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 2007

FINANCIAL HIGHLIGHTS

— Turnover increased by 125.3% to RMB1,381.6 million

— Profit attributable to equity holders of the Company increased by 166.3% to RMB133.0 million

— Basic earnings per share increased by 137.9% to RMB0.69

ANNUAL RESULTS

The board (the "Board") of directors ("Directors") of China Sunshine Paper Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000
Revenue	4	**1,381,619**	613,367
Cost of sales		**(1,112,018)**	(494,700)
Gross profit		**269,601**	118,667
Other income		**36,256**	12,327
Share of result of an associate		**2,025**	1,257
Distribution expenses		**(66,720)**	(41,524)
Administrative expenses		**(41,073)**	(22,072)
Other expenses		**(21,179)**	—
Finance costs		**(33,348)**	(12,563)
Profit before tax	5	**145,562**	56,092
Income tax expense	6	**(8,292)**	(5,932)
Profit for the year		**137,270**	50,160
Attributable to:			
Equity holders of the Company		**133,001**	49,940
Minority interests		**4,269**	220
		137,270	50,160
Earnings per share			
— Basic *(RMB)*	7	**0.69**	0.29
— Diluted *(RMB)*	7	**0.69**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		**891,085**	446,215
Prepaid lease payments		**88,278**	39,679
Interest in an associate		**—**	18,246
Goodwill		**19,246**	554
Deferred tax assets		**1,087**	492
		999,696	505,186
Current assets			
Prepaid lease payments		**1,856**	934
Inventories		**177,248**	105,086
Trade receivables	9	**109,768**	64,262
Bills receivable		**382,398**	168,957
Prepayments and other receivables		**31,988**	21,200
Restricted bank deposits		**40,725**	64,572
Bank balances and cash		**648,871**	11,913
		1,392,854	436,924
Current liabilities			
Trade payables	10	**387,997**	137,780
Bills payable		**—**	66,998
Other payables		**194,836**	231,750
Income tax payable		**5,476**	952
Dividend payable		**—**	1,031
Deferred income		**936**	—
Bank borrowings — due within one year		**508,053**	323,328
		1,097,298	761,839
Net current assets/(liabilities)		**295,556**	(324,915)
Total assets less current liabilities		**1,295,252**	180,271
Capital and reserves			
Share capital	11	**37,783**	1
Reserves		**1,062,837**	171,632
Equity attributable to equity holders of the Company		**1,100,620**	171,633
Minority interests		**37,535**	8,638
Total equity		**1,138,155**	180,271
Non-current liabilities			
Bank borrowings — due after one year		**132,969**	—
Other borrowings		**17,562**	—
Deferred tax liabilities		**6,566**	—
		157,097	—
Total equity and non-current liabilities		**1,295,252**	180,271

NOTES

1. General information

The Company was incorporated in the Cayman Islands under the Cayman Islands 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.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates.

The principal activities of the Group are the production and sale of paper products.

2. Group reorganization and basis of preparation of consolidated financial statements

Pursuant to a group reorganization (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 15 October 2007. Details of the Group Reorganization were set out in the prospectus issued by the Company dated 29 November 2007 (the "Prospectus").

The Group resulting from the reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Group Reorganization had been in existence throughout the two years ended 31 December 2007, or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period.

3. Adoption of new and revised International Financial Reporting Standards

The International Accounting Standards Board issued a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as "new IFRSs") which are effective for the Group's financial year beginning on 1 January 2007. The Group has applied the new IFRSs since the financial year beginning on 1 January 2004.

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

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32&1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The Directors anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial positions of the Group upon initial application.

4. Business and geographical segments

Business segments

For management reporting purpose, the Group is engaged in production/generation and sale of paper products, electricity and steam. Revenue, operating result and assets relating to electricity and steam are totally and individually below 10% of the total revenue, consolidated results and total assets respectively, so no business segment analysis is presented.

Geographical segments

The Group's assets are located in the People's Republic of China ("PRC") only and sales are in the PRC and overseas.

The following table provides an analysis of the Group's segment information by geographical location of customers, irrespective of the origin of the goods on which the Group reports its primary segment information. Revenue and result contributed by overseas countries are individually below 10% of the total revenue and segment result, respectively, so no further disclosure on geographical segments of "Overseas" is presented.

