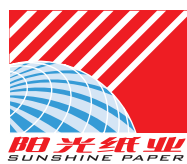


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CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED
中國陽光紙業控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2002)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

FINANCIAL HIGHLIGHTS

	For the six months ended		Change
	30 June		
	2015	2014	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	1,887,118	1,761,023	+7.2%
Gross profit	392,002	340,563	+15.1%
Profit for the period attributable to the owners of the Company	27,068	11,009	+145.9%
Basic earnings per share (<i>RMB cents</i>)	0.03	0.01	+200.0%

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Sunshine Paper Holdings Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period of last year. These interim results have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June 2015 <i>RMB’000</i> (unaudited)	Six months ended 30 June 2014 <i>RMB’000</i> (unaudited)
	<i>Notes</i>		
Revenue	4	1,887,118	1,761,023
Cost of sales		<u>(1,495,116)</u>	<u>(1,420,460)</u>
Gross profit		392,002	340,563
Other income	5	40,014	42,170
Other gains and losses	6	(12,709)	2,251
Distribution and selling expenses		(136,924)	(121,907)
Administrative expenses		(78,170)	(76,716)
Finance costs	7	(157,118)	(169,143)
Share of (loss)/profit of a joint venture		<u>(11,842)</u>	<u>1,930</u>
Profit before tax		35,253	19,148
Income tax expenses	8	<u>(6,420)</u>	<u>(4,752)</u>
Profit and total comprehensive income for the period	9	<u><u>28,833</u></u>	<u><u>14,396</u></u>
Profit and total comprehensive income attributable to:			
Owners of the Company		27,068	11,009
Non-controlling interests		<u>1,765</u>	<u>3,387</u>
		<u><u>28,833</u></u>	<u><u>14,396</u></u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share			
— Basic	11	<u><u>0.03</u></u>	<u><u>0.01</u></u>
— Diluted	11	<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015	As at 31 December 2014
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets			
Property, plant and equipment		3,435,023	3,462,148
Investment Properties		245,468	248,939
Prepaid lease payments		257,977	260,737
Goodwill		18,692	18,692
Deferred tax assets		8,862	6,837
Investment in a joint venture		94,796	106,638
Deposits and other receivables		292,307	307,938
		4,353,125	4,411,929
Current assets			
Prepaid lease payments		6,734	6,734
Inventories		254,093	381,476
Trade receivables	12	449,571	390,380
Bills receivable	13	491,562	559,934
Prepayments and other receivables		222,168	262,411
Income tax recoverable		4,540	7,758
Derivative financial instruments		35	75
Restricted bank deposits		1,694,374	1,574,633
Bank balances and cash		301,516	302,127
		3,424,593	3,485,528
Current liabilities			
Trade payables	14	606,555	636,294
Bills payable	14	303,000	320,000
Other payables		135,565	144,363
Payable for construction work, machinery and equipment		37,852	29,227
Income tax payable		1,585	1,399
Obligations under finance leases — current portion	15	83,115	91,080
Deferred income — current portion		3,005	3,005
Discounted bill financing	16	2,176,081	2,158,282
Bank borrowings — due within one year	17	2,136,200	1,937,886
Other borrowings		66,882	56,500
Short-term financing notes	18	—	300,000
		5,549,840	5,678,036
Net current liabilities		(2,125,247)	(2,192,508)
Total assets less current liabilities		2,227,878	2,219,421

		As at 30 June 2015 <i>RMB'000</i> (unaudited)	As at 31 December 2014 <i>RMB'000</i> (audited)
Capital and reserves			
Share capital		72,351	72,351
Reserves		<u>1,416,982</u>	<u>1,389,914</u>
Equity attributable to owners of the Company		<u>1,489,333</u>	<u>1,462,265</u>
Non-controlling interests		<u>101,950</u>	<u>100,185</u>
Total equity		<u>1,591,283</u>	<u>1,562,450</u>
Non-current liabilities			
Obligations under finance leases — non-current portion	15	100,610	104,949
Bank borrowings — due after one year	17	—	15,298
Corporate bond	19	493,571	493,156
Deferred income — non-current portion		21,588	22,635
Deferred tax liabilities		<u>20,826</u>	<u>20,933</u>
		<u>636,595</u>	<u>656,971</u>
Total equity and non-current liabilities		<u>2,227,878</u>	<u>2,219,421</u>

