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 2014

FINANCIAL HIGHLIGHTS

- Revenue was RMB3,447.6 million, representing a slight decrease of approximately 5.7% as compared to RMB3,657.7 million for the corresponding period last year
- Gross profit margin recorded an increase of 2.5 percentage points to approximately 19.0%
- Loss for the year attributable to the owners of the Company was RMB38.0 million, as a result of the increase in interest expenses on the short-term financing notes and the seven-year corporate bonds issued by the Group and the sharp decrease in government grants

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 2014. These financial results have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014**	2013
		RMB'000	*RMB'000*
Revenue	*5*	**3,447,617**	3,657,671
Cost of sales		**(2,791,568)**	(3,054,188)
Gross profit		**656,049**	603,483
Other income	*7*	**79,162**	117,718
Other gains and losses	*7*	**(2,037)**	31,367
Distribution and selling expenses		**(246,913)**	(256,154)
Administrative expenses		**(156,362)**	(155,080)
Change in fair value of investment properties		**2,560**	4,651
Share of (loss)/profit of a joint venture		**(4,524)**	402
Finance costs	*8*	**(344,856)**	(307,442)
(Loss)/Profit before tax		**(16,921)**	38,945
Income tax expenses	*9*	**(14,348)**	(11,425)
(Loss)/Profit and total comprehensive income for the year	*10*	**(31,269)**	27,520
(Loss)/Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**(37,966)**	22,055
Non-controlling interests		**6,697**	5,465
		(31,269)	27,520
		RMB	*RMB*
(Losses)/Earnings per share	*12*		
— Basic		**(0.05)**	0.03
— Diluted		**N/A**	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**3,462,148**	3,348,739
Investment Properties		**248,939**	246,379
Prepaid lease payments		**260,737**	254,680
Goodwill		**18,692**	18,692
Deferred tax assets		**6,837**	9,148
Investment in a joint venture		**106,638**	111,162
Deposits and other receivables	13	**307,938**	292,060
		4,411,929	4,280,860
Current assets			
Prepaid lease payments		**6,734**	7,632
Inventories	14	**381,476**	285,521
Trade receivables	15	**390,380**	360,495
Bills receivable	16	**559,934**	687,163
Prepayments and other receivables		**262,411**	281,034
Income tax recoverable		**7,758**	6,739
Derivative financial instrument		**75**	—
Restricted bank deposits		**1,574,633**	1,230,308
Bank balances and cash		**302,127**	466,934
		3,485,528	3,325,826
Current liabilities			
Trade payables	17	**636,294**	517,470
Bills payable	18	**320,000**	152,157
Other payables		**144,363**	95,473
Payable for construction work, machinery and equipment		**29,227**	6,927
Income tax payable		**1,399**	451
Obligations under finance leases — current portion		**91,080**	102,679
Deferred income — current portion		**3,005**	2,367
Derivative financial instruments		**—**	1,149
Discounted bill financing	19	**2,158,282**	1,671,026
Bank borrowings — due within one year	20	**1,937,886**	2,831,940
Other borrowings		**56,500**	14,000
Short-term financing notes	21	**300,000**	300,000
		5,678,036	5,695,639
Net current liabilities		**(2,192,508)**	(2,369,813)
Total assets less current liabilities		**2,219,421**	1,911,047

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	23	**72,351**	72,351
Reserves		**1,389,914**	1,434,271
Equity attributable to owners of the Company		**1,462,265**	1,506,622
Non-controlling interests		**100,185**	93,488
Total equity		**1,562,450**	1,600,110
Non-current liabilities			
Obligations under finance leases — non-current portion		**104,949**	92,573
Bank borrowings — due after one year	20	**15,298**	174,727
Corporate bond	22	**493,156**	—
Deferred income — non-current portion		**22,635**	22,829
Deferred tax liabilities		**20,933**	20,808
		656,971	310,937
Total equity and non-current liabilities		**2,219,421**	1,911,047

NOTES:

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. BASIS OF PREPARATION

The Group has net current liabilities of approximately RMB2,192,508,000 as at 31 December 2014. This condition may cast significant doubt on the Group's ability to continue as a going concern. The Directors have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the balance sheet date. In addition, although most of the existing bank facilities will expire in 2015, 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 the Group has sufficient borrowing facilities (including discounted bills financing, short-term bank borrowings, and the seven-year corporate bonds) for its working capital purposes. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. 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 IFRS 10, IFRS 12 and IAS 27	Investment Entities;
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting;
IFRIC 21	Levies;

