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 2009

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of China Sunshine Paper Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December

	Notes	**2009**	2008
		RMB'000	*RMB'000*
Revenue	4	**1,697,678**	1,764,552
Cost of sales		**(1,461,330)**	(1,542,611)
Gross profit		**236,348**	221,941
Other income, gains and losses		**67,337**	46,795
Distribution and selling expenses		**(104,460)**	(74,939)
Administrative expenses		**(75,245)**	(76,933)
Change in fair value of derivative financial instruments		**(7,134)**	(3,997)
Finance costs		**(58,557)**	(48,150)
Profit before tax	5	**58,289**	64,717
Income tax (expense) credit	6	**(10,826)**	1,471
Profit and total comprehensive income for the year		**47,463**	66,188
Profit and total comprehensive income for the year attributable to			
Owners of the Company		**42,147**	64,356
Minority interests		**5,316**	1,832
		47,463	66,188
Proposed final dividend of RMB2.1 cents (2008: RMB3.2 cents) per share		**8,422**	12,727
Earnings per share	7		
— Basic *(RMB)*		**0.11**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**1,897,055**	1,502,266
Prepaid lease payments		**90,650**	90,257
Goodwill		**18,692**	18,692
Deferred tax assets		**9,910**	8,672
		2,016,307	1,619,887
Current assets			
Prepaid lease payments		**1,969**	1,936
Inventories	9	**400,075**	226,156
Loans receivable		**—**	40,811
Trade receivables	10	**137,919**	171,442
Bills receivable		**533,115**	412,252
Prepayments and other receivables		**56,745**	32,770
Derivative financial instruments		**—**	2,434
Restricted bank deposits		**363,961**	233,190
Bank balances and cash		**357,505**	122,689
		1,851,289	1,243,680
Current liabilities			
Trade payables	11	**356,650**	375,217
Bills payable		**10,000**	—
Other payables		**81,689**	64,855
Payable for construction work, machinery and equipment		**192,789**	155,107
Income tax payable		**7,045**	3,145
Deferred income — current portion		**1,925**	1,365
Derivative financial instruments		**4,998**	6,431
Discounted bill financing	12	**126,606**	43,804
Bank borrowings — due within one year		**1,152,506**	784,432
Other borrowings — due within one year		**17,442**	—
		1,951,650	1,434,356
Net current liabilities		**(100,361)**	(190,676)
Total assets less current liabilities		**1,915,946**	1,429,211
Capital and reserves			
Share capital		**37,872**	37,872
Reserves		**1,190,289**	1,166,392
Equity attributable to owners of the Company		**1,228,161**	1,204,264
Minority interests		**41,876**	31,205
Total equity		**1,270,037**	1,235,469
Non-current liabilities			
Bank borrowings — due after one year		**610,401**	149,067
Other borrowings		**—**	17,442
Deferred income — non-current portion		**27,285**	19,504
Deferred tax liabilities		**8,223**	7,729
		645,909	193,742
Total equity and non-current liabilities		**1,915,946**	1,429,211

NOTES

1. General

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) is a limited company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 December 2007. In the opinion of the Directors, the Company's holding company is China Sunrise Paper Holdings Limited (incorporated in the Cayman Islands) and its ultimate holding company is China Sunshine Paper Investments Limited (incorporated in the British Virgin Islands ("BVI")). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency of the Company and its subsidiaries).

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

2. Adoption of new and revised international financial reporting standards ("IFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRCI 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendments to IFRSs 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described as below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statement of the Group for the current or prior accounting periods.

New and revised IFRSs affecting the presentation and disclosure only.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segment and changes in the basis of measurement of segment profit or loss.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendments)	Eligible hedged items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for first-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distribution of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared on the historical cost except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out.

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.