NOTES

1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (the “Company”) is a limited company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 12 December 2007.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Group has net current liabilities of approximately RMB2,125,247,000 as at 30 June 2015. This condition may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company (the “Directors”) have evaluated the relevant available information and key assumptions used in the cash flow projections for the twelve months since the balance sheet date. In addition, although most of the existing bank facilities will expire within twelve months, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional borrowing facilities as necessary. Therefore, the Directors are of the opinion that the Group has sufficient borrowing facilities (including discounted bills financing and short-term bank borrowings to the condensed consolidated financial statements) for its working capital purposes. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) for the preparation of the Group’s condensed consolidated financial statements.

- Amendments to IAS 19 — Defined Benefit Plans: Employee Contributions¹
- Amendments to IFRSs — Annual Improvements to IFRSs 2010-2012 Cycle²
- Amendments to IFRSs — Annual Improvements to IFRSs 2011-2013 Cycle¹

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

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The adoption of amendments to standards and annual improvements effective for the current interim period commenced from 1 January 2015 does not have any material impact on the accounting policy adopted, interim financial position or performance of the Group.

4. SEGMENT INFORMATION

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

(a) Segment result

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

Six months ended 30 June 2015

	Paper products					Total RMB'000
	White top linerboard RMB'000	Light-coated linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	
Revenue from external customers	547,663	836,717	237,441	157,856	107,441	1,887,118
Inter-segment revenue	—	—	—	—	129,824	129,824
Segment revenue	<u>547,663</u>	<u>836,717</u>	<u>237,441</u>	<u>157,856</u>	<u>237,265</u>	<u>2,016,942</u>
Segment profit	<u>98,976</u>	<u>175,347</u>	<u>53,576</u>	<u>43,424</u>	<u>15,638</u>	<u>386,961</u>

Six months ended 30 June 2014

	Paper products					Total RMB'000
	White top linerboard RMB'000	Light-coated linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	
Revenue from external customers	527,895	807,222	199,208	141,194	85,504	1,761,023
Inter-segment revenue	—	—	—	—	172,478	172,478
Segment revenue	<u>527,895</u>	<u>807,222</u>	<u>199,208</u>	<u>141,194</u>	<u>257,982</u>	<u>1,933,501</u>
Segment profit	<u>99,706</u>	<u>153,798</u>	<u>39,242</u>	<u>31,809</u>	<u>28,288</u>	<u>352,843</u>

(b) Reconciliations of segment profit

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Profit		
Segment profit	386,961	352,843
Unrealised profit on intragroup sales	(20,027)	(26,504)
	<u>366,934</u>	<u>326,339</u>
Other income	36,284	32,736
Other gains and losses	(14,510)	4,113
Distribution and selling expenses	(136,924)	(121,907)
Administrative expenses	(69,904)	(68,257)
Finance costs	(134,785)	(155,806)
Share of (loss)/profit of a joint venture	(11,842)	1,930
	<u>(11,842)</u>	<u>1,930</u>
Consolidated profit before tax	<u>35,253</u>	<u>19,148</u>

Segment profit represents the gross profit earned by each paper product and the profit before tax earned by electricity and steam segment. The Group does not allocate other income, other gains and losses, distribution and selling expenses, administrative expenses, finance costs and share of (loss)/profit of a joint venture to segment of paper product segment and does not allocate income tax expense to both the paper product segments or the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

- (c) There is no material change in respect of the Group's segment assets and segment liabilities from the amounts reported in the Group's annual financial statements for the year ended 31 December 2014.

5. OTHER INCOME

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Interest income on bank deposits	17,785	17,226
Interest income earned from a joint venture (<i>note i</i>)	12,044	8,955
Government grants (<i>notes ii & iii</i>)	6,449	10,405
Rental income	3,736	3,447
Commission income from sales of materials	—	2,137
	<u>40,014</u>	<u>42,170</u>

Notes:

- i. During the six months ended 30 June 2015, the Group earned interest income from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd (“Sunshine Oji”)), a joint venture of the Group, at 130% of the prevailing bank lending rate announced by the People's Bank of China, with effective interest rate of 7.8% per annum.
- ii. During the six months ended 30 June 2015, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd.) (“Century Sunshine”), a subsidiary of the Company, was granted unconditional government subsidy of approximately RMB4,359,000 from local government (six months ended 30 June 2014: RMB1,400,000).

iii. During the six months ended 30 June 2014, 昌樂昌東廢紙收購有限責任公司 (Changle Changdong Wastes Paper Recovery Co., Ltd), a subsidiary of the Company, was granted value-added tax refund from local government of approximate RMB5,706,000. For current interim period, no such value-added tax refund was granted.

6. OTHER GAINS OR LOSSES

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Changes in fair value of investment properties	(3,471)	2,245
Changes in fair value of derivative financial instruments	(40)	1,373
Net exchange loss	(9,136)	(5,104)
Loss on disposal of property, plant and equipment	(1,772)	(1,078)
Others	1,710	4,815
	<u>(12,709)</u>	<u>2,251</u>

7. FINANCE COSTS

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Interest expenses on:		
Discounted bill financing	68,286	58,148
Bank and other borrowings	64,794	98,961
Finance leases	8,090	7,912
Short-term financing notes	1,296	11,616
Corporate bond	21,011	—
	<u>163,477</u>	<u>176,637</u>
Less: Interest capitalised in construction in progress	(6,359)	(7,494)
	<u>157,118</u>	<u>169,143</u>

Borrowing costs capitalised during the six months ended 30 June 2015 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.60% (six months ended 30 June 2014: 7.20%) per annum to expenditure on construction in progress.

8. INCOME TAX EXPENSES

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Current income tax		
People's Republic of China ("PRC")		
Enterprise Income Tax	8,552	7,859
Deferred tax credit	(2,132)	(3,107)
	<u>6,420</u>	<u>4,752</u>
Charge for the period	<u>6,420</u>	<u>4,752</u>

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

In 2010, Century Sunshine was recognised as Advanced Technology Enterprise which was approved by the Science Technology Bureau, the Finance Bureau and the State Administration of Taxation in Shandong province. During the year 2013, Century Sunshine obtained the renewed Advanced Technology Enterprise certificate. 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.

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 the Science Technology Bureau, the Finance Bureau and the 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 Profit Tax has been made for the six months ended 30 June 2015 and the year ended 31 December 2014 as the Group did not have any assessable profit arising in Hong Kong during both periods.

9. PROFIT FOR THE PERIOD

Profit before tax has been arrived at after charging:

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Wages and salaries	67,577	63,603
Retirement benefits schemes contributions	10,850	6,936
Total staff costs (including directors' emoluments)	78,427	70,539
Cost of inventories recognised as an expense	1,452,505	1,388,222
Depreciation of property, plant and equipment	108,473	107,284
Release of prepaid lease payments	2,760	2,132

10. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior interim periods.

The Directors have determined that no dividend will be declared in respect of the year ended 31 December 2014 and the current interim period (six months ended 30 June 2014: nil).

Subsequent to the end of the prior interim period, the Directors have determined that an interim dividend of HK 1 cent per share will be paid to the owners of the company whose name appears in the Register of Members on 16 September 2014.

11. EARNINGS PER SHARE

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>27,068</u>	<u>11,009</u>
	Six months ended 30 June 2015 '000	Six months ended 30 June 2014 '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	<u>N/A</u>	<u>N/A</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>N/A</u>

No diluted earnings per share is presented for the current and prior interim periods, 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 2014.

12. TRADE RECEIVABLES

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
0-30 days	346,594	293,943
31-90 days	81,641	70,123
91-365 days	18,624	23,108
Over 1 year	<u>2,712</u>	<u>3,206</u>
	<u>449,571</u>	<u>390,380</u>

13. BILLS RECEIVABLE

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

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
0–90 days	274,072	326,288
91–180 days	207,949	215,466
181–365 days	9,541	18,180
	<u>491,562</u>	<u>559,934</u>

As at 30 June 2015, the Group has discounted bills receivable of RMB134,246,000 (31 December 2014: RMB192,540,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivable and has recognised the cash received upon the discounting as discounted bill financing (see Note 16).

14. TRADE AND BILLS PAYABLES

The following is an analysis of trade and bills payables by age, presented based on goods received date at the end of the reporting period:

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
0–90 days	582,309	805,197
91–365 days	316,782	142,366
Over 1 year	10,464	8,731
	<u>909,555</u>	<u>956,294</u>

All the bills payable as at 30 June 2015 and 31 December 2014 are trading nature and will mature within twelve months respectively.

15. OBLIGATIONS UNDER FINANCE LEASE

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

	At 30 June 2015 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current liabilities	83,115	91,080
Non-current liabilities	100,610	104,949
	<u>183,725</u>	<u>196,029</u>

Nominal interest rates underlying all obligations under finance leases are at respective contract dates ranging from 6.80% to 7.73% (31 December 2014: 6.80% to 7.73%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2015	At 31 December 2014	At 30 June 2015	At 31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases				
Within one year	92,208	101,169	83,115	91,080
In more than one year but not more than two years	57,725	49,943	52,867	44,762
In more than two years but not more than five years	50,523	64,989	47,743	60,187
	<u>200,456</u>	<u>216,101</u>	<u>183,725</u>	<u>196,029</u>
Less: future finance charges	(16,731)	(20,072)	—	—
Present value of lease obligations	<u>183,725</u>	<u>196,029</u>	<u>183,725</u>	<u>196,029</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(83,115)	(91,080)
Amount due for settlement after 12 months			<u>100,610</u>	<u>104,949</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

16. DISCOUNTED BILL FINANCING

	At 30 June 2015	At 31 December 2014
	RMB'000	RMB'000
Discounted bill financing	<u>2,176,081</u>	<u>2,158,282</u>
Comprising:		
Discounted bills receivable from third parties	134,246	192,540
Discounted bills receivable from subsidiaries of the Group	<u>2,041,835</u>	<u>1,965,742</u>
Total	<u>2,176,081</u>	<u>2,158,282</u>

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

During the current interim period, bank bills issued by certain subsidiaries of the Group to the suppliers and other subsidiaries within the Group were discounted to the banks for financing.

17. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,543,760,000 (six months ended 30 June 2014: RMB1,774,452,000), and repaid loans amounting to RMB1,360,734,000 (six months ended 30 June 2014: RMB1,815,668,000). The newly raised loans bear interest from 1.95 % to 8.50% per annum (six months ended 30 June 2014: 1.43% to 8.50% per annum).

18. 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. The short term financing note has matured and been repaid on 20 January 2015.

19. 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), and is with counter-guarantee arrangement with the Group's one piece of investment property of RMB188,449,000, and will be repaid with 20% of offering size annually from the year 2017 to year 2021.

20. EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on review of condensed consolidated financial statements for the six months ended 30 June 2015:

Without qualifying our review conclusion, we draw attention to Note 2 to the condensed consolidated financial statements which indicates that the Group had current liabilities exceeded its current assets of approximately RMB2,125,247,000 as at 30 June 2015. The validity of the going concern assumption on which the condensed consolidated financial statements have been prepared is dependent on sufficient bank facilities available for the Group's working capital purposes. The condensed 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 realization of assets that may be necessary if the Group is unable to continue as a going concern.

OPERATION REVIEW

In the first half of 2015, the paper manufacturing industry continued to be plagued by weak demand, decelerating growth and oversupply as affected by the macro-economic conditions. Our Group is eager to respond with ongoing technical innovations, with a view to enhance operating efficiency of equipment as well as to refine concepts behind its products and services. During the first half of 2015, owing to our Group's solid customer base, differentiation in market positioning and quality products with high reliability, our Group achieved a record-breaking sales volume of approximately 576,000 tons, representing a growth in sales volume of approximately 10.8% over the corresponding period last year, and the sales revenue and gross profit margin also improved by varying extents.

Our Group continued to strengthen internal control and facilitate supply chain management, which had effectively translated into lower inventory levels, improved turnover rate and relieved pressure on capital used. Facility upgrade also led to reduced pulp loss, electricity consumption and production costs. Meanwhile, in order to maximise resource utilisation, our Group actively studied the intensive treatment of discharge so as to develop a circular economy.

OUTLOOK

Looking forward, the paper manufacturing industry will remain in a transformation period that focuses on elimination of capacity and structural adjustments, and more obsolete competitors will be phased out. Further closure of outdated capacity and increasingly stringent requirements for the approval of new projects should encourage the recovery in market environment and fair competition among enterprises, as well as the realisation of economies of scale.

In June 2015, the notice on “Directory of Value-added Tax Preferential Rate on Comprehensive Utilisation of Goods and Services” (資源綜合利用產品和勞務增值稅優惠目錄) was issued by the State Administration of Taxation of the Ministry of Finance, which expressly listed recycled paper manufacturers as eligible for preferential treatment of value-added tax refund. The introduction of this supportive State policy, combined with a brighter-looking external atmosphere, would undoubtedly give a strong boost to the prospect of sizable paper manufacturers.

As usual, our Group will continue our dedicated effort to the enhancement of corporate governance standard and further expansion in domestic and international markets. Continuous improvement on technology and efficiency will bring about better corporate competency. While fulfilling its social responsibility, our Group will adapt to the environment which requires constant reforms and achieve stable and sustainable corporate development.

MANAGEMENT DISCUSSION AND ANALYSIS

Total Revenue

Our Group recorded a total revenue of RMB1,887.1 million, comprising sales of paper products of RMB1,779.7 million and sales of electricity and steam of RMB107.4 million, for the six months ended 30 June 2015 (“1H 2015”). The increase in total revenue of RMB126.1 million or 7.2% as compared to the total revenue of RMB1,761.0 million for the six months ended 30 June 2014 (“1H 2014” or the “corresponding period last year”) was mainly driven by the increase in sales volume of paper products.

Sales of paper products

Quality and reasonable price of our Group's paper products resulted in the increase in sales of paper products for 1H 2015. For 1H 2015, sales volume of paper products was around 576,000 tons, representing an increase of approximately 10.8% as compared to that of around 520,000 tons for 1H 2014. The average selling price of paper products for 1H 2015 recorded a low single digit decrease as compared to that for 1H 2014 amidst the declining manufacturing and retail climate in China.

Sales of electricity and steam

Sales of electricity and steam was RMB107.4 million, accounting for approximately 5.7% of our Group's total revenue, for 1H 2015, as compared to that of RMB85.5 million for 1H 2014.

The table below sets forth the sales and gross profit margin by different business segments for the period indicated:

	1H 2015			1H 2014		
	<i>Gross profit</i>	<i>% of total</i>		<i>Gross profit</i>	<i>% of total</i>	
	<i>margin</i>	<i>revenue</i>		<i>margin</i>	<i>revenue</i>	
	<i>RMB'000</i>	<i>(%)</i>		<i>RMB'000</i>	<i>(%)</i>	
White top linerboard	547,663	18.1	29.0	527,895	18.9	30.0
Light-coated linerboard	836,717	21.0	44.3	807,222	19.1	45.8
Core board	237,441	22.6	12.6	199,208	19.7	11.3
Specialized paper products	157,856	27.5	8.4	141,194	22.5	8.0
Subtotal of sales of paper products	1,779,677	20.9	94.3	1,675,519	19.4	95.1
Sales of electricity and steam	107,441	19.2	5.7	85,504	18.7	4.9
Total revenue of our Group	1,887,118	20.8	100.0	1,761,023	19.3	100.0

Cost of sales

Cost of sales increased by RMB74.6 million, from RMB1,420.5 million for 1H 2014 to RMB1,495.1 million for 1H 2015. Our Group procured quality raw materials at a lower cost, coupled with an effective production cost control resulted in a lower percentage increase of the cost of sales of about 5.3% as compared to an increase of total revenue of about 7.2% for 1H 2015.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by RMB51.4 million or approximately 15.1%, from RMB340.6 million for 1H 2014 to RMB392.0 million for 1H 2015. Gross profit margin also increased by 1.5 percentage points, from 19.3% for 1H 2014 to 20.8% for 1H 2015.

Other profit and loss items

Other income of RMB40.0 million for 1H 2015 (1H 2014: RMB42.2 million) mainly consisted of interest income on bank deposits of RMB17.8 million (1H 2014: RMB17.2 million), interest income earned from a joint venture of RMB12.0 million (1H 2014: RMB9.0 million), and government grants of RMB6.4 million (1H 2014: RMB10.4 million).

Other losses of RMB12.7 million for 1H 2015 mainly represented a net exchange loss of RMB9.1 million (1H 2014: Other gains of RMB2.3 million).

Distribution and selling expenses primarily consisted of transportation costs and staff costs relating to sales and marketing. It was RMB136.9 million, representing an increase of approximately 12.3% as compared to that of RMB121.9 million for the corresponding period last year. As a percentage of revenue, it slightly increased to 7.3% for 1H 2015 from 6.9% for 1H 2014.

Administrative expenses was RMB78.2 million, which was roughly the same as that of RMB76.7 million for the corresponding period last year. As a percentage of revenue, it was 4.1% as compared to 4.4% for 1H 2014.

Finance costs decreased by RMB12.0 million or around 7.1%, from RMB169.1 million for 1H 2014 to RMB157.1 million for 1H 2015. The decrease in finance costs reflected the renewal of lower interest bearing bank borrowings and a relatively lower effective interest for the corporate bonds during 1H 2015.

Share of loss of a joint venture of RMB11.8 million (1H 2014: Share of profit of a joint venture of RMB1.9 million) represented the share of loss of our joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd.

Income tax expenses

As a result of the increase in taxable profit, income tax expenses increased from RMB4.8 million for 1H 2014 to RMB6.4 million for 1H 2015. Effective tax rate for 1H 2015 was 18.2%, as compared to that of 24.8% for 1H 2014.

Profit and total comprehensive income

As a result of the factors discussed above, the net profit and the net profit attributable to the owners of the Company for 1H 2015 was RMB28.8 million and RMB27.1 million, respectively, as compared to that of RMB14.4 million and RMB11.0 million, respectively, for 1H 2014.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital, gearing and financial resources

Our Group primarily relies on operating cash flow and credit facilities provided by commercial banks in China to meet working capital requirement. In addition, the seven-year corporate bonds of RMB500.0 million issued in July 2014 have further strengthened our liquidity position.

As at 30 June 2015, our Group possessed restricted bank deposits of RMB1,694.4 million (31 December 2014: RMB1,574.6 million) and cash and cash balances of RMB301.5 million (31 December 2014: RMB302.1 million). The debt of our Group comprised of bank and other borrowings, obligations under finance leases, and corporate bonds totaled RMB2,880.4 million as at 30 June 2015 (31 December 2014: RMB2,998.9 million). Net gearing ratio was 55.6% as at 30 June 2015, representing a mildly improvement as compared to 71.8% as at 31 December 2014.

Inventories decreased from RMB381.5 million as at 31 December 2014 to RMB254.1 million as at 30 June 2015. Our Group aimed at releasing cash by strategically lower inventories level throughout 1H 2015. Inventory turnover was 39 days for 1H 2015, as compared to 43 days for 1H 2014.

Trade receivables increased from RMB390.4 million as at 31 December 2014 to RMB449.6 million as at 30 June 2015. The increase in trade receivables was generally in line with the increase in our Group's total revenue. Trade receivables turnover was 41 days for 1H 2015, as compared to 44 days for 1H 2014.

Trade payables was RMB606.6 million as at 30 June 2015, which was comparable to the RMB636.3 million as at 31 December 2014. Trade payable turnover was 76 days, as compared to 72 days for 1H 2014.

Current ratio was 0.62 times as at 30 June 2015 (31 December 2014: 0.61 times).

Notes to financial ratios

- (1) Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (2) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables of the relevant period divided by revenue of the relevant period and multiplied by 182 days.
- (3) Trade payables turnover days equal the average of the opening and closing balances of trade payables of the relevant period divided by cost of sales of the relevant period and multiplied by 182 days.
- (4) Current ratio equals current assets divided by current liabilities as of the end of the period.
- (5) Net gearing ratio equals the total of bank and other borrowings, obligations under finance leases, short-term financing notes and corporate bonds, net of bank and cash balances and restricted bank deposits, divided by the total equity as of the end of the period.

Cash flows

The table below sets forth the condensed consolidated statement of cash flows for the period indicated:

	1H 2015	1H 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from operating activities	374,593	269,852
Net cash used in investing activities	(155,254)	(485,387)
Net cash used in financing activities	(219,950)	(6,159)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(611)	(221,694)
Cash and cash equivalents at beginning of the period*	302,127	466,934
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period*	301,516	245,240
	<hr/> <hr/>	<hr/> <hr/>

* *Excluded restricted bank deposits*

Our Group continued to record strong cash inflows from operating activities for 1H 2015. Lower capital expenditure on the purchase of property, plant and equipments resulted in the decrease in net cash used in investing activities for 1H 2015. The increase in net cash used in financing activities for 1H 2015 mainly reflected our Group's full repayment of short term financing notes in early 2015.

Capital expenditure

Our Group spent approximately RMB14.0 million to enhance the productivity of existing plant and equipments, and approximately RMB72.5 million on construction in progress during 1H 2015.

Capital commitments and contingent liabilities

As at 30 June 2015, our Group had capital commitments, which were contracted but not provided for, for acquisition of property, plant and equipment of RMB63.0 million.

There was no contingent liabilities as at 30 June 2015.

Pledge of assets

As at 30 June 2015, the carrying amount of our assets of RMB2,857.3 million and the fair value of our investment property of RMB188.4 million were pledged as collateral or security for our Group's bank loans and corporate bond.

CORPORATE GOVERNANCE

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout 1H 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by our Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code throughout 1H 2015.

AUDIT COMMITTEE

Our Board has established an audit committee in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Company's financial reporting process and internal control system and to provide advice and comments to our Board. The audit committee consists of three independent non-executive Directors, namely Mr. Leung Ping Shing, Mr. Wang Zefeng and Ms. Jiao Jie. Mr. Leung Ping Shing is the chairman of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2015 and discussed the financial matters with the management of the Company. The unaudited condensed consolidated financial statements of our Group for 1H 2015 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants.

EMPLOYEES AND REMUNERATION POLICIES

Our Group had approximately 3,000 employees as at 30 June 2015. The staff costs for 1H 2015 were RMB78.4 million (1H 2014: RMB70.5 million). The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance-based remuneration which reflects market standards. Employees' remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also

receive certain welfare benefits. Our Group's emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group's business development, so as to achieve our Group's operational targets.

INTERIM DIVIDEND

The Board has not recommended the payment of an interim dividend for 1H 2015 (1H 2014: HK1 cent per ordinary share).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2015, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's shares.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunshinepaper.com.cn) and the interim report containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

Our Board would like to take this opportunity to express its gratitude to our shareholders, our business associates and all our employees for their continuous support.

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

Hong Kong, 27 August 2015

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

<i>Executive Directors:</i>	<i>Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Ci Xiaolei</i>
<i>Non-executive Directors:</i>	<i>Mr. Li Hengwen and Mr. Xu Leihua</i>
<i>Independent non-executive Directors:</i>	<i>Mr. Leung Ping Shing, Mr. Wang Zefeng and Ms. Jiao Jie</i>

* *For identification purpose*