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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 2013

FINANCIAL HIGHLIGHTS

- Revenue slightly decreased by 1.3% to RMB3,657.7 million
- Gross profit margin was 16.5%
- Both total comprehensive income and profit for the year attributable to the owners of the Company were RMB22.1 million
- Basic earnings per share of RMB0.03

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 our Company and its subsidiaries (the “Group”) for the financial year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2013

		2013	2012
	Notes	RMB'000	RMB'000
Revenue	4	3,657,671	3,704,180
Cost of sales		(3,054,188)	(3,088,852)
Gross profit		603,483	615,328
Other income	5	117,718	107,033
Other gains and losses	5	31,367	11,016
Distribution and selling expenses		(256,154)	(223,193)
Administrative expenses		(155,080)	(135,956)
Change in fair value of investment properties		4,651	32,706
Share of profit of a joint venture		402	—
Finance costs	6	(307,442)	(335,439)
Profit before tax		38,945	71,495
Income tax expense	7	(11,425)	(16,929)
Profit for the year	8	27,520	54,566
Other comprehensive income	9		
Items that may be reclassified subsequently to profit and loss			
Gain on revaluation of investment properties		—	20,373
Income tax relating to component of other comprehensive income		—	(4,761)
Other comprehensive income for the year, net of income tax		—	15,612
		—	15,612
Total comprehensive income for the year		27,520	70,178
Profit for the year attributable to:			
Owners of the Company		22,055	43,983
Non-controlling interests		5,465	10,583
		27,520	54,566
Total comprehensive income attributable to:			
Owners of the Company		22,055	59,593
Non-controlling interests		5,465	10,585
		27,520	70,178
		RMB	RMB
Earnings per share	11		
— Basic		0.03	0.05
— Diluted		0.03	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		3,348,739	3,252,719
Investment Properties		246,379	241,728
Prepaid lease payments		254,680	188,798
Goodwill		18,692	18,692
Deferred tax assets		9,148	10,612
Investment in a joint venture		111,162	—
Assets held for establishment of a joint venture		—	103,530
Deposits and other receivables	12	292,060	122,185
		<u>4,280,860</u>	<u>3,938,264</u>
Current assets			
Prepaid lease payments		7,632	3,853
Inventories	13	285,521	656,496
Trade receivables	14	360,495	392,456
Loan receivable		—	50,000
Bills receivable	15	687,163	528,567
Prepayments and other receivables		281,034	323,603
Income tax recoverable		6,739	6,000
Restricted bank deposits		1,230,308	1,162,368
Bank balances and cash		466,934	258,391
		<u>3,325,826</u>	<u>3,381,734</u>
Assets classified as held for sale		<u>—</u>	<u>157,550</u>
		<u>3,325,826</u>	<u>3,539,284</u>
Current liabilities			
Trade payables	16	517,470	408,602
Bills payable	17	152,157	90,000
Other payables		95,473	111,331
Payable for construction work, machinery and equipment		6,927	58,036
Income tax payable		451	3,915
Obligations under finance leases—current portion		102,679	95,372
Deferred income—current portion		2,367	2,103
Derivative financial instruments		1,149	259
Discounted bill financing	18	1,671,026	1,870,699
Bank borrowings—due within one year	19	2,831,940	2,355,939
Other borrowings		14,000	14,000
Short-term financing notes		300,000	—
		<u>5,695,639</u>	<u>5,010,256</u>
Net current liabilities		<u>2,369,813</u>	<u>1,470,972</u>
Total assets less current liabilities		<u>1,911,047</u>	<u>2,467,292</u>

	<i>Notes</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Capital and reserves			
Share capital		72,351	72,351
Reserves		1,434,271	1,412,151
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,506,622	1,484,502
Non-controlling interests		93,488	85,323
		<hr/>	<hr/>
Total equity		1,600,110	1,569,825
		<hr/>	<hr/>
Non-current liabilities			
Obligations under finance leases—non-current portion		92,573	195,351
Bank borrowings—due after one year	<i>19</i>	174,727	656,469
Deferred income—non-current portion		22,829	25,460
Deferred tax liabilities		20,808	20,187
		<hr/>	<hr/>
		310,937	897,467
		<hr/>	<hr/>
Total equity and non-current liabilities		1,911,047	2,467,292
		<hr/>	<hr/>

NOTES:

1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) (the “Company”) 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.