For the year ended 31 December 2007

	PRC	**Overseas**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
Revenue			
Segment revenue	**1,187,046**	**194,573**	**1,381,619**
Result			
Segment result	**185,705**	**17,176**	**202,881**
Other income			**36,256**
Share of result of an associate			**2,025**
Unallocated corporate expenses			**(62,252)**
Finance costs			**(33,348)**
Profit before tax			**145,562**
Income tax expense			**(8,292)**
Profit for the year			**137,270**

As at 31 December 2007

Assets			
Segment assets	**366,527**	**8,420**	**374,947**
Unallocated corporate assets			**2,017,603**
Consolidated total assets			**2,392,550**
Liabilities			
Segment liabilities	**45,182**	**2,696**	**47,878**
Unallocated corporate liabilities			**1,206,517**
Consolidated total liabilities			**1,254,395**

For the year ended 31 December 2006

	PRC	Overseas	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Segment revenue	610,024	3,343	613,367
Result			
Segment result	77,227	(84)	77,143
Other income			12,327
Share of result of an associate			1,257
Unallocated corporate expenses			(22,072)
Finance costs			(12,563)
Profit before tax			56,092
Income tax expense			(5,932)
Profit for the year			50,160

As at 31 December 2006

Assets			
Segment assets	262,174	573	262,747
Unallocated corporate assets			679,363
Consolidated total assets			942,110
Liabilities			
Segment liabilities	24,264	—	24,264
Unallocated corporate liabilities			737,575
Consolidated total liabilities			761,839

An analysis of the Group's other information including depreciation, non-cash expenses other than depreciation and capital expenditure attributable to geographical markets by location of customers are not presented as the amounts involved cannot be allocated by the location of its customers.

5. Profit before tax

	2007	2006
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Wages and salaries	**31,059**	17,079
Retirement benefit schemes contributions	**1,728**	789
Equity-settled share-based payment	**1,601**	—
Total staff costs	**34,388**	17,868
Allowance for doubtful receivables	**—**	357
(Reversal of) allowance for inventories	**(863)**	863
Release of prepaid lease payments	**1,237**	382
Auditor's remuneration	**3,061**	1,043
Depreciation of property, plant and equipment	**35,886**	13,073
Loss on disposal of property, plant and equipment	**83**	284
Share of tax of an associate (included in share of result of an associate)	**1,054**	377

6. Income tax expense

	2007	2006
	RMB'000	*RMB'000*
Current tax:		
PRC	**8,720**	6,332
Deferred tax:		
Current year	**(547)**	(400)
Attributable to a change in tax rate	**119**	—
	(428)	(400)
	8,292	5,932

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 33% is applied to the Company's PRC subsidiaries for the year except for certain of these subsidiaries which are entitled to different concessionary tax rates. Income tax was calculated at rates given under the concessions for those subsidiaries.

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. The New Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprises from 1 January 2008. On 28 December 2007, the State Council issued the circular on the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No.39 which will be effective from 1 January 2008. According to the circular, from 1 January 2008, the enterprises that originally enjoy the preferential treatment of regular tax reduction and exemption such as "exemption from income tax in the first two profit-making years and a fifty percent reduction in the ensuing three years" may, after the enforcement of the New Law, enjoy the original preferential treatment in accordance with the preferential measures and term stipulated by the original tax law, administrative regulations and relevant documents until after the expiration of the entitlement period, however, if an enterprise has not enjoyed tax benefit by virtue of failure to make profits, the term of tax entitlement period may be counted as of 2008. The Company's subsidiaries in PRC applied tax rate under the existing tax laws to provide for current tax. The deferred tax balance as at 31 December 2007 has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled.

7. Earnings per share

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

	2007	2006
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to equity holders of the Company	**133,001**	49,940
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**193,603,000**	169,744,000
Effect of dilutive potential ordinary shares relating to outstanding share options	**330,453**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**193,933,453**	—

In calculating the weighted average number of ordinary shares for the purposes of calculating basic earnings per share, the shares that were issued pursuant to the Group Reorganization and capitalization of share premium are treated as if they had been in issue throughout both years.

8. Dividend

No dividend was paid or proposed during 2007. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007.

9. Trade receivables

The Group has a policy of allowing an average credit period of 30 days to its trade customers with trading history. Otherwise, sales on cash terms are required. The Group's sales to related parties are entered into on the same credit terms of sales to other customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	2007	2006
	RMB'000	*RMB'000*
0 – 30 days	**87,215**	49,617
31 – 90 days	**18,977**	11,242
91 – 365 days	**3,389**	2,930
Over 1 year	**187**	473
	109,768	64,262

Included in the balance of trade receivables above, there was approximately RMB38.5 million as at 31 December 2007 (2006: Nil) pledged to banks to secure banking facilities granted to the Group.