4. Segment information

(a) *Operating segments*

For the year ended 31 December 2009

	Paper products					
	White top linerboard *RMB'000*	**Light-coated linerboard** *RMB'000*	**Core board** *RMB'000*	**Specialized paper products** *RMB'000*	**Electricity and steam** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**785,518**	**360,633**	**357,726**	**110,916**	**82,885**	**1,697,678**
Inter-segment revenue	**—**	**—**	**—**	**—**	**238,796**	**238,796**
Segment revenue	**785,518**	**360,633**	**357,726**	**110,916**	**321,681**	**1,936,474**
Segment profit	**110,208**	**69,602**	**38,456**	**7,789**	**34,676**	**260,731**

For the year ended 31 December 2008

	Paper products					
	White top linerboard *RMB'000*	Light-coated linerboard *RMB'000*	Core board *RMB'000*	Specialized paper products *RMB'000*	Electricity and steam *RMB'000*	Total *RMB'000*
Revenue from external customers	903,466	401,026	227,911	164,404	67,745	1,764,552
Inter-segment revenue	—	—	—	—	195,848	195,848
Segment revenue	903,466	401,026	227,911	164,404	263,593	1,960,400
Segment profit	116,547	68,976	22,107	8,878	8,451	224,959

A reconciliation of the reportable segment profit to the consolidated profit before taxation is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Profit		
Segment profit	**260,731**	224,959
Unrealised profit on inter-segment sales	**(42,126)**	(15,985)
	218,605	208,974
Distribution and selling expenses	**(104,460)**	(74,939)
Administrative expenses	**(66,503)**	(70,569)
Other income	**66,196**	46,147
Finance cost	**(48,415)**	(40,899)
Change in fair value of derivative financial instruments	**(7,134)**	(3,997)
Consolidated profit before taxation	**58,289**	64,717

No segment assets and liabilities, and related other segment information were presented as such information are not regularly provided to the chief operating decision maker.

(b) Geographical information

The Group's operations, assets and substantially all the customers are located in the PRC. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location is presented.

5. Profit before tax

	2009 *RMB'000*	2008 *RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Wages and salaries	**62,588**	54,836
Retirement benefits schemes contributions	**5,423**	4,413
Equity-settled share-based payment	**(5,523)**	10,518
Total staff costs (including directors emoluments)	**62,488**	69,767
Cost of inventories recognised as an expense	**1,394,077**	1,483,710
Depreciation of property, plant and equipment	**75,601**	50,694
Allowance for inventories	**682**	4,737
Release of prepaid lease payments	**1,911**	1,865
Auditor's remuneration	**1,459**	1,588
Loss on disposal of property, plant and equipment	**567**	520

6. Income tax expense (credit)

	2009	2008
	RMB'000	*RMB'000*
Current tax		
PRC	**11,570**	4,951
Deferred tax credit	**(744)**	(6,422)
	10,826	(1,471)

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

In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the New Law and will have an impact on foreign investment enterprises ("FIE"). Enterprises which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of tax reductions and exemptions, such as the "two-year tax exemption followed by three-year 50% tax reduction", shall continue to enjoy preferential treatment for their initial term as prescribed under the previous tax laws, administrative regulations and related documents after the New Law takes effect until the initial term expires. 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd) ("Century Sunshine") and 昆山世紀陽光紙業有限公司 (Kunshan Century Sunshine Paper Industry Co., Ltd.) ("Kunshan Sunshine"), the PRC subsidiaries of the Company, were levied at 12.5% (2008: 12.5%) for the year ended 31 December 2009 based on the relevant tax circulars.

7. Earnings per share

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

	2009	2008
	RMB'000	*RMB'000*
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**42,147**	64,356
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**401,044,000**	405,998,000

The computation of diluted earnings per share does not assume the exercise of share options as the exercise prices of share options were higher than the average market price during both years.

8. Dividend

	2009	2008
	RMB'000	*RMB'000*
Dividends declared for distribution during the year:		
2008 final dividend — RMB3.2 cents per share	**12,727**	—

A final dividend of RMB2.1 cents per share in respect of the year ended 31 December 2009 (2008: final dividend of RMB3.2 cents per share in respect of the year ended 31 December 2008 which was distributed out of the share premium of the Company), based on 401,044,000 shares, has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting ("AGM").