The Group had net current liabilities of RMB2,369,813,000 as at 31 December 2013. The Directors are of the opinion that, taking into account the presently available banking facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval of 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. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied the following new and revised IFRS issued by the International Accounting Standards Board (“IASB”) which are or have become effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle;
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;
IFRS 10	Consolidated Financial Statements;
IFRS 11	Joint Arrangements;
IFRS 12	Disclosure of Interests in Other Entities;
IFRS 13	Fair Value Measurement;
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income; and

In addition, the Group has early adopted the amendments to IAS 36 Impairment of Financial Assets: Recoverable Amount Disclosures for Non-Financial Assets in advance of its effective date.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretation (“New and revised IFRSs”) that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle ²
IFRS 9	Financial Instruments ³
IFRS 14	Regulatory Deferral Accounts ⁵
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

Except as described below, the Directors anticipate that the application of the above 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 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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 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. 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.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors anticipate that the adoption of IFRS 9 in the future have no material impact on the Group based on an analysis of the Group’s financial assets and liabilities as at 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

4. 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 current year.

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.

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 2013

	Paper products			Specialised paper products	Electricity and steam	Total
	White top linerboard RMB’000	Light-coated linerboard RMB’000	Core board RMB’000	RMB’000	RMB’000	RMB’000
Revenue from external customers	1,106,745	1,550,987	477,929	387,092	134,918	3,657,671
Inter-segment revenue	—	—	—	—	383,267	383,267
Segment revenue	<u>1,106,745</u>	<u>1,550,987</u>	<u>477,929</u>	<u>387,092</u>	<u>518,185</u>	<u>4,040,938</u>
Segment profit	<u>180,692</u>	<u>259,853</u>	<u>66,056</u>	<u>69,555</u>	<u>36,464</u>	<u>612,620</u>

For the year ended 31 December 2012

	Paper products			Specialised	Electricity	Total
	White top linerboard <i>RMB'000</i>	Light-coated linerboard <i>RMB'000</i>	Core board <i>RMB'000</i>	paper products <i>RMB'000</i>	and steam <i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	1,066,955	1,594,663	551,756	342,575	148,231	3,704,180
Inter-segment revenue	—	—	—	—	516,858	516,858
Segment revenue	<u>1,066,955</u>	<u>1,594,663</u>	<u>551,756</u>	<u>342,575</u>	<u>665,089</u>	<u>4,221,038</u>
Segment profit	<u>210,872</u>	<u>210,573</u>	<u>125,938</u>	<u>45,167</u>	<u>66,891</u>	<u>659,441</u>

Depreciation of property, plant and equipment and release of prepaid lease payments, finance cost and interest income amounted to RMB45,541,000 (2012: RMB43,477,000), RMB37,790,000 (2012: RMB54,577,000), and RMB1,727,000 (2012: RMB3,637,000) 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 payment, financial cost and interest income to the relevant paper product segments in the internal segment analysis as this information is not necessary to the chief operating decision maker.

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, GAINS AND LOSSES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Other income:		
Interest income on bank deposits	28,023	24,903
Interest income from the balances with a joint venture (<i>Note iii</i>)	17,693	—
Interest income from loan receivable	268	2,952
Rental income from investment properties and other properties	6,819	4,912
Government grants (<i>Note i & ii</i>)	54,718	70,848
Waiver for certain payables from the suppliers	7,501	—
Insurance premium refunded	2,696	3,404
Others	—	14
	<u>117,718</u>	<u>107,033</u>
Other gains or losses:		
Net foreign exchange gain	15,475	958
Gain from sale of scrap materials, net	4,135	1,076
Gain on disposal of a subsidiary	5,497	—
(Loss)/gain on disposal of property, plant and equipment	(773)	6,326
Gain on disposal of assets classified as held for sale	7,360	—
Change in the fair value of derivative financial instrument	(890)	430
Impairment loss of trade receivable	(3,551)	—
Others	4,114	2,226
	<u>31,367</u>	<u>11,016</u>

Note:

- i. During the year ended 31 December 2013, 昌樂昌東廢紙收購有限公司 (Changle Changdong Waste Paper Recovery Co., Ltd) (“Changdong Paper Recovery”) obtained unconditional government subsidy of approximately RMB26,048,000 (2012: RMB30,064,000) from local government, the amount of which was determined by reference to the amount of value-added tax (“VAT”) paid.
- ii. During the year ended 31 December 2013, 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 unconditional government subsidy of approximately RMB24,881,000 (2012: RMB36,511,000) from local government for the purpose of supporting its operation.
- iii. During the year ended 31 December 2013, 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” or the “JV Company”), a joint venture company of the Company, at 20% over the prevailing bank lending rates announced by the People’s Bank of China (similar to the Group’s borrowing rate from the banks approximately 7% per annum).

6. FINANCE COSTS

	2013 <i>RMB’000</i>	2012 <i>RMB’000</i>
Interest expenses on:		
Discounted bill financing	83,345	135,843
Bank and other borrowings wholly repayable within five years	196,536	207,001
Finance leases	18,285	21,556
Short-term financing notes	16,668	—
	<u>314,834</u>	<u>364,400</u>
Less: Interest capitalised in construction in progress	(7,392)	(28,961)
	<u><u>307,442</u></u>	<u><u>335,439</u></u>

Borrowing costs capitalised during the year ended 31 December 2013 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.83% (2012: 6.79%) per annum to expenditure on construction in progress.

7. INCOME TAX EXPENSE

	2013 <i>RMB’000</i>	2012 <i>RMB’000</i>
Current tax		
PRC enterprise income tax	10,702	13,458
Over provision in previous year	(1,362)	—
Deferred tax charge	2,085	3,471
	<u><u>11,425</u></u>	<u><u>16,929</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 disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2012: 25%).

Pursuant to the approval of the Jiangsu State Tax Bureau, 昆山世紀陽光紙業有限公司 (Kunshan Century Sunshine Paper Industry Co., Ltd.) (“Kunshan Sunshine”), which became a foreign investment enterprise in 2006, was exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in next three years. Kunshan Sunshine commenced its first profit-making year in 2008 and accordingly, the applicable income tax rate for the year ended 31 December 2013 was 25% (2012: 12.5%). The Group has fully disposed Kunshan Sunshine to a third party in November 2013.

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 Advanced Technology Enterprise certification. Pursuant to the relevant laws and regulations in the PRC, Century Sunshine was entitled to enterprise income tax rate of 15% from 2010 to 2015.

During the year ended 31 December 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, Century Sunshine was entitled to enterprise income tax rate of 15% for three years from 2013 to 2015.

No provision for Hong Kong Profit Tax has been made for the year ended 31 December 2013 and 2012 as the Group did not have any assessable profit during both years.

The charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Profit before tax	<u>38,945</u>	<u>71,495</u>
Tax at the applicable income tax rate of 25% (2012: 25%)	9,736	17,874
Tax effect of expenses not deductible	2,901	1,628
Tax effect of profit from transaction with a joint venture	2,760	—
Tax effect of share of result of a joint venture	(100)	—
Effect of tax concession granted to certain subsidiaries	(1,296)	(5,138)
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries (<i>Note (a)</i>)	143	811
Over provision in previous year	(1,362)	—
Utilisation of tax losses previously not recognised	(1,357)	(64)
Tax effect of tax losses not recognised	<u>—</u>	<u>1,818</u>
Tax charge for the year	<u>11,425</u>	<u>16,929</u>

Notes:

- (a) Under the Double Taxation Arrangement between Hong Kong and Mainland China, deferred tax liability was recognised based on undistributed profit of the PRC subsidiaries for the dividends expect to be declared to the Hong Kong holding company in respect of profits earned from 1 January 2008 and thereafter which will be subject to withholding tax at 5%. The management intends to declare and recommend dividends which would be approximately 20% of the net profit of the PRC subsidiaries generated in each year and deferred tax is provided on this basis.

8. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Wages and salaries	120,227	121,997
Retirement benefits schemes contributions	16,846	13,778
Equity-settled share-based payment	65	219
Total staff costs (including Directors' emoluments)	137,138	135,994
Cost of inventories recognised as an expense	3,022,884	2,965,911
Depreciation of property, plant and equipment	196,210	192,473
Impairment losses on trade receivable	3,551	—
Release of prepaid lease payments	7,632	3,481
Auditor's remuneration	2,371	2,187
Net foreign exchange gain	(15,475)	(958)
Rental income from investment properties and other properties	(6,819)	(4,912)
Direct operating expenses incurred for Investment Properties generated rental income during the year	52	23

9. OTHER COMPREHENSIVE INCOME

	2013 RMB'000	2012 RMB'000
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Gain on revaluation of properties and prepaid lease payments	—	20,373
Income tax relating to other comprehensive income (see below)	—	(4,761)
Other comprehensive income, net of income tax	—	15,612

Tax effect relating to other comprehensive income

	2013			2012		
	Before tax amount RMB'000	Tax expense RMB'000	Net of income tax amount RMB'000	Before tax amount RMB'000	Tax effect RMB'000	Net of income tax amount RMB'000
Item that may be reclassified subsequently to profit or loss						
Gain on revaluation of properties and prepaid lease payments transferred to investment properties	—	—	—	20,373	(4,761)	15,612

10. DIVIDENDS

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>

Dividends declared for distribution during the year:

2012 final dividend — Nil (2012: 2011 final dividend — RMB0.021 per share)	<u>—</u>	<u>16,854</u>
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The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2013 (2012: Nil).

During 2012, a final dividend of RMB0.021 per share in respect of the year ended 31 December 2011, based on 802,588,000 shares of the Company as at 31 December 2011, in total of approximately RMB16,854,000, was proposed by the Directors and approved by the shareholders in the annual general meeting.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>

Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>22,055</u>	<u>43,983</u>
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Number of shares

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>

Number of ordinary shares for the purpose of basic earnings per share	802,588,000	802,588,000
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Effect of dilutive potential ordinary shares:

Share options

<u>—</u>	<u>—</u>
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Weighted average number of ordinary shares for the purpose of diluted earnings per share

<u>802,588,000</u>	<u>802,588,000</u>
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The computation of diluted earnings per share does not assume the exercise of share options as the exercise price is higher than the average market price for share for the year ended 31 December 2013 and 2012.

12. DEPOSITS AND OTHER RECEIVABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Deposit for acquisition of prepaid lease payments	—	78,565
Due from a joint venture	241,001	—
Guarantee deposits for finance leases	39,254	43,620
Deposit for acquisition of property, plant and equipment	11,805	—
	<u>292,060</u>	<u>122,185</u>

13. INVENTORIES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Raw materials	196,207	337,950
Finished goods	89,314	318,546
	<u>285,521</u>	<u>656,496</u>

14. TRADE RECEIVABLES

An analysis of trade receivables is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables due from:		
— Third parties	352,656	382,757
— Related parties	7,839	9,699
	<u>360,495</u>	<u>392,456</u>

Included in the balance of trade receivables above, approximately RMB230,000,000 at 31 December 2013 (2012: RMB348,000,000) 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 other 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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
0–30 days	259,950	253,132
31–90 days	64,590	99,742
91–365 days	30,954	34,867
Over 1 year	5,001	4,715
	<u>360,495</u>	<u>392,456</u>

