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CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED
中國陽光紙業控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2002)

ANNOUNCEMENT OF RESULTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by 8.1%, from RMB3,447.6 million for FY2014 to RMB3,725.8 million for FY2015.
- Gross profit margin for FY2015 was 20.0%, as compared to that of 19.0% for FY2014.
- Profit for the year attributable to the owners of the Company for FY2015 was RMB51.3 million, as compared to loss for the year attributable to the owners of the Group of RMB38.0 million for FY2014.
- A final dividend of HK3 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 2015. 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 AND LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015	2014
	Notes	RMB'000	RMB'000
Revenue	5	3,725,808	3,447,617
Cost of sales		<u>(2,980,032)</u>	<u>(2,791,568)</u>
Gross profit		745,776	656,049
Other income	7	91,187	79,162
Other gains and losses	7	(5,345)	(2,037)
Distribution and selling expenses		(263,652)	(246,913)
Administrative expenses		(166,544)	(156,362)
Change in fair value of investment properties		(15,945)	2,560
Share of loss of a joint venture		(23,258)	(4,524)
Finance costs	8	<u>(291,421)</u>	<u>(344,856)</u>
Profit/(Loss) before income tax		70,798	(16,921)
Income tax expense	9	<u>(14,624)</u>	<u>(14,348)</u>
Profit/(Loss) and total comprehensive income/(expenses) for the year	10	<u><u>56,174</u></u>	<u><u>(31,269)</u></u>
Profit/(Loss) and total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		51,258	(37,966)
Non-controlling interests		<u>4,916</u>	<u>6,697</u>
		<u><u>56,174</u></u>	<u><u>(31,269)</u></u>
Earnings/(Losses) per share for profit/(loss) attributable to the owners of the Company during the year			
Basic and diluted (RMB)	12	<u><u>0.06</u></u>	<u><u>(0.05)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		3,338,282	3,462,148
Investment properties		185,522	248,939
Prepaid lease payments		282,914	260,737
Goodwill		18,692	18,692
Deferred tax assets		6,108	6,837
Interest in a joint venture		83,380	106,638
Deposits and other receivables	13	249,945	307,938
		<u>4,164,843</u>	<u>4,411,929</u>
Current assets			
Prepaid lease payments		4,922	6,734
Inventories	14	375,055	381,476
Trade receivables	15	416,091	390,380
Bills receivable	16	347,549	559,934
Prepayments and other receivables	17	293,707	262,411
Income tax recoverable		—	7,758
Derivative financial instruments		—	75
Restricted bank deposits		1,506,512	1,574,633
Bank balances and cash		326,865	302,127
		<u>3,270,701</u>	<u>3,485,528</u>
Assets classified as held for sale		<u>59,944</u>	<u>—</u>
		<u>3,330,645</u>	<u>3,485,528</u>
Current liabilities			
Trade payables	18	778,830	636,294
Bills payable	19	174,000	320,000
Other payables	20	135,878	144,363
Payable for construction work, machinery and equipment		8,703	29,227
Income tax payable		2,134	1,399
Obligations under finance leases		69,828	91,080
Deferred income		1,655	3,005
Discounted bill financing	21	2,010,129	2,158,282
Bank borrowings	22	1,870,430	1,937,886
Other borrowings	23	12,500	56,500
Short-term financing note	24	—	300,000
		<u>5,064,087</u>	<u>5,678,036</u>
Liabilities directly associated with assets classified as held for sale		<u>6,796</u>	<u>—</u>
		<u>5,070,883</u>	<u>5,678,036</u>
Net current liabilities		<u>(1,740,238)</u>	<u>(2,192,508)</u>
Total assets less current liabilities		<u>2,424,605</u>	<u>2,219,421</u>