9. Inventories

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**277,587**	152,613
Finished goods	**122,488**	73,543
	400,075	226,156

10. Trade receivables

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on delivery date at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
0–30 days	**97,721**	125,576
31–90 days	**29,024**	34,532
91–365 days	**9,097**	10,948
Over 1 year	**2,077**	386
	137,919	171,442

The Group normally allow a credit period of 30 to 60 days to its trade customers with trading history, otherwise sales on cash terms are required. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the balance of trade receivables above, approximately RMB119,000,000 at 31 December 2009 (2008: RMB97,700,000) was pledged to banks to secure banking facilities granted to the Group.

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB39,014,000 (2008: RMB39,097,000) 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.

11. Trade payables

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

	2009	2008
	RMB'000	*RMB'000*
0–90 days	**195,452**	194,538
91–365 days	**153,284**	173,380
Over 1 year	**7,914**	7,299
	356,650	375,217

12. Discounted bill financing

	2009	2008
	RMB'000	*RMB'000*
Discounted bill financing	**126,606**	43,804

The discounted bill financing represents the amount of cash received on the discounted bills receivable to banks with full recourse.

BUSINESS REVIEW AND OUTLOOK

Operation

The global economies suffered from negative growth in the first half of 2009 as a result of the global financial tsunami in the fourth quarter of 2008. The Group encountered intense pricing pressure, especially for high priced inventories in the first half of 2009. However, the credit condition and consumer sentiment around the world improved gradually since mid 2009 as a result of the collective stimulus actions of governments around the world. Meanwhile, the PRC government has also launched various economic stimulus measures which have made China to be the first country to recover from the global financial tsunami. With other local policies on promotion of domestic demand and stimulation of consumer spending, domestic consumption segment, especially food and beverages industry in which our key customers operate, is particularly noticeable among others in the recovery of China. As a result, the Group's operating result has gradually improved with the vitality of China's economy since the second half of 2009. The Group's production facilities have operated in full scale, sale orders have restored to pre-financial tsunami level and the profit margin has been increasing.

Production Facilities

Currently the Group has 6 efficient production lines with a designed annual production capacity of approximately 650,000 tonnes. The seventh production line, which adjoins the Group's production base in Shandong province and has a designed annual production capacity of 500,000 tonnes of white-top linerboard and light-coated linerboard, is now under construction. The construction of factory buildings and ancillary facilities such as power plant, waste water treatment and warehouse are nearly completed, and the installation of production equipment will take place in June 2010. We are confident that the seventh production line will commence its commercial production in the fourth quarter of 2010, and the total annual production capacity of the Group will then reach approximately 1,150,000 tonnes.

Recovered Paper Collection Base and Sales Representative Offices

As at the date of this report, the Group has 8 recovered paper collection bases and 21 sales representative offices in China. Recovered paper collection bases are strategically located for convenient transportation of raw materials to the Group's production base in Shandong province. We will continue to consolidate existing recovered paper collection bases and to expand new recovered paper collection bases in various second-tier cities. Sales representative offices facilitate the Group's efficiency in the nationwide sales and marketing activities. We will continue to take advantage of being able to have direct and close relationships with our customers and their end-users through different sales representative offices.

Outlook

We see the initial signs of global economic recovery, partciularly in China, which is expected to bring more business opportunities for the paper industry. With the seventh production line's products targeting the domestic demand of packaging paper, the Group is set to capture business opportunities to position itself for a higher market share. The seventh production line will also further enhance the production efficiency and make a greater room for profit margin improvement.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended 31 December 2009 ("FY 2009"), the Group's revenue was RMB1,697.7 million, representing a slight decrease of approximately 3.8% as compared to RMB1,764.6 million for the year ended 31 December 2008 ("FY 2008"). Sales of paper products was the largest component of the Group's revenue and accounted for approximately 95.1% while the remaining 4.9% represented the sales of electricity and steam to a minority shareholder of a subsidiary.

Sales of paper products decreased from RMB1,696.8 million for FY 2008 to RMB1,614.8 million for FY 2009, as a result of the significant drop in the average selling price ("ASP") of the paper products in the first half of 2009 outweighing the approximate 31.0% increase in sales volume of the paper products. Notwithstanding the significant drop in ASP of the paper products, the Group was able to record an improvement in gross profit margin of 14.4% for FY 2009 as compared to 13.0% for FY 2008.

China continued to be the Group's principal market and thus domestic sales of paper products accounted for approximately 99.6% and 94.7% of the Group's total sales of paper products for FY 2009 and FY 2008, respectively.

The following table sets out the sales and gross profit margin by two business segments:

	FY 2009			FY 2008		
	RMB'000	*%*	***Gross profit margin (%)***	*RMB'000*	*%*	*Gross profit margin (%)*
Paper products						
White top linerboard	**785,518**	**46.3**	**14.2**	903,466	51.2	12.9
Light-coated linerboard	**360,633**	**21.2**	**18.4**	401,026	22.8	17.2
Core board	**357,726**	**21.1**	**10.9**	227,911	12.9	9.7
Specialized paper products	**110,916**	**6.5**	**5.8**	164,404	9.3	5.4
	1,614,793	**95.1**	**14.4**	1,696,807	96.2	13.0
Sales of electricity and steam	**82,885**	**4.9**	**15.1**	67,745	3.8	2.0
	1,697,678	**100.0**	**13.9**	1,764,552	100.0	12.6

Cost of sales

Domestic recovered paper, overseas recovered paper and kraft pulp are the principal raw materials used in the manufacture of the Group's paper products. Overseas recovered paper was mainly sourced from the United States of America, and kraft pulp was mainly imported from South America and Canada. The Group continued to consolidate its recovered paper collection bases to secure a stable source of domestic recovered paper at a lower cost. Currently the Group's paper collection bases supply approximately 30% of the Group's domestic recovered paper consumed.

Raw materials cost was the largest component of the cost of sales and it represented approximately 72.5% of the cost of sales for FY 2009 (FY 2008: 78.9%). Raw materials cost decreased by approximately 13.0% from RMB1,217.2 million for FY 2008 to RMB1,058.7 million for FY 2009, as a result of a lower purchase cost of raw materials and the minimization of raw materials wastage during the production.

Overhead costs mainly comprised of depreciation, energy cost, consumables and maintenance cost. The increase in overhead costs by approximately 25.9% from RMB290.6 million for FY 2008 to RMB365.7 million for FY 2009 was mainly due to the increase in the Group's production volume in FY 2009.

The following table sets out the Group's breakdown of the cost of sales for FY 2009 and FY 2008:

	Year ended 31 December			
	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials cost				
Domestic recovered paper	**442,800**	**30.3**	483,528	31.3
Overseas recovered paper	**215,120**	**14.7**	275,756	17.9
Kraft pulp	**202,297**	**13.9**	209,290	13.6
Chemicals and others	**198,520**	**13.6**	248,675	16.1
	1,058,737	**72.5**	1,217,249	78.9
Labour costs	**36,903**	**2.5**	34,790	2.3
Overhead costs	**365,690**	**25.0**	290,572	18.8
	1,461,330	**100.0**	1,542,611	100.0

Gross profit and gross profit margin

Notwithstanding the Group's revenue recorded a slight decrease of 3.8%, the gross profit increased by RMB14.4 million from RMB221.9 million for FY 2008 to RMB236.3 million for FY 2009 due to the increase in gross profit margin from 12.6% for FY 2008 to 13.9% for FY 2009. The gross profit margins for the two business segments, namely paper products, and electricity and steam were 14.4% and 15.1%, respectively for FY 2009, as compared to 13.0% and 2.0%, respectively for FY 2008.

Other profit and loss items

Other income, gains and losses mainly comprised of interest income of RMB11.2 million and government grant of RMB46.7 million in relation to the valued-added tax refund for the sales of domestic recovered paper.

Distribution and selling expenses primarily consisted of transportation cost and staff costs in relation to the sales representative offices carrying out various sale promotion and after sale services. The selling and distribution expenses increased by approximately 39.4% from RMB74.9 million for FY 2008 to RMB104.5 million for FY 2009, which was mainly driven by the approximate 31.0% increase in sales volume for FY 2009.

Administrative expenses were RMB75.2 million for FY 2009, which were comparable to RMB76.9 million for FY 2008.

Finance costs were RMB58.6 million and RMB48.2 million, respectively, for FY 2009 and FY 2008. The increase in finance costs primarily resulted from the increase of the average bank borrowings during FY 2009 to finance the construction of the seventh production line.

Income tax expenses

Income tax expenses were RMB10.8 million for FY 2009 and the Group's effective tax rate was 18.6%. On the contrary, there was an income tax credit of RMB1.5 million for FY 2008, which was primarily due to a deferred tax credit of RMB6.4 million recorded in FY 2008. Except for a subsidiary whose principal business activitiy is the generation of electricity and steam, other profitible subsidiaries of the Group continue to enjoy preferential tax reductions and benefits in 2010.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the factors discussed above, the net profit attributable to the equity holders of the Company for FY 2009 was RMB42.1 million, representing a 34.6% decrease comparing to RMB64.4 million for FY 2008.

Liquidity and Financial Resources

Working capital

The Group generally finances its operation with its internally generated cash flow from operation and credit facilities provided by its principal bankers. As at 31 December 2009, the Group had bank balances and cash of RMB357.5 million, restricted bank deposits of RMB363.9 million, and other current assets of RMB1,129.9 million, which mainly included inventories of RMB400.1 million, trade receivables of RMB137.9 million and bills receivables of RMB533.1 million.

Inventories and the inventory turnover increased to RMB400.1 million and 100 days, respectively as at 31 December 2009 from RMB226.2 million and 54 days, respectively as at 31 December 2008. The sharp increase was mainly driven by (i) the full operation of the sixth production line in FY 2009, and (ii) the strategic stock-up of low priced raw materials.

Trade receivables and the trade receivables turnover decreased to RMB137.9 million and 30 days, respectively as at 31 December 2009 from RMB171.4 million and 35 days, respectively as at 31 December 2008, priminary due to the Group's strict enforcement of its credit policy.

The Group recorded net current liabilities of RMB100.4 million as at 31 December 2009. It was mainly because the Group still relied on some short term bank borrowings to finance the capital expenditures for the purchase and upgrade of production facilities, even though the Group has adjusted the mix of short term and long term bank borrowings to optimize the debt structure. Notwithstanding the Group had net current liabilities as at 31 December 2009, the balance showed a decrease by nearly 47.4% as compared to RMB190.7 million as at 31 December 2008.

Cashflow and borrowings

The Group recorded operating cash inflows before movements in working capital of RMB175.1 million for FY 2009 but cash outflows for operating activities of RMB104.7 million. The cash outflows for operating activities were mainly driven by the increase in inventories of RMB169.9 million for strategic stock-up of low priced raw materials and also the increase in bills receivable of RMB120.9 million.

The Group's net gearing ratio (calculated based on the total borrowings net of bank balances and cash, and restricted bank deposits divided by the total equity) was 83.4%, higher than the 48.2% as at 31 December 2008. The increase was mainly due to the increase in bank borrowings to finance the construction of the seventh production line.

As at 31 December 2009, the Group had bank balances and cash of RMB357.5 million, restricted bank deposits of RMB364.0 million and approximately RMB1,288.3 million of unutilized banking facilities. The Group possesses sufficient financial resources to meet its commitments and working capital requirements.

Capital expenditure

During FY 2009, the Group's increase in fixed assets amounted to RMB474.6 million which were mainly for the construction of the seventh production line and its related production plant and facilities.

Capital commitments and contingent liabilities

Capital commitments in relation to capital expenditure contracted but not for provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment were RMB895.1 million as at 31 December 2009.

As at 31 December 2009, the Group had no material contingent liabilities.

Pledge of assets

As at 31 December 2009, the aggregate carrying amount of the assets of the Group pledged was RMB1,419.4 million.

Employees and remuneration policies

As at 31 December 2009, the Group had approximately 2,600 full-time employees. The staff costs for FY 2009 were approximately RMB62.5 million, representing a decrease of 10.4% over FY 2008. The decrease mainly reflected the decrease of share-based payment for share options.

The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance based remuneration which reflects market standards. Individual employees' remuneration packages are generally determined based on their job nature and position with reference to market standards. Employees also receive certain welfare benefits. The Group's emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of the Group's business development, so as to achieve the Group's operational targets.

Use of net proceeds from the Company's initial public offering

As at 31 December 2009, the utilization of the proceeds from the Company's initial public offering were as follows:

	Net proceeds raised		Utilized proceeds		Unutilized proceeds	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Establishment of the seventh production line	493,000	87.7	435,000	86.3	58	100.0
Expansion of recovered paper collection points	44,800	8.0	44,800	8.9	—	—
Research and development costs	19,600	3.5	19,600	3.9	—	—
Installation of enterprise resource planning system	4,800	0.8	4,800	0.9	—	—
	562,200	100.0	504,200	100.0	58	100.0

The unutilized proceeds are primarily deposited with licensed banks as short-term deposits in China and Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2009, except for the deviation from code provision A2.1 under the CG Code. Code provision A2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the Company does not have the position of chief executive officer and Mr. Wang Dongxing is the chairman of the Board, an executive director of the Company and also the general manager of Changle Century Sunshine Paper Industry Co., Ltd., the principal operating subsidiary of the Group. In addition to such roles, with Mr. Wang's extensive experience in the paper industry, the Board considers that it is in the interest of the Group and the shareholders as a whole for him to be given the overall management responsibility of the Group. The Board considers that vesting the roles of chairman and functions of chief executive officer in the same person, namely Mr. Wang Dongxing, is appropriate to the Company at this stage and believes such arrangement will not result in any material adverse impact to the efficiency of operation and management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The 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 the Company to confirm that all Directors have complied with the Model Code during the year ended 31 December 2009.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The Company's audit committee, comprising Ms. Wong Wing Yee, Jessie (Chairman), Mr. Wang Zefeng and Mr. Xu Ye, has reviewed the Group's consolidated financial statements for the year ended 31 December 2009 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with management and the Company's external auditors.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors proposed to declare a final dividend of RMB2.1 cents per share for FY 2009 (FY 2008: RMB3.2 cents per share), which is subject to approval by shareholders of the Company at the AGM.

The register of members of the Company will be closed from 20 May 2010 (Thursday) to 26 May 2010 (Wednesday), both days inclusive, during which no transfer of Shares will be registered. To qualify for the proposed dividend as well as attending and voting at the AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, 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 19 May 2010 (Wednesday). Members whose names appear on the register of members of the Company at the close of business on 19 May 2010 will be entitled to attend and vote at the AGM.

Format notice of the AGM will be published in due course.

PUBLICATION OF RESULTS

This announcement of results has been published on the websites of the Company (www.sunshinepaper.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, banks, professional parties and employees of the Group for their continuous support.

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

Hong Kong, 29 March 2010

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

Executive Directors:	*Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Yilong*
Non-executive Directors:	*Mr. Xu Fang and Mr. Wang Junfeng*
Independent non-executive Directors:	*Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye*

* *For identification purpose*