10. Trade payables

The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**217,154**	129,899
91 – 365 days	**166,795**	6,987
Over 1 year	**4,048**	894
	387,997	137,780

11. Share capital

	Notes	Number of shares	Share capital HK$'000
Authorized:			
Ordinary shares of HK$0.10 each			
At the date of incorporation	(a)	3,800,000	380
Increase during the year	(d) (i)	996,200,000	99,620
As at 31 December 2007		1,000,000,000	100,000

	Notes	Number of shares	Share capital HK$'000	Share capital shown in the financial statements RMB'000
Issued and fully paid:				
At the date of incorporation	(a)	1	—	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganization	(b)	1,956,389	196	190
Capitalization of loan owing to shareholder	(c), (e)	40,751,910	4,075	3,850
Capitalization of share premium	(d) (iii)	257,291,700	25,729	24,299
Issue of shares upon listing of the Company's share on the Stock Exchange	(d) (ii)	100,000,000	10,000	9,444
As at 31 December 2007		400,000,000	40,000	37,783

Notes:

(a) The Company was incorporated on 22 August 2007 with an authorized share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. At the time of incorporation, 1 share was allotted, issued at par and fully paid.

(b) On 15 October 2007, the Company acquired the entire issued share capital of China Sunshine Paper Group Limited by exchange of its shares through the allotment and issue of 1,956,389 new shares of the Company to China Sunrise Paper Holdings Limited ("China Sunrise"), credited as fully paid at par pursuant to the Group Reorganization.

(c) On 29 October 2007, the Company issued an aggregate of 1,043,610 shares to Seabright SOF (I) Paper Limited, LC Fund III, L.P. and Forebright Management Limited by way of capitalization of outstanding loans as of that date in a total sum of approximately RMB102,700,000 owing to China Sunrise.

(d) On 19 November 2007, shareholder's resolutions were passed to approve the matters set out in the paragraph headed "Written resolutions of the shareholders of the Company passed on 19 November 2007" in Appendix VII to the Prospectus, pursuant to which:

(i) The authorized share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.10 each.

(ii) On 12 December 2007, 100,000,000 ordinary shares of HK$0.10 each of the Company were issued at HK$6.00 by way of placing and public offer (the "New Issue"). On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(iii) Subject to the share premium account of the Company being credited as a result of the New Issue, the Directors were authorized to capitalize approximately HK$25,729,000 (equivalent to approximately RMB24,299,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 257,291,700 ordinary shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 19 November 2007 in proportion to their then respective existing shareholdings in the Company and the Directors allotted and issued such shares as aforesaid and gave effect to the capitalization.

(e) On 12 December 2007, the Company issued an aggregate of 39,708,300 shares to Deutsche Securities Asia Ltd. by way of capitalization of outstanding loan as of that date in a total sum of approximately RMB166,307,000 owing to China Sunrise.

12. Capital commitments

	2007	2006
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	**89,944**	51,470

13. Post balance sheet events

On 3 January 2008, the Company issued additional 7,500,000 ordinary shares of HK$0.10 each at the price of HK$6.00 per share by means of partial exercise of the over-allotment option as set out in the Prospectus.

BUSINESS REVIEW AND OUTLOOK

Business Review

During the year under review, the Group's sales of its main products reached 364,397 tons, comprising of 292,043 tons of white top linerboard, 11,752 tons of light-coated linerboard and 60,602 tons of core board. We recorded a total turnover and net profit of approximately RMB1,381.6 million and RMB137.3 million, respectively, for the year ended 31 December 2007. This represents an increase of 125.3% and 173.7% over the previous year, respectively. The profit attributable to the equity holders and our earnings per share were RMB133.0 million and RMB0.69, respectively, representing an increase of 166.3% and 137.9% from 2006.

The Group has acquired additional 60% equity interests of its 20%-held associate company, Changle Shengshi Thermoelectricity Co., Ltd. ("Shengshi Thermoelectricity") on 29 June 2007, and was listed on the Main Board of the Stock Exchange on 12 December 2007.