		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves			
Share capital	26	72,351	72,351
Reserves		<u>1,441,172</u>	<u>1,389,914</u>
Equity attributable to owners of the Company		1,513,523	1,462,265
Non-controlling interests		<u>105,097</u>	<u>100,185</u>
Total equity		<u>1,618,620</u>	<u>1,562,450</u>
Non-current liabilities			
Obligations under finance leases		72,740	104,949
Bank borrowings	22	199,900	15,298
Corporate bond	25	495,179	493,156
Deferred income		23,828	22,635
Deferred tax liabilities		<u>14,338</u>	<u>20,933</u>
		<u>805,985</u>	<u>656,971</u>
Total equity and non-current liabilities		<u><u>2,424,605</u></u>	<u><u>2,219,421</u></u>

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”) with effect from 12 December 2007. 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 consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency of the Company and its subsidiaries).

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

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

In the current year, the Group has applied for the first time, all amendments to IFRSs issued by the International Accounting Standards Board (“IASB”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2015. The adoption of these new standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group. The Directors are in the process of making an assessment of the impact of these IFRSs on the consolidated financial statements of the Group in their initial application.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB.

The financial statements also comply with the applicable 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”).

The amendments of the Listing Rules relating to financial information with reference to Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) which came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information in these consolidated financial statements.

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. Non-current assets and disposal group held for sale are stated the lower of carrying amount and fair value less costs to sell.

The Group has net current liabilities of approximately RMB1,740,238,000 at 31 December 2015. 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 2016, 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 present 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 2015

	Paper products				Electricity and steam RMB'000	Total RMB'000
	White top linerboard RMB'000	Light-coated linerboard RMB'000	Core board RMB'000	Specified paper products RMB'000		
Revenue from external customers	1,070,221	1,643,205	483,401	335,658	193,323	3,725,808
Inter-segment revenue	—	—	—	—	280,253	280,253
Segment revenue	<u>1,070,221</u>	<u>1,643,205</u>	<u>483,401</u>	<u>335,658</u>	<u>473,576</u>	<u>4,006,061</u>
Segment profit	<u>188,831</u>	<u>358,767</u>	<u>91,555</u>	<u>72,873</u>	<u>37,969</u>	<u>749,995</u>

For the year ended 31 December 2014

	Paper products				Electricity and steam RMB'000	Total RMB'000
	White top linerboard RMB'000	Light-coated linerboard RMB'000	Core board RMB'000	Specified paper products RMB'000		
Revenue from external customers	993,444	1,500,397	454,866	325,730	173,180	3,447,617
Inter-segment revenue	—	—	—	—	324,161	324,161
Segment revenue	<u>993,444</u>	<u>1,500,397</u>	<u>454,866</u>	<u>325,730</u>	<u>497,341</u>	<u>3,771,778</u>
Segment profit	<u>178,509</u>	<u>292,445</u>	<u>78,204</u>	<u>77,597</u>	<u>45,503</u>	<u>672,258</u>

Segment profit represents the gross profit earned by each paper product and the profit before tax earned by electricity and steam segment. The Group does not allocate other income, other gains or losses, distribution and selling expenses, administrative expenses, finance costs, to paper products segment and does not allocate income tax expenses to both the paper product segment or 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/(loss) before tax is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit		
Segment profit	749,995	672,258
Unrealised profit on inter-segment sales	(50,679)	(57,105)
	699,316	615,153
Distribution and selling expenses	(263,652)	(246,913)
Administrative expenses	(146,362)	(140,149)
Other income	84,544	69,239
Other gains and losses	(5,893)	832
Finance costs	(257,952)	(313,119)
Change in fair value of investment properties	(15,945)	2,560
Share of loss of a joint venture	(23,258)	(4,524)
Consolidated profit/(loss) before taxation	<u>70,798</u>	<u>(16,921)</u>

Depreciation of property, plant and equipment and release of prepaid lease payments, finance cost and interest income amounted to RMB47,223,000 (2014: RMB46,572,000), RMB33,469,000 (2014: RMB31,636,000), and RMB5,935,000 (2014: RMB2,764,000) was included in segment profit of the electricity and steam segment.

The Group does not allocate depreciation of property, plant and equipment and release 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, GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Other income:		
Interest income on:		
Interest income on bank deposits	46,383	36,292
Interest income from the balance with a joint venture (<i>Note i</i>)	21,773	22,816
Total interest income	68,156	59,108
Rental income from investment properties and other properties	3,941	6,336
Government grants (<i>Notes ii & iii</i>)	19,090	10,031
Write off/waive of certain payables from suppliers	—	418
Insurance premium refunded	—	3,269
	91,187	79,162
Other gains or losses:		
Net foreign exchange loss	(19,422)	(5,609)
Gain from sale of scrap materials, net	1,414	2,353
Loss on disposal of property, plant and equipment	(117)	(3,329)
Change in the fair value of derivative financial instrument	(75)	1,224
Impairment loss of trade receivables	(2,316)	(2,819)
Reversal of provision for indemnity (<i>Note iv</i>)	11,875	—
Others	3,296	6,143
	(5,345)	(2,037)

Notes:

- i. During the year ended 31 December 2015, 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”) at an effective weighted average annual rate of 7.17% per annum (2014: 6.83% per annum).
- ii. No government subsidy was received by 昌樂昌東廢紙收購有限責任公司 (Changle Changdong Waste Paper Recovery Co., Ltd) (“Changdong Paper Recovery”) in 2015 (2014: Changdong Paper Recovery obtained unconditional government subsidy of approximately RMB6,766,000 from local government, the amount of which was determined by reference to the amount of value-added tax (“VAT”) paid).
- iii. During the year ended 31 December 2015, 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 RMB16,080,000 (2014: RMB1,420,000) from local government for the purpose of supporting its operation.
- iv. An amount of RMB11,875,000 included in other gains or losses for the year ended 31 December 2015 represented the reversal of provision for indemnity for the early termination of a derivative contract recognised and included under other payable in previous year.

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expenses on:		
Discounted bill financing	128,339	129,996
Bank and other borrowings wholly repayable within five years	121,229	168,981
Finance leases	6,342	13,396
Short-term financing notes	1,296	23,862
Corporate bond	38,874	26,011
	<u>296,080</u>	<u>362,246</u>
Less: Interest capitalised in construction in progress	<u>(4,659)</u>	<u>(17,390)</u>
	<u><u>291,421</u></u>	<u><u>344,856</u></u>

Borrowing costs capitalised during the year ended 31 December 2015 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.85% (2014: 6.60%) per annum to expenditure on construction in progress.

9. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax		
PRC enterprise income tax	17,051	11,912
Deferred tax charge	<u>(2,427)</u>	<u>2,436</u>
	<u><u>14,624</u></u>	<u><u>14,348</u></u>

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% (2014: 25%).

In 2010, Century Sunshine was recognised as Advanced Technology Enterprise which was approved by Science Technology Bureau, Finance Bureau and State Administration of Taxation in Shandong province. During the year 2013, Century Sunshine obtained the renewed approval status of Advanced Technology Enterprise, pursuant to which Century Sunshine was entitled to enterprise income tax rate of 15% for three years from 2013 to 2015.

In 2013, 昌樂新邁紙業有限公司 (Changle Numat Paper company Industry Co., Ltd.) ("Changle Numat") was recognised as Advanced Technology Enterprise which was approved by Science Technology Bureau, Finance Bureau and State Administration of Taxation in Shandong province. Pursuant to the relevant laws and regulations in the PRC, Changle Numat was entitled to enterprise income tax rate of 15% for three years from 2013 to 2015.

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2015 and 2014 as the Group did not have any assessable profit subject to Hong Kong Profits Tax during both years.

10. PROFIT/(LOSS) FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit/(Loss) for the year has been arrived at after charging (crediting):		
Wages and salaries	151,708	140,638
Retirement benefits schemes contributions	25,391	20,348
Total staff costs (including the Directors' emoluments)	177,099	160,986
Cost of inventories recognised as an expense	2,877,320	2,657,637
Depreciation of property, plant and equipment	218,875	213,985
Impairment losses on trade receivables	2,316	2,819
Release of prepaid lease payments	5,519	6,734
Auditors' remuneration	1,940	2,007
Net foreign exchange loss	19,422	5,609
Rental income from investment properties and other properties	(3,941)	(6,336)
Direct operating expenses incurred for investment properties generated rental income during the year	76	63

11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognised as distributions during the year:		
2015 — nil (2014: interim, paid — HK\$0.01 (equivalent to approximately RMB0.008) per share)	—	6,391

A final dividend of HK\$0.03 per share in respect of the year ended 31 December 2015 has been proposed by the Directors and is subject to the approval of the Company's shareholders in the forthcoming annual general meeting. The Directors did not recommend the payment of final dividend in respect of the year ended 31 December 2014.

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit of RMB51,258,000 (2014: loss of RMB37,966,000) for the year attributable to owners of the Company, and the weighted average number of 802,588,000 (2014: 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 2015 and 31 December 2014. The basic earnings per share are equal to the diluted earnings per share.

13. DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Due from a joint venture	229,825	254,323
Guarantee deposits for finance leases	17,184	51,150
Deposit for acquisition of property, plant and equipment	2,936	2,465
	249,945	307,938

14. INVENTORIES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Raw materials	232,405	204,856
Finished goods	142,650	176,620
	<u>375,055</u>	<u>381,476</u>

15. TRADE RECEIVABLES

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables due from:		
— Third parties	405,957	379,858
— Related parties	10,134	10,522
	<u>416,091</u>	<u>390,380</u>

Included in the balance of trade receivables above, approximately RMB162,975,000 at 31 December 2015 (2014: RMB74,270,000) was pledged to banks to secure banking facilities granted to the Group.

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 aged 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0–30 days	329,797	293,943
31–90 days	58,551	70,123
91–365 days	24,659	23,108
Over 1 year	3,084	3,206
	<u>416,091</u>	<u>390,380</u>

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 RMB29,801,000 (2014: RMB44,738,000) 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.

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

	2015 RMB'000	2014 <i>RMB'000</i>
31–90 days	18,458	18,424
91–365 days	8,494	23,108
Over 1 year	2,849	3,206
	29,801	44,738

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 trade receivables during the year.

	2015 RMB'000	2014 <i>RMB'000</i>
At the beginning of the year	6,448	3,629
Provided during the year	2,316	2,819
At the end of the year	8,764	6,448

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 RECEIVABLE**

	2015 RMB'000	2014 <i>RMB'000</i>
Bills receivable	347,549	559,934

During the year, the Group has discounted bills receivable of RMB186,000,000 (2014: RMB192,540,000) to banks with full recourse. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the discounting as discounted bill financing.

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

	2015 RMB'000	2014 <i>RMB'000</i>
0–90 days	235,830	326,288
91–180 days	109,899	215,466
181–365 days	1,820	18,180
	347,549	559,934

17. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of deposits, prepayments and other receivables is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Prepayments to suppliers	111,943	112,093
Other receivables	181,764	150,318
	<u>293,707</u>	<u>262,411</u>

An analysis of other receivables is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
VAT recoverable	86,357	129,626
Deposits	17,560	5,590
Advance to employees	1,597	1,098
VAT refund as a government subsidy	—	802
Interest receivable	3,673	—
Loan to a joint venture	50,000	—
Others	22,577	13,202
	<u>181,764</u>	<u>150,318</u>

18. TRADE PAYABLES

An analysis of trade payables is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables to third parties	<u>778,830</u>	<u>636,294</u>

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

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
0–90 days	618,197	543,197
91–365 days	140,336	84,366
Over 1 year	20,297	8,731
	<u>778,830</u>	<u>636,294</u>

19. BILLS PAYABLE

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

	2015 RMB'000	2014 RMB'000
0–90 days	50,000	262,000
91–180 days	100,000	58,000
Over 180 days	24,000	—
	<u>174,000</u>	<u>320,000</u>

All the bills payable are of trading nature and will be expired within twelve months (2014: six months) from the issue date.