The application and early adoption of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

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:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 July 2014.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

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 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- 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 application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

4. 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 current 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 2014

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

For the year ended 31 December 2013

	Paper products					
	White top linerboard *RMB'000*	Light-coated linerboard *RMB'000*	Core board *RMB'000*	Specialised paper products *RMB'000*	Electricity and steam *RMB'000*	Total *RMB'000*
Revenue from external customers	1,106,745	1,550,987	477,929	387,092	134,918	3,657,671
Inter-segment revenue	—	—	—	—	383,267	383,267
Segment revenue	1,106,745	1,550,987	477,929	387,091	518,185	4,040,938
Segment profit	180,692	259,853	66,056	69,555	36,464	612,620

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, other expenses, 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 before tax is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Profit		
Segment profit	**672,258**	612,620
Unrealised profit on inter-segment sales	**(57,105)**	(55,110)
	615,153	557,510
Distribution and selling expenses	**(246,913)**	(256,154)
Administrative expenses	**(140,149)**	(139,545)
Other income	**69,239**	114,386
Other gains and losses	**832**	27,347
Finance costs	**(313,119)**	(269,652)
Change in fair value of investment properties	**2,560**	4,651
Share of profit/(loss) of a joint venture	**(4,524)**	402
Consolidated profit/(loss) before taxation	**(16,921)**	38,945

Depreciation of property, plant and equipment and release of prepaid lease payments, finance cost and interest income amounted to RMB46,572,000 (2013: RMB45,541,000), RMB31,636,000 (2013: RMB37,790,000), and RMB2,764,000 (2013: RMB1,727,000) 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

	2014	2013
	RMB'000	*RMB'000*
Other income:		
Interest income on:		
Interest income on bank deposits	**36,292**	28,023
Interest income from the balance with a joint venture *(Note i)*	**22,816**	17,693
Interest income from loan receivable	**—**	268
Total Interest Income	**59,108**	45,984
Rental income from investment properties and other properties	**6,336**	6,819
Government grants *(Notes ii & iii)*	**10,031**	54,718
Waive of certain payables from suppliers	**418**	7,501
Insurance premium refunded	**3,269**	2,696
	79,162	117,718
Other gains or losses:		
Net foreign exchange (loss)/gain	**(5,609)**	15,475
Gain from sale of scrap materials, net	**2,353**	4,135
Gain on disposal of a subsidiary	**—**	5,497
Loss on disposal of property, plant and equipment	**(3,329)**	(773)
Gain on disposal of assets classified as held for sale	**—**	7,360
Change in the fair value of derivative financial instrument	**1,224**	(890)
Impairment loss of trade receivables	**(2,819)**	(3,551)
Others	**6,143**	4,114
	(2,037)	31,367

Notes:

i. During the year ended 31 December 2014, 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 30% over the prevailing bank lending rates announced by the People's Bank of China, which was 6.83% per annum (2013: 6.85% per annum).

ii. During the year ended 31 December 2014, 昌樂昌東廢紙收購有限責任公司 (Changle Changdong Waste Paper Recovery Co., Ltd) ("Changdong Paper Recovery") obtained unconditional government subsidy of approximately RMB6,765,600 (2013: RMB26,048,000) 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 2014, 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 RMB1,420,000 (2013: RMB24,881,000) from local government for the purpose of supporting its operation.

8. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on:		
Discounted bill financing	**129,996**	83,345
Bank and other borrowings wholly repayable within five years	**168,981**	196,536
Finance leases	**13,396**	18,285
Short-term financing notes	**23,862**	16,668
Corporate bond	**26,011**	—
	362,246	314,834
Less: Interest capitalised in construction in progress	**(17,390)**	(7,392)
	344,856	307,442

Borrowing costs capitalised during the year ended 31 December 2014 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.60% (2013: 6.83%) per annum to expenditure on construction in progress.

9. INCOME TAX EXPENSES

	2014	2013
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**11,912**	10,702
Over provision in previous year	**—**	(1,362)
Deferred tax charge	**2,436**	2,085
	14,348	11,425

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% (2013: 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 2014 and 2013 as the Group did not have any assessable profits subject to Hong Kong Profits Tax during both years.