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

15. BILLS RECEIVABLE

	2013 RMB'000	2012 <i>RMB'000</i>
Bills receivable	687,163	528,567

During the year, the Group has discounted bills receivable of RMB11,443,000 (2012: RMB255,199,000) (Note 18) 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:

	2013 RMB'000	2012 <i>RMB'000</i>
0–90 days	427,683	248,803
91–180 days	259,480	279,764
	687,163	528,567

16. TRADE PAYABLES

An analysis of trade payables is as follows:

	2013 RMB'000	2012 <i>RMB'000</i>
Trade payables to third parties	517,470	408,602

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:

	2013 RMB'000	2012 <i>RMB'000</i>
0–90 days	433,568	337,535
91–365 days	61,613	51,704
Over 1 year	22,289	19,363
	517,470	408,602

17. BILLS PAYABLE

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
0–90 days	83,457	5,000
91–180 days	68,700	85,000
	<u>152,157</u>	<u>90,000</u>

All the bills payable are of trading nature and will be expired within six months from the issue date.

18. DISCOUNTED BILL FINANCING

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Discounted bill financing	<u>1,671,026</u>	<u>1,870,699</u>
Comprising:		
Discounted bill receivable from third party (<i>Note 15</i>)	11,443	255,199
Discounted bill receivable from subsidiaries of the Company	<u>1,659,583</u>	<u>1,615,500</u>
Total	<u>1,671,026</u>	<u>1,870,699</u>

Discounted bill financing represents the amount of cash received on the discounted bills receivable to banks with full recourse. Bank deposits of RMB849,750,000 (2012: RMB971,000,000) were pledged by the subsidiaries to the banks for bank bills issued.

19. BANK BORROWINGS

	2013 RMB'000	2012 RMB'000
Secured bank borrowings	2,548,816	2,926,490
Unsecured bank borrowings	457,851	85,918
	<u>3,006,667</u>	<u>3,012,408</u>
The borrowings are repayable as follows:		
Within one year	2,831,940	2,355,939
In the second year	159,485	524,328
In the third to fifth year inclusive	15,242	132,141
	<u>3,006,667</u>	<u>3,012,408</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(2,831,940)</u>	<u>(2,355,939)</u>
Amount due after one year	<u>174,727</u>	<u>656,469</u>
Total borrowings		
— At fixed rates	903,510	1,423,994
— At floating rates	2,103,157	1,588,414
	<u>3,006,667</u>	<u>3,012,408</u>
Analysis of borrowings by currency:		
— Denominated in RMB	2,757,852	2,653,528
— Denominated in US\$	178,057	212,936
— Denominated in Hong Kong dollar (“HK\$”)	70,758	145,944
	<u>3,006,667</u>	<u>3,012,408</u>

Fixed-rate borrowings are charged at the rates ranging from 1.4% to 9.0% per annum as at 31 December 2013 (2012: 2% to 9% 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, interests on US\$ borrowings at floating rates are charged at 3.1% to 3.5% over LIBOR (2012: 3.1% to 3.5% over LIBOR) and interests on HK\$ borrowings at floating rates are charged at 4.5% over Hong Kong Interbank Offer Rate (“HIBOR”) (2012: 4.5%).

For all bank borrowings as above, the effective weighted average annual rate for the year ended 31 December 2013 was 6.83% per annum (2012: 6.80% per annum).

Included in the new loans obtained during the year ended 31 December 2012, a loan of RMB200,000,000 was borrowed from a trust company for one year at an effective interest rate of 7.87% per annum. The loan was guaranteed by an independent third party (the “Guarantor”). The Group, simultaneously, granted a short-term loan of RMB50,000,000 to the Guarantor. This loan borrowing was repaid during the year 2013 and the guarantee was released accordingly.

BUSINESS REVIEW AND OUTLOOK

Operation Review

Under the backdrop of a slow recovery in the global economy and a depressed market during the financial year ended 31 December 2013 (“FY2013”), our Group implemented strategic measures by active destocking amid the complicated and ever changing operating environment. As a result, our sales volumes increased from approximately 992,000 tons in the financial year ended 31 December 2012 (“FY2012”) to approximately 1,065,000 tons in FY2013, representing an increase of approximately 73,000 tons. At the same time, the Company worked to reduce its cost of raw materials by managing its source of procurement, and pursued technological innovation in terms of processing technique alignment. Therefore, our Group was able to maintain gross profit margin at similar level of 16.5% with that in previous year of 16.6%.

Following the completion of maintenance and modification work at its production facilities, the operation of our JV Company reached its designed capacity and successfully attained its production target in the fourth quarter of 2013. Its principal product was decorative paper, which was well received by the market, and mainly covered the northern, southwestern, eastern and southern parts of China.

Outlook

The business environment of China’s paper industry remains subject to a number of challenges. However, opportunities do exist as more demanding paper industry-related environmental regulations in China and the continuing process of elimination of inefficient paper mills working in our Group’s favour and that our Group continuously improves its competency to grasp these opportunities. To remain competitive, our Group will continue to focus on management enhancement, income stream diversification and cost reduction, and will endeavour in ensuring the existing production lines to continue operating in high efficiency.

Seeing the market demand for specialty paper products, and with the sophisticated production techniques of our JV Company, moreover, our Group intends to further its research and development efforts on premium decorative paper to meet the market demand and boost its profitability, and would, depending on the market conditions of premium decorative paper, consider expansion into the international market. Meanwhile, two pre-printing production lines of our Group would soon commence their productions, which will diversify income stream of our Group.

The successful issue and extension of the short-term financing notes in January 2014 has enabled our Group to gain an effective access to lower-cost funding for its operation. Coupled with normal operation of our production lines, it is expected that the debt position of our Group would continue to improve, with a brighter prospect for the Company’s shareholders’ return on investment.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

Total revenue of our Group for FY2013 was RMB3,657.7 million, as compared to that of RMB3,704.2 million for FY2012, representing a slightly decrease of approximately 1.3%.

Sales of paper products for FY2013 was RMB3,522.8 million (FY2012: RMB3,555.9 million). Due to the imbalance of demand and supply of paper products and the slowdown of the economic growth in China, the average selling price (the “ASP”) of our Group’s paper products continued to be under pressure during FY2013. However, since we have implemented active destocking in the fourth quarter 2013, there was an increase in sales volumes of our paper products, from nearly 1.0 million tons for FY2012 to approximately 1.06 million tons for FY2013.

The following table sets forth our sales by different business segments:

	FY2013		FY2012	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Sales of paper products				
White top linerboard	1,106,745	30.2	1,066,955	28.8
Light-coated linerboard	1,550,987	42.4	1,594,663	43.1
Core board	477,929	13.1	551,756	14.9
Specialized paper products	387,092	10.6	342,575	9.2
Subtotal of sales of paper products	3,522,753	96.3	3,555,949	96.0
Sales of electricity and steam	134,918	3.7	148,231	4.0
	<u>3,657,671</u>	<u>100.0</u>	<u>3,704,180</u>	<u>100.0</u>

Cost of sales

Our cost of sales slightly decreased by 1.1%, from RMB3,088.9 million for FY2012 to RMB3,054.2 million for FY2013, which was generally in line with the decrease in the total revenue. With respect to the costs of our paper products segment, domestic recovered paper, overseas recovered paper, and kraft pulp accounted for approximately 28.0%, 22.0% and 12.0%, respectively, of our cost of sales. Chemicals and additives consumed accounted for approximately 11.0% of the cost of sales. Manufacturing overhead costs accounted for approximately 25.0% of the cost of sales, of which depreciation, electricity and steam represented majority of manufacturing overhead costs. The remaining 2.0% of cost of sales represented labour cost.

Gross profit and gross profit margin

Our gross profit and gross profit margin recorded a decrease in FY2013, which was mainly reflected by the decrease in ASP of our paper products. Gross profit was RMB603.5 million for FY2013, representing an approximately 1.9% decrease as compared to RMB615.3 million for FY2012. Gross profit margin was 16.5% for FY2013, which was comparable to 16.6% for FY2012.

Other profit and loss items

Other income, and other gains and losses mainly represented interest income of RMB46.0 million (FY2012: RMB27.9 million), rental income of RMB6.8 million (FY2012: RMB4.9 million), government grants of RMB54.7 million (FY2012: RMB70.8 million), net foreign exchange gain of RMB15.5 million arising from the appreciation of Renminbi against foreign currencies debt (FY2012: RMB1.0 million), and gain on disposal of a subsidiary of RMB5.5 million (FY2012: Nil). The sharply increase in interest income mainly reflected the interest income received from our JV Company of RMB17.7 million (FY2012: Nil).

Distribution and selling expenses, primarily consisted of transportation cost and staff costs, recorded an increase from RMB223.2 million for FY2012 to RMB256.2 million for FY2013 representing an increase of approximately 14.8%. The increase in distribution and selling expenses mainly reflected the increase in sales volume of paper products in FY2013. As a percentage of total revenue, it also recorded an increase from 6.0% in FY2012 to 7.0% in FY2013.

Administrative expenses increased from RMB136.0 million for FY2012 to RMB155.1 million for FY2013. The increase in administrative expenses mainly reflected the increase in salaries and related costs for administrative staff. As a percentage of total revenue, it also recorded an increase from 3.7% in FY2012 to 4.2% in FY2013.

The net gain from the change in fair value of investment property of RMB4.7 million represented the revaluation gain arising from two investment properties located in PRC.

Share of profit of a joint venture of RMB0.4 million represented the share of profit from the JV Company, a 60% owned entity of our Group.

Finance costs decreased from RMB335.4 million for FY2012 to RMB307.4 million for FY2013, representing a decrease of approximately 8.3%. The decrease was mainly reflected the decrease in bills discounted charges as a result of the decrease of interest rate chargeable on the bills discounted in first half year of FY2013.

Income tax expenses

Income tax expenses decreased from RMB16.9 million for FY2012 to RMB11.4 million for FY2013, representing a decrease of approximately 32.5%. The effective tax rate was 29.3% for FY2013, as compared to 23.7% for FY2012. The lower effective tax rate for FY2012 mainly reflect the higher impact from the tax concession granted to our Group in FY2012.

Profit for the year

As a result of the factors discussed above, profit for the year attributable to the owners of our Company for FY2013 was RMB22.1 million, representing a decrease of approximately 49.8% as compared to RMB44.0 million for FY2012.

Liquidity and financial resources

Treasury policy

Our Group continues to control financial risks in a prudent manner. 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, 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

Internally generated operating cash flow and credit facilities provided by our principal bankers finance most of our working capital requirements. As at 31 December 2013, we had bank balances and cash, and restricted bank deposits, of approximately RMB1,697.2 million, representing an increase of RMB276.4 million as compared with that of RMB1,420.8 million as at 31 December 2012.

Inventories decreased from RMB656.5 million as at 31 December 2012 to RMB285.5 million as at 31 December 2013. Its turnover days also decreased from 76 days for FY2012 to 56 days for FY2013. The decrease in inventory balance and its turnover days reflected our Group's strategy of destocking in the fourth quarter 2013 for the purpose of holding more cash for future development.

Trade receivables decreased from RMB392.5 million as at 31 December 2012 to RMB360.5 million as at 31 December 2013. The turnover days of trade receivables for FY2013 was 38 days, which was generally in line with 30 to 45 days credit period given to our Group's customers and comparable to 37 days for FY2012.

As at 31 December 2013, we recorded net current liabilities of RMB2,369.8 million (as at 31 December 2012: RMB1,471.0 million). The current ratio was 0.58 times and 0.71 times, respectively, as at 31 December 2013 and 2012. During FY2013, our Group has issued short-term financing notes of RMB300 million which improved our liquidity and financial position of our Group. We also possessed sufficient cash resources from operating cash inflow and available banking facilities to meet our Group's working capital requirement.

Cashflow

We recorded net cash inflows from operation of RMB774.0 million for FY2013 (FY2012: RMB464.9 million). The increase in net cash inflows from operation reflected the result of our monitoring in working capital management, including but not limited to the increase in inventory turnover in FY2013 through enhanced inventory management, which released cash and increased cash flow from operations. Net cash used in investing activities decreased from RMB916.4 million for FY2012 to RMB254.1 million for FY2013. The decrease mainly reflected the lower capital expenditure on purchase of property, plant and equipment, and lease payment of land use right for FY2013 as compared to that for FY2012. There was a net cash inflow from financing activities of RMB461.6 million for FY2012. On the contrary, there was a net cash outflow from financing activities of RMB311.4 million for FY2013. This change reflected the decrease in discount bill financing. The combined effect of the above resulted in a net increase of cash and cash equivalents of RMB208.5 million for FY2013 (FY2012: RMB10.1 million).

Gearing

Our net gearing ratio (calculated based on total of borrowings, short-term financing notes and obligations under finance leases, net of bank balances and cash, and restricted bank deposits divided by the total equity) was 112.8% as at 31 December 2013, representing an improvement as compared to 119.9% as at 31 December 2012.

Capital expenditure

During FY2013, our capital expenditure was approximately RMB317.0 million, which mainly relating to the renewal of our plant and machinery, and the construction of ancillary facilities.

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 RMB81.0 million as at 31 December 2013.

As at 31 December 2013, our Group had no material contingent liabilities.

Pledge of assets

As at 31 December 2013, the aggregate carrying amount of our assets pledged was approximately RMB2,650.3 million. (As at 31 December 2012: RMB2,925.3 million).

Employees and remuneration policies

Our Group employed approximately 2,560 full-time employees in the PRC and Hong Kong as at 31 December 2013. The staff costs for FY2013 were approximately RMB137.1 million, representing an increase of RMB1.1 million over FY2012 of approximately RMB136.0 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

- i. Subsequent to the year ended 31 December 2013, certain PRC banks agreed to extend our Group's RMB650,000,000 bank borrowings' expiration dates for one year when they fall due in the year 2014.
- ii. On 16 January 2014, Century Sunshine has issued another RMB300 million one-year term short term financing note and replaced the first tranche of RMB300 million expired in January 2014.
- iii. On 8 February 2014, Century Sunshine has obtained the approval from National Development and Reform Commission (中華人民共和國國家發展和改革委員會) with respect to the proposed issuance of a corporate bond. The proposed principal amount is RMB500 million for a term of seven years and must be issued with 12 months from the date of the approval. The corporate bond, upon issuance, will bear a floating interest rate not higher than 4.1 percentage point over Shanghai Interbank Offered Rate per annum. As at the date of this results announcement, the corporate bond has not yet been issued.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2013, 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 during FY2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 FY2013.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise our Company's financial reporting process and internal control system, and provide advice and comments to our Board. Our Company's audit committee, comprising Mr. Leung Ping Shing (Chairman), Mr. Wang Zefeng and Ms. Jill Jiao, has reviewed the audited consolidated financial statements for FY2013 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.

FINAL DIVIDEND

The Board has not recommended the payment of a final dividend for the FY2013 (FY2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed from 26 May 2014 to 28 May 2014, both days inclusive, for the purpose of determining entitlement to attend the 2013 annual general meeting of the Company expected to be held on 28 May 2014 (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 23 May 2014.

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.

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 FY2013 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 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

Hong Kong, 28 March 2014

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

Executive Directors: Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Ci Xiaolei

Non-executive Directors: Mr. Zhang Licong and Mr. Wang Junfeng

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

* *For identification purposes only*