20. OTHER PAYABLES

An analysis of other payables is as follows:

	2015 RMB'000	2014 RMB'000
Other payables due to third parties	<u>135,878</u>	<u>144,363</u>

	2015 RMB'000	2014 RMB'000
Other payables	30,054	52,736
Advance from customers	69,215	46,124
VAT and other tax payable	15,932	24,756
Interest payable of corporate bond	18,399	20,475
Other interest payable	1,469	251
Accrued payroll and welfare	809	21
	<u>135,878</u>	<u>144,363</u>

21. DISCOUNTED BILL FINANCING

	2015 RMB'000	2014 RMB'000
Discounted bill financing	<u>2,010,129</u>	<u>2,158,282</u>

Comprising:		
Discounted bill receivable from third party	186,000	192,540
Discounted bill receivable from subsidiaries of the Company	<u>1,824,129</u>	<u>1,965,742</u>
Total	<u>2,010,129</u>	<u>2,158,282</u>

Discounted bill financing represents the amount of cash received on the discounted bills receivable to banks with full recourse. Bank deposits of RMB1,279,185,000 (2014: RMB1,253,350,000) were pledged by the subsidiaries to the banks for bank bills issued.

22. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings	1,850,769	1,441,530
Unsecured bank borrowings	219,561	511,654
	<u>2,070,330</u>	<u>1,953,184</u>
The borrowings are repayable as follows:		
Within one year	1,870,430	1,937,886
In the second year	199,900	15,298
	<u>2,070,330</u>	<u>1,953,184</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(1,870,430)</u>	<u>(1,937,886)</u>
Amount due after one year	<u>199,900</u>	<u>15,298</u>
Total borrowings		
— At fixed rates	1,262,560	579,670
— At floating rates	807,770	1,373,514
	<u>2,070,330</u>	<u>1,953,184</u>
Analysis of borrowings by currency:		
— Denominated in RMB	1,980,020	1,548,556
— Denominated in US\$	90,310	404,628
	<u>2,070,330</u>	<u>1,953,184</u>

Fixed-rate borrowings are charged at the rates ranging from 2.50% to 7.80% per annum as at 31 December 2015 (2014: 5.61% to 9.00% 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 and interest on US\$ borrowing at floating rate is charged at 3.99% over LIBOR (2014: 1.50% to 6.00% over LIBOR).

For all bank borrowings as above, the effective weighted average annual rate for the year ended 31 December 2015 was 5.57% per annum (2014: 6.60% per annum).

23. OTHER BORROWINGS

	2015 RMB'000	2014 RMB'000
Borrowings from		
Weifang City Investment Co., Ltd. (潍坊市投资有限公司) ("Weifang City Investment") (Note i)	12,500	14,000
Liu Hua Mei (Note ii)	—	32,000
Hao Shu Fang (Note ii)	—	10,500
Total	<u>12,500</u>	<u>56,500</u>

Notes:

- i. The borrowings from Weifang City Investment, an unconnected third party, are unsecured and repayable on demand. The effective weighted average annual rate for the year ended 31 December 2015 was 6.77% per annum (2014: 6.14% per annum).
- ii. There was no borrowing from individual not connected to the Group in 2015 (2014: The borrowings from two individuals not connected to the Group were unsecured and payable within one year. The interest was charged by a floating rate at 30% the prevailing bank borrowings rate announced by the People's Bank of China. The effective weighted average annual rate for the year ended 31 December 2014 was 7.28% per annum). The loans were repaid during the year.

24. SHORT-TERM FINANCING NOTE

On 16 January 2014, Century Sunshine had issued another RMB300,000,000 one-year term short-term financing note and replaced the first tranche of RMB300,000,000 which expired in January 2014. The short-term financing notes bear interest at a fixed coupon rate of 8.3% per annum and with an effective interest rate of 8.7% per annum. The one-year short-term financing note has expired in January 2015 and no new note was issued in 2015.

25. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bonds on 23 July 2014. The final offering size of the seven-year corporate bonds was RMB500,000,000 with annual coupon rate of 8.19% per annum. The corporate bonds are guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's one piece of investment property of RMB185,522,000 (2014: 191,859,000), and will be repaid with 20% of offering size annually from the year 2017 to the year 2021.

26. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2014, 31 December 2014 and 31 December 2015	<u>1,000,000,000</u>	<u>100,000</u>
		Shown in the consolidated
	Number of shares	Share capital <i>HK\$'000</i>
		financial statements <i>RMB'000</i>
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 31 December 2015	<u>802,588,000</u>	<u>80,258</u>
		<u>72,351</u>

BUSINESS REVIEW

In 2015, the manufacturing and economic environment remained stable as a whole across the paper manufacturing industry. However, performance of small-scale paper manufacturers remained sluggish amid lingering issues from oversupply, weak demand and decelerating revenue growth of the paper manufacturing industry. Our Group analysed the current situation and made prudent response to maintain healthy operation for the enterprise by striving for market share and encouraging innovation. As a result, our Group achieved a record-breaking sales volume of approximately 1,145,000 tons for the year ended 31 December 2015 (“FY2015”).

In 2015, despite prolonged economic hardship and difficult environment, all staff members of our Group mounted a concerted effort to enhance operating efficiency and implement in-depth measures to reduce operating costs for a sustained period. For FY2015, gross profit margin was 20.0%, as compared to that of 19.0% for the year ended 31 December 2014 (“FY2014”).

OUTLOOK

2016 marks the commencement of the “13th Five-year Plan”. Despite challenges on several fronts, there remains ample room for rapid advancement in respect of enterprise development, with important strategic opportunities up for grab. The paper manufacturing industry currently finds itself in a transformation period that focuses on elimination of obsolete and non-environmental friendly capacity and structural adjustments and an inevitable reform awaits. If we are to adapt to the dynamic and evolving domestic and overseas markets, we must pursue a breakthrough in such reform, capture development opportunities and speed up transformation and upgrade process.

Our Group will relentlessly facilitate our management and internal control to enhance the operation standard of enterprise resource planning and supply chain management, as well as the overall quality of management of our Group. Meanwhile, we are determined to implement the Group’s packaging solution concept that emphasises design and creativity by the method of “Internet + Packaging” based on core board and pre-print, thereby progressing from “production” to “smart production”. We will also strictly comply with laws and regulations of environmental protection to fulfill the Group’s social responsibility, so as to achieve innovative, environmental-friendly and mutual development.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

For FY2015, our Group's total revenue was RMB3,725.8 million, representing an increase of 8.1% as compared to that of RMB3,447.6 million for FY2014. For FY2015, sales of each category of paper products was able to achieve a high single digit increase as compared to that for FY2014. Such increase primarily reflected the increase in sales volume of our paper products as a result of the product differentiation and value-for-money of our paper products. On the contrary, as a result of the lower raw materials cost in FY2015, there was a low single digit decrease in the average selling price of our paper products.

Same as previous years, sales of paper products accounted for substantially all of our Group's total revenue, while the remaining portion of our Group's total revenue represented sales of electricity and steam.

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

	FY2015		FY2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of paper products				
White top linerboard	1,070,221	28.7	993,444	28.8
Lighted-coated linerboard	1,643,205	44.1	1,500,397	43.5
Core board	483,401	13.0	454,866	13.2
Specialized paper products	335,658	9.0	325,730	9.5
Sub-total of sales of paper products	3,532,485	94.8	3,274,437	95.0
Sales of electricity and steam	193,323	5.2	173,180	5.0
	<u>3,725,808</u>	<u>100.0</u>	<u>3,447,617</u>	<u>100.0</u>

Cost of sales

Our cost of sales increased by approximately RMB188.4 million or 6.7 %, from RMB2,791.6 million for FY2014 to RMB2,980.0 million for FY2015. The increase in cost of sales was generally in line with the increase in total revenue.

We saw a decrease in raw materials cost for both domestic recovered paper and overseas recovered paper amid the globally weak demand of raw materials during FY2015. With respect to the costs of our paper products segment, domestic recovered paper, overseas recovered paper and kraft pulp accounted for approximately 31.0%, 27.7% and 10.7%, respectively, of our cost of sales for FY2015. Chemicals and additives consumed accounted for approximately 10.4% of the cost of sales, and the remaining 20.2% mainly represented manufacturing overhead costs and labour costs.

Gross profit and gross profit margin

As a result of the factors discussed in the paragraph headed "Cost of sales" above, we were able to record an increase in both gross profit and gross profit margin, from RMB656.0 million and 19.0%, respectively, for FY2014, to RMB745.8 million and 20.0%, respectively, for FY2015.

Other profit and loss items

Other income of RMB91.2 million for FY2015 (FY2014: RMB79.2 million) mainly comprised interest income of RMB68.2 million (FY2014: RMB59.1 million), rental income from investment properties and other properties of RMB3.9 million (FY2014: RMB6.3 million) and government grants of RMB19.1 million (FY2014: RMB10.0 million). The increase in government grants mainly reflected an unconditional government subsidy to support our Group's operation.

During FY2015 we recorded a net foreign exchange loss of RMB19.4 million, as compared to that of RMB5.6 million for FY2014. The continuing depreciation of Renminbi against US dollar during FY2015 resulted in the significant foreign exchange loss of our bank borrowings denominated in US dollar.

Distribution and selling expenses, primarily consisted of transportation cost and staff costs, recorded an increase from RMB246.9 million for FY2014 to RMB263.7 million for FY2015. As a percentage of total revenue, it was approximately 7.1 % for FY2015, which was comparable to 7.2% for FY2014.

Administrative expenses increased from RMB156.4 million for FY2014 to RMB166.5 million for FY2015. As a percentage of total revenue, it was approximately 4.5% for both FY2015 and FY2014.

The loss for the change in fair value of investment property of RMB15.9 million represented the revaluation loss arising from two investment properties located in the PRC (FY2014: RMB2.6 million revaluation gain).

We shared the loss of a joint venture, the principal activities of which were manufacture and sales of decorative papers, of RMB23.3 million for FY2015 (FY2014: Share of loss of RMB4.5 million).

Finance costs decreased by approximately 15.5% or RMB53.5 million, from RMB344.9 million for FY2014 to RMB291.4 million for FY2015. The decrease in finance costs mainly resulted from the renewal of lower interest bearing bank borrowings during FY2015.

Income tax expenses

Income tax expenses were RMB14.6 million and RMB14.3 million, respectively, for FY2015 and FY2014.

Profit/(Loss) 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 RMB51.3 million for FY2015 (FY2014: Loss for the year attributable to the owners of our Company of RMB38.0 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 FY2014 and FY2015, 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

As at 31 December 2015, our Group's net current liabilities was RMB1,740.2 million, representing a decrease of RMB452.3 million as compared to that of RMB2,192.5 million as at 31 December 2014. The current ratio was 0.66 times and 0.61 times, respectively, as at 31 December 2015 and 2014. The improvement in current ratio mainly reflected the repayment of short-term financing note and bank borrowings during FY2015.

As at 31 December 2015, we had bank balances and cash, and restricted bank deposits, of approximately RMB1,833.4 million, representing a slight decrease of RMB43.4 million as compared to that of RMB1,876.8 million as at 31 December 2014.

Inventories recorded a slight decrease from RMB381.5 million as at 31 December 2014 to RMB375.1 million as at 31 December 2015. Inventory turnover was 46 days for FY2015, which was comparable to that of 44 days for FY2014.

Trade receivables increased from RMB390.4 million as at 31 December 2014 to RMB416.1 million as at 31 December 2015. Trade receivables turnover for both FY2015 and FY2014 was 40 days, which was generally in line with the 30 to 45 days credit period given to our customers.

Trade payables were RMB778.8 million as at 31 December 2015, as compared to RMB636.3 million as at 31 December 2014. Trade payables turnover for FY2015 was 87 days, as compared to that of 75 days for FY2014.

Cashflow

Net cash from operating activities amounted to RMB733.2 million for FY2015 (FY2014: RMB810.7 million). Net cash from investing activities amounted to RMB17.5 million for FY2015, primarily attributable to interest received of RMB89.0 million, proceeds from disposal of property, plant and equipment of RMB22.9 million, and decrease in restricted bank deposits of RMB68.1 million, offset in part by RMB140.8 million for the purchase of property, plant and equipment (FY2014: Net cash used in investing activities of RMB610.0 million). Net cash used in financing activities amounted to RMB725.4 million for FY2015, primarily attributable to interest paid of RMB296.9 million, repayment of short-term financing note of RMB300.0 million, and the decrease in discounted bill financing of RMB148.2 million (FY2014: Net cash used in financing activities of RMB365.6 million). The combined effect of the above resulted in a net increase in cash and cash equivalents of RMB25.3 million for FY2015 (FY2014: Net decrease in cash and cash equivalents of RMB164.8 million).

Gearing

Our net gearing ratio decreased from 71.8% as at 31 December 2014 to 54.8% as at 31 December 2015. We fully repaid the short term financing note during FY2015 resulting in the improvement in net gearing ratio.

Capital expenditure

During FY2015, our capital expenditure was approximately RMB145.5 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 2015, the aggregate carrying amount of our assets pledged was approximately RMB2,978.8 million. (31 December 2014: RMB3,068.2 million).

Capital commitments and contingent liabilities

Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment was approximately RMB79.2 million as at 31 December 2015 (31 December 2014: RMB53.7 million).

As at 31 December 2015, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 2,780 full-time employees in the PRC and Hong Kong as at 31 December 2015. The staff costs for FY2015 were approximately RMB177.1 million, representing an increase of RMB16.1 million over FY2014 of approximately RMB161.0 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.

Subsequent Events

Subsequent to the year ended 31 December 2015, certain PRC banks had agreed to renew the Group's bank borrowings of RMB391,874,000 for one year when they fall due in year 2016.

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, short-term financing notes, 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 FY2015, 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 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 as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules during FY2015.

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 FY2015.

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 Mr. Leung Ping Shing (Chairman), Mr. Wang Zefeng and Ms. Jiao Jie, has reviewed the audited annual results for FY2015 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 audited annual results for FY2015 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 HK3 cents per ordinary share for FY2015 (FY2014: Nil), subject to approval of shareholders of the Company ("Shareholders") at the 2015 annual general meeting of the Company expected to be held on 27 May 2016 (the "AGM").

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The register of members of our Company will be closed from 25 May 2016 to 27 May 2016, 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 of our Company 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 1712–16, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 24 May 2016.

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 of our Company in due course.

In relation to the final dividend

Shareholders whose names appear on the Company's register of members on 8 June 2016 will qualify for the proposed final dividend. The register of members of our Company will be closed from 7 June 2016 to 8 June 2016, 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 1712–16, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 June 2016. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is payable on or about 20 June 2016 to shareholders whose names appear on the register of members of the Company on 8 June 2016.

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 FY2015 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 of our Company 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 of our Company, customers, suppliers, banks, professional parties and employees of our Group for their continuous support.

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

Shanghai, China, 31 March 2016

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

Executive directors: Mr. Wang Dongxing, Mr. Shi Weixin,
Mr. Zhang Zengguo and Mr. Wang Changhai

Non-executive directors: Mr. Xu Leihua and Mr. Li Hengwen

Independent non-executive directors: Mr. Leung Ping Shing, Mr. Wang Zefeng and Ms. Jiao Jie

* *For identification purposes only*