10. (LOSS)/PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
(Loss)/Profit for the year has been arrived at after charging (crediting):		
Wages and salaries	**140,638**	120,227
Retirement benefits schemes contributions	**20,348**	16,846
Equity-settled share-based payment	**—**	65
Total staff costs (including the Directors' emoluments)	**160,986**	137,138
Cost of inventories recognised as an expense	**2,657,637**	3,022,884
Depreciation of property, plant and equipment	**213,985**	196,210
Impairment losses on trade receivables	**2,819**	3,551
Release of prepaid lease payments	**6,734**	7,632
Auditor's remuneration	**2,007**	2,371
Net foreign exchange gain/(loss)	**5,609**	(15,475)
Rental income from investment properties and other properties	**(6,336)**	(6,819)
Direct operating expenses incurred for investment properties generated rental income during the year	**63**	52

11. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
2014 interim, paid — RMB0.008 per share (2013: Nil)	**6,391**	—

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2014 (2013: Nil).

12. 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:

	2014	2013
	RMB'000	*RMB'000*
(Losses)/Earnings		
(Losses)/Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**(37,966)**	22,055

	2014	2013
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**802,588**	802,588
Effect of dilutive potential ordinary shares:		
Share options	**N/A**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	802,588

No diluted losses per share is presented for the year ended 31 December 2014, because there is no outstanding share options to be considered, which were forfeited upon the related employee's resignation in the second half year of 2013.

The computation of diluted earnings per share for the year ended 31 December 2013 does not assume the exercise of share options as the exercise price is higher than the average market price per share for the year ended 31 December 2013.

13. DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Due from a joint venture	**254,323**	241,001
Guarantee deposits for finance leases	**51,150**	39,254
Deposit for acquisition of property, plant and equipment	**2,465**	11,805
	307,938	292,060

14. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**204,856**	196,207
Finished goods	**176,620**	89,314
	381,476	285,521

15. TRADE RECEIVABLES

An analysis of trade receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Trade receivables due from:		
— Third parties	**379,164**	352,656
— Related parties	**11,216**	7,839
	390,380	360,495

Included in the balance of trade receivables above, approximately RMB74,270,000 at 31 December 2014 (2013: RMB230,000,000) 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 independent 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:

	2014	2013
	RMB'000	*RMB'000*
0–30 days	**293,943**	259,950
31–90 days	**70,123**	64,590
91–365 days	**23,108**	30,954
Over 1 year	**3,206**	5,002
	390,380	360,495

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 RMB44,738,000 (2013: RMB50,549,000) 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:

	2014	2013
	RMB'000	*RMB'000*
31–90 days	**18,424**	14,593
91–365 days	**23,108**	30,954
Over 1 year	**3,206**	5,002
	44,738	50,549

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:

	2014	2013
	RMB'000	*RMB'000*
At the beginning of the year	**3,629**	78
Provided during the year	**2,819**	3,551
At the end of the year	**6,448**	3,629

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

	2014	2013
	RMB'000	*RMB'000*
Bills receivable	**559,934**	687,163

During the year, the Group has discounted bills receivable of RMB192,540,000 (2013: RMB11,443,000) 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:

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**326,288**	427,683
91–180 days	**215,466**	259,480
181–365 days	**18,180**	—
	559,934	687,163

17. TRADE PAYABLES

An analysis of trade payables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Trade payables to third parties	**636,294**	517,470

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:

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**543,197**	433,568
91–365 days	**84,366**	61,613
Over 1 year	**8,731**	22,289
	636,294	517,470

18. BILLS PAYABLE

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

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**262,000**	83,457
91–180 days	**58,000**	68,700
	320,000	152,157

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

19. DISCOUNTED BILL FINANCING

	2014	2013
	RMB'000	*RMB'000*
Discounted bill financing	**2,158,282**	1,671,026
Comprising:		
Discounted bill receivable from third party	**192,540**	11,443
Discounted bill receivable from subsidiaries of the Company	**1,965,742**	1,659,583
Total	**2,158,282**	1,671,026

Discounted bill financing represents the amount of cash received on the discounted bills receivable to banks with full recourse. Bank deposits of RMB1,253,350,000 (2013: RMB849,750,000) were pledged by the subsidiaries to the banks for bank bills issued.

20. BANK BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Secured bank borrowings	**1,441,530**	2,548,816
Unsecured bank borrowings	**511,654**	457,851
	1,953,184	3,006,667
The borrowings are repayable as follows:		
Within one year	**1,937,886**	2,831,940
In the second year	**15,298**	159,485
In the third to fifth year inclusive	**—**	15,242
	1,953,184	3,006,667
Less: Amount due for settlement within one year and shown under current liabilities	**(1,937,886)**	(2,831,940)
Amount due after one year	**15,298**	174,727
Total borrowings		
— At fixed rates	**579,670**	903,510
— At floating rates	**1,373,514**	2,103,157
	1,953,184	3,006,667
Analysis of borrowings by currency:		
— Denominated in RMB	**1,548,556**	2,757,852
— Denominated in US$	**404,628**	178,057
— Denominated in Hong Kong dollar *("HK$")*	**—**	70,758
	1,953,184	3,006,667

Fixed-rate borrowings are charged at the rates ranging from 5.61% to 9.0% per annum as at 31 December 2014 (2013: 1.4% to 9.0% 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 1.5% to 6.0% over LIBOR (2013: 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") (2013: 4.5%).

For all bank borrowings as above, the effective weighted average annual rate for the year ended 31 December 2014 was 6.60% per annum (2013: 6.83% per annum).

21. SHORT-TERM FINANCING NOTES

On 16 January 2014, Century Sunshine has 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 (2013: 6.05% per annum).

22. 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 中合中小企業融資擔保股份有限公司 (China United SME Guarantee Corporation), which is a counter-guarantee arrangement with an investment property of the Group of RMB191,859,000, and will be repaid with 20% of offering size annually from the year 2017 to the year 2021.

23. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000,000	100,000

	Number of shares	Share capital	
			Shown in the consolidated financial statements
		HK$'000	*RMB'000*
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 31 December 2014	802,588,000	80,258	72,351

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2014:

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB2,192,508,000 as at 31 December 2014. The validity of the going concern assumption on which the consolidated financial statements have been prepared is dependent on sufficient bank facilities being available for the Group's working capital purposes. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation of assets that may be necessary if the Group is unable to continue as a going concern.

BUSINESS REVIEW AND OUTLOOK

Operation Review

With the world economy continuing to struggle and suppressed market demand of paper products, we experienced escalating competition in the paper industry in the People's Republic of China (the "PRC") in 2014. However, upon careful analysis of the economic conditions and the development trend of the industry, both domestic and abroad, by our Group, and through various measures taken for stabilising the production and expanding the market, the Group's operation remained in good shape. For the financial year ended 31 December 2014, we sold approximately 1.0 million tonnes of paper products and the balance between the level of production and sale of the Group remained intact.

The paper industry in the PRC has been taken onto a new stage of transformation and upgrade during 2014. On the one hand, certain paper products were hampered by over-capacity and subdued pricing. On the other hand, our Group managed to achieve and maintain the quality assurance of our products and significantly reduced our production cost, through innovation in production technique, rationalisation of our raw material cost structure as well as reinforcement in control over the manufacturing process. For the year ended 31 December 2014, our gross profit margin stood at 19.0%, representing an increase of 2.5 percentage points as compared to that of 16.5% for the corresponding period of last year.

Our Group completed the issuance of a 7-year bond of RMB500 million in 2014, which was instrumental to both the optimisation of resource allocation and enhancement of debt structure, and consequently beneficial to our long-term development. In relation to corporate social responsibility, our Group had proactively implemented the State's policies and requirements on environmental protection. Our input of resources to this area had increased to ensure new requirements on environmental protection could be met.

Outlook

The foundation for the world economy to stage a revival remains shaky and uncertain in 2015. Having said that, we believe there will still be a moderate growth in demand for packaging paper from both the domestic and international markets in the long run. Moreover, as regulations on environmental protection become more stringent, the process of elimination of inefficient production capacity will be intensified, thereby harmonising the supply-demand relationship in the paper product market, which in turn would be beneficial to the stronger players in the industry for maintaining their competitive edges.

Our pre-printed production lines, the operation of which are submissive to the "transformation and upgrade" concept, will strive to take on the supportive role for efficiency realization of our Group through ongoing innovation in marketing approach and methodology formulated for extending effort in marketing in both domestic and overseas markets. Meanwhile, we will endeavour to further optimise our supply chain management, raise our operation efficiency and reduce our logistics cost. We will also look up to pursue reinforcement of our internal management control, innovation in production technique, enhancement in our production process and realignment of raw material structure to lower the production cost. Last but not least, we will work diligently for continuous and full compliance of all legislations on environmental protection and due performance of corporate social responsibility, so that every aspect in our operation will exceed the required standards set by the State's authorities.

MANAGEMENT DISCUSSION AND ANALYSIS

Total revenue

Our Group's total revenue recorded a slight decrease of approximately 5.7%, from RMB3,657.7 million for FY2013 to RMB3,447.6 million for FY2014. Sales of paper products have 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. Notwithstanding there was an accelerating number of eliminated inefficient production capacities in China due to more stringent environmental policies, our Group still faced intense market competition amid the economy slow down in China. As a result, the average selling price (the "ASP") and sales volumes of our paper products for FY2014 both recorded a low single digit decrease as compared to that for FY2013.

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

	FY2014		FY2013	
	RMB'000	*%*	*RMB'000*	*%*
Sales of paper products				
White top linerboard	**993,444**	**28.8**	1,106,745	30.2
Light-coated linerboard	**1,500,397**	**43.5**	1,550,987	42.4
Core board	**454,866**	**13.2**	477,929	13.1
Specialized paper products	**325,730**	**9.5**	387,092	10.6
Subtotal of sales of paper products	**3,274,437**	**95.0**	3,522,753	96.3
Sales of electricity and steam	**173,180**	**5.0**	134,918	3.7
	3,447,617	**100.0**	3,657,671	100.0

Cost of sales

Our cost of sales decreased by approximately RMB262.6 million or 8.6%, from RMB3,054.2 million for FY2013 to RMB2,791.6 million for FY2014. The decrease in cost of sales of approximately 8.6% was higher than the decrease in our total revenue of approximately 5.7%. It reflected, to a large extent, our proactive efforts in lowering the unit production cost of paper products by implementing cost control over raw materials and production overhead to improve our profitability.

With respect to the costs of our paper products segment, domestic recovered paper, overseas recovered paper, and kraft pulp accounted for approximately 30.7%, 22.3% and 12.7%, respectively, of our cost of sales for FY2014.

Chemicals and additives consumed accounted for approximately 11.8% of the cost of sales. Manufacturing overhead costs accounted for approximately 20.7% of the cost of sales, of which depreciation, electricity and steam represented majority of manufacturing overhead costs. The remaining 1.8% of cost of sales represented labour cost.

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 RMB603.5 million and 16.5%, respectively, for FY2013, to RMB656.0 million and 19.0%, respectively, for FY2014.

Other profit and loss items

Other income of RMB79.2 million for FY2014 (FY2013: RMB117.8 million) mainly comprised interest income of RMB59.1 million (FY2013: RMB46.0 million), rental income from investment properties and other properties of RMB6.3 million (FY2013: RMB6.8 million), and government grants of RMB10.0 million. The decrease in other income mainly represented the decrease in government grants from RMB54.7 million for FY2013 to RMB10.0 million for FY2014.

Distribution and selling expenses, primarily consisted of transportation cost and staff costs, recorded a decrease from RMB256.2 million for FY2013 to RMB246.9 million for FY2014. As a percentage of total revenue, it was approximately 7.2% for FY2014, which was comparable to 7.0% in FY2013.

Administrative expenses recorded a slight increase from RMB155.1 million for FY2013 to RMB156.4 million for FY2014. As a percentage of total revenue, it was approximately 4.5% for FY2014, which was comparable to 4.2% for FY2013.

Change in fair value of investment property of RMB2.6 million (FY2013: RMB4.7 million) represented the revaluation gain arising from two investment properties located in the PRC.

We shared the loss of a joint venture, the principal activities of which were manufacture and sales of decorative papers, of RMB4.5 million for FY2014 (FY2013: Share of profit of RMB0.4 million).

Finance costs increased by approximately 12.2%, from RMB307.4 million for FY2013 to RMB344.9 million for FY2014. The increase mainly reflected the increase in interest expenses on the short-term financing notes and the seven-year corporate bonds issued by the Group.

Income tax expenses

Income tax expenses increased from RMB11.4 million for FY2013 to RMB14.3 million for FY2014. Income tax expenses mainly represented the deferred tax charges and the PRC enterprise income tax paid by a subsidiary, whose principal activity is sales of electricity and steam.

(Loss)/Profit for the year

As a result of the factors discussed above, we recorded a loss for the year attributable to the owners of our Company of RMB38.0 million for FY2014 (FY2013: Profit for the year attributable to the owners of our Company of RMB22.1 million)

Liquidity and financial resources

Treasury policy

We utilize internally generated operating cash flow and credit facilities provided by our principal bankers to finance most of our working capital and capital expenditure requirements, and bank borrowings repayment. We have issued the second tranche of short-term financing notes of RMB300.0 million and the seven-year corporate bond of RMB500.0 million during FY2014 to improve our liquidity position and to optimize our debt structure.

In addition, it is our Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During FY2013 and FY2014, 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 2014, we had bank balances and cash, and restricted bank deposits, of approximately RMB1,876.8 million, representing an increase of RMB179.6 million as compared with that of RMB1,697.2 million as at 31 December 2013.

Inventories recorded an increase from RMB285.5 million as at 31 December 2013 to RMB381.5 million as at 31 December 2014. The increase in inventories mainly reflected the increase in finished goods for growing demand of packaging paper in early 2014. Inventory turnover was 44 days for FY2014, which was lower than that of 56 days for FY2013.

Trade receivables increased from RMB360.5 million as at 31 December 2013 to RMB390.4 million as at 31 December 2014. Trade receivables turnover for FY2014 was 40 days, which was generally in line with 30 to 45 days credit period given to our customers and comparable to that of 38 days for FY2013.

Trade payables were RMB636.3 million as at 31 December 2014, as compared to RMB517.5 million as at 31 December 2013. Trade payable turnover for FY2014 was 75 days, as compared to that of 55 days for FY2013.

As at 31 December 2014, we recorded net current liabilities of RMB2,192.5 million (as at 31 December 2013: RMB2,369.8 million). The current ratio was 0.61 times and 0.58 times, respectively, as at 31 December 2014 and 2013.

Cashflow

We recorded net cash inflows from operating activities of RMB810.7 million for FY2014 (FY2013: RMB774.0 million). Net cash used in investing activities increased by RMB355.8 million, mainly representing the increase in restricted bank deposits, from RMB276.4 million for FY2013 to RMB609.9 million for FY2014. Net cash used in financing activities increased from RMB311.4 million for FY2013 to RMB365.6 million for FY2014. The increase primarily reflected that our Group utilized available cash to repay bank borrowings aiming to lower the debt level. The combined effect of the above resulted in a net decrease of cash and cash equivalents of RMB164.8 million for FY2014 (FY2013: Net increase of cash and cash equivalents of RMB208.5 million).

Gearing

Our net gearing ratio was 71.8% as at 31 December 2014, representing an improvement as compared to 112.8% as at 31 December 2013.

Capital expenditure

During FY2014, our capital expenditure was approximately RMB332.7 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 2014, the aggregate carrying amount of our assets pledged was approximately RMB3,068.2 million. (As at 31 December 2013: RMB2,650.3 million). In addition, an investment property of RMB191,859,000 has been used for a counter-guarantee arrangement with 中合中小企業融資擔保股份有限公司 (China United SME Guarantee Corporation) who provided guarantee for the corporate bond issued during FY2014.

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 RMB53.7 million as at 31 December 2014. (31 December 2013: RMB81.0 million).

As at 31 December 2014, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 2,800 full-time employees in the PRC and Hong Kong as at 31 December 2014. The staff costs for FY2014 were approximately RMB161.0 million, representing an increase of RMB23.9 million over FY2013 of approximately RMB137.1 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 2014, certain PRC banks agreed to extend the Group's RMB632,500,000 bank borrowings' expiration dates for one year when they fall due in year 2015.

Notes to financial ratios

(1) Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant 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 period 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 FY2014, 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 FY2014.

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 FY2014.

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. Jiao Jie, has reviewed the audited consolidated financial statements for FY2014 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed from 26 May 2015 to 28 May 2015, both days inclusive, for the purpose of determining entitlement to attend the 2014 annual general meeting of the Company expected to be held on 28 May 2015 (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 22 May 2015.

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.

DIVIDEND

The Board has not recommended the payment of a final dividend for FY2014 (FY2013: Nil). An interim dividend of HK1 cent (FY2013: Nil) per ordinary share was paid on 30 September 2014.

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 FY2014 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

Shanghai, China, 27 March 2015

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. Jiao Jie*

* *For identification purposes only*