Outlook

With our sixth production line expected to commence production by the third quarter of 2008, we expect our annual production capacity would be able to reach 560,000 tons in 2008. The foundation work for our seventh production line, a new production line which can manufacture both white top linerboard and light-coated linerboard interchangeably, and with an estimated annual production capacity of 500,000 tons, has commenced. We are very confident that the Group will continue to grow and become a dominant producer of the core products we are focusing on.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales

The Group's sales represent gross revenue generated from the sales of white top linerboard, core board, light-coated linerboard and specialized paper products, such as packaging boxes and copper plate paper, net of sales-related taxes and discounts. The Group's sales are affected by the total volume of products sold and the product mix because of the different selling prices of its different products. The Group's sales recorded an increase of 125.3% to RMB1,381.6 million for the financial year ended 31 December 2007 ("FY 2007"), as compared to RMB613.4 million for the financial year ended 31 December 2006 ("FY 2006"). Such increase was mainly driven by (i) an increase in demand of white top linerboard and core board, which benefited from the fast growing consumer and industrial markets, (ii) an increase in the Group's production capacity by the construction of new production lines and upgrading on our existing production lines, and (iii) an increase in the average selling prices of the Group's products as a result of its ability to pass on increased raw material costs to its customers and, more recently, due to its increased production of higher grade products which have higher prices.

The following table sets out the Group's breakdown of sales and the percentage of sales by product categories:

	Year ended 31 December					
	2007			2006		
	RMB'000	**%**	**Gross profit margin (%)**	*RMB'000*	%	Gross profit margin (%)
White top linerboard	**1,054,899**	**76.3**	**20.2**	424,004	69.1	21.1
Light-coated linerboard	**45,270**	**3.3**	**22.4**	—	—	—
Core board	**143,124**	**10.4**	**26.5**	123,804	20.2	19.6
Specialized paper products	**138,326**	**10.0**	**5.9**	65,559	10.7	7.9
Total	**1,381,619**	**100.0**	**19.5**	613,367	100.0	19.3

While focusing on domestic sales in the past, the Group has begun to widen its customer base to outside China since early 2007. For FY 2007 and FY 2006, domestic sales accounted for 85.9% and 99.5% of the Group's total sales, respectively, and export sales accounted for 14.1% and 0.5% of the Group's total sales, respectively.

Cost of sales

The Group's cost of sales includes raw materials, overhead costs relating to production and manufacturing and labour costs. The increase in cost of sales in FY 2007 as compared to FY 2006 was in line with the increases in sales, production capacity, purchases of raw materials and depreciation and utilities.

Raw materials

Domestic recovered paper, overseas recovered paper and kraft pulp sourced from North and South America, Russia and Canada are the principal raw materials used in the manufacture of the Group's products, which represented the most significant portion of the cost of sales during the year under review. Raw material costs were RMB885.6 million and RMB397.0 million, respectively, and accounted for 79.6% and 80.2% of the Group's cost of sales for FY 2007 and FY 2006, respectively.

Overhead costs

Overhead costs relating to production and manufacturing include depreciation charges, utility expenses, other factory overheads and related expenses. Overhead costs were RMB199.9 million and RMB87.3 million, respectively, and accounted for 18.0% and 17.7% of the Group's cost of sales, respectively, for FY 2007 and FY 2006. The Group further enjoyed the synergy from vertical integration of an electricity and steam plant in FY 2007 after Shengshi Thermoelectricity became an indirect subsidiary of the Company following the acquisition of 60% equity interests in Shengshi Thermoelectricity in June 2007. Accordingly, the electricity and steam charges, as a percentage of cost of sales, decreased from 13.4% in FY 2006 to 12.1% in FY 2007. Such decrease was off-set by an increase in depreciation charges, as a percentage of cost of sales, from 2.0% in FY 2006 to 3.8% in FY 2007. The increase in depreciation charges was led by the commencement of production of the fifth production line in November 2006.

Gross profit and gross profit margin

As a result of the foregoing, the gross profit increased by RMB150.9 million to RMB269.6 million in FY 2007 from RMB 118.7 million in FY 2006. The gross profit margin was 19.5% and 19.3% for FY 2007 and FY 2006, respectively.

Other income

Other income mainly comprises net exchange gain, negative goodwill income, interest income, government subsidies and sales of electricity and steam. The increase in other income of RMB23.9 million was mainly due to the net effect of an increase in sales of electricity and steam of RMB28.8 million and a decrease in net exchange gain of RMB4.5 million. The principal business of Shengshi Thermoelectricity is the generation and sales of electricity and steam. Prior to the acquisition of 60% equity interests in Shengshi Thermoelectricity by the Group on 29 June 2007, the Group only held 20% equity interests in Shengshi Thermoelectricity. Upon completion of the said acquisition, Shengshi Thermoelectricity became a 80% non-wholly owned subsidiary of the Group and its sales of electricity and steam of RMB28.8 million was reflected in the Group's financial statements as other income.

Distribution expenses

Distribution expenses mainly comprise transportation costs (rail, road and marine), travel and related expenses of the Group's sales and marketing staff, staff salary costs and related expenses, advertising, rentals and utilities of sales offices, and depreciation. As a percentage of sales, the Group's distribution costs were 4.8% and 6.8% for FY 2007 and FY 2006, respectively.

Administrative expenses

Administrative expenses mainly consist of administrative staff salaries and their related expenses, administrative fixed assets depreciation, travel expenses, professional charges, office utilities and consumables, charges for decreased value of inventories and provision for bad debts. As a percentage of sales, administrative expenses were 3.0% and 3.6% for FY 2007 and FY 2006, respectively.

Other expenses

Other expenses represent cost on sales of electricity and steam of Shengshi Thermoelectricity in the second half of 2007. Upon completion of the acquisition of Shengshi Thermoelectricity as mentioned in the above paragraph headed "Other income", its cost on sales of electricity and steam of RMB21.2 million was reflected in the Group's financial statements as other expenses.

Finance costs

Finance costs primarily consist of interest on bank borrowings and bills discount charges less interest capitalized. The increase in finance costs reflected the Group's increased bank borrowings to fund the expansion of its production capacity and its daily operations.

Income tax expenses

The income tax expenses in FY 2007 was RMB8.3 million, representing approximately a 39.8% increase from RMB5.9 million in FY 2006. However, the effective tax rate decreased from 10.6% in FY 2006 to 5.7% in FY 2007. The sharp reduction in the effective tax rate in FY 2007 resulted primarily from an exemption from income tax which became applicable to Changle Century Sunshine Paper Industry Co., Ltd., a member of the Group, in the second half of FY 2006. Accordingly, the tax exemption was only recognized in the second half of FY 2006 while the results of FY 2007 fully reflected the effects of such tax exemption.

Profit for the year and net profit attributable to the equity holders of the Company

As a result of the factors discussed above, the profit for FY 2007 and the net profit attributable to the equity holders of the Company for FY 2007 increased by RMB87.1 million and RMB83.1 million to RMB137.3 million and RMB133.0 million, respectively, from RMB50.2 million and RMB49.9 million for FY 2006.

Inventories and turnover days

The Group's inventories increased by 68.7% to RMB177.2 million as at 31 December 2007, from RMB105.1 million as at 31 December 2006, mainly because of an increase in raw materials stored. The Group's fifth production line, with an annual production capacity of 180,000 tons, commenced its operation in January 2007. As a result, the Group had to store more raw materials to support its expanding business in 2007. Notwithstanding the increase in value of inventories, the Group's inventory turnover days decreased from 77.8 days in FY 2006 to 58.2 days in FY 2007. Such improvement was the Group's effort in production planning to maintain a lower inventory level.

Trade receivables and turnover days

The Group's trade receivables increased by 70.8% to RMB109.8 million as at 31 December 2007, from RMB64.3 million as at 31 December 2006. The trade receivable turnover days was 29.0 days in FY 2007 as compared to 38.2 days in FY 2006.

Bills receivable

The Group's bills receivable increased by 126.3% to RMB382.4 million as at 31 December 2007, from RMB169.0 million as at 31 December 2006. The Group's bills receivable include bills endorsed to third parties as well as bills discounted to banks. In accordance with IFRS, discounted bills and endorsed bills are considered unsettled prior to their maturity dates, even though the Group has already received cash payment for them. In this respect, the Group's balance sheet reflects all bills receivable despite the Group having endorsed or discounted the bills for immediate cash payment already. Included in the balance of the bills receivable, there were approximately RMB332.2 million as at 31 December 2007 and RMB145.5 million as at 31 December 2006, respectively, bills discounted to banks and endorsed to third parties in total.

Trade payables and turnover days

The Group's trade payables increased by 181.6 % to RMB388.0 million as at 31 December 2007, from RMB137.8 million as at 31 December 2006. The trade payable turnover days was 127.4 days in FY 2007 as compared to 101.7 days in FY 2006.

Liquidity and Capital Resources

Net current assets/liabilities

The Group has net current assets of RMB295.6 million as at 31 December 2007 as compared to its net current liabilities of RMB324.9 million as at 31 December 2006. The Group's current liabilities exceeded current assets of RMB324.9 million as at 31 December 2006 because the Group relied primarily on shareholