,959**	(322,176)
Net (decrease)/increase in cash and cash equivalents	**(82,974)**	102,281
Cash and cash equivalents at the beginning of the period, represented by bank balances and cash	**592,175**	327,377
Cash and cash equivalents at the end of the period	**509,201**	429,658

During 1H 2017, as a result of the increase in inventories and trade receivables, our Group recorded net cash used in operating activities. Net cash used in investing activities mainly reflected the increase in restricted bank deposits. Due to the fact that our Group borrowed new bank borrowings to meet working capital and capital expenditure requirements, there was a net cash from financing activities during 1H 2017.

Capital expenditure

Our Group incurred approximately RMB24.4 million to enhance the productivity of existing plant and equipment, and approximately RMB54.0 million on construction in progress during 1H 2017.

Capital commitments and contingent liabilities

As at 30 June 2017, our Group had capital commitments, which were contracted but not provided for, for acquisition of property, plant and equipment and of a subsidiary of RMB10.3 million and RMB20.3 million respectively.

There was no contingent liabilities as at 30 June 2017.

Pledge of assets

As at 30 June 2017, the carrying amount of our assets of RMB3,094.3 million and the fair value of our investment property of RMB166.7 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 have 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 2017.

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 2017.

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 2017 and discussed the financial matters with the management of the Company. The unaudited condensed consolidated financial statements of our Group for 1H 2017 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 3,170 employees as at 30 June 2017. The staff costs for 1H 2017 were RMB 115.5 million (1H 2016: RMB86.7 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 2017 (1H 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2017, 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 25 August 2017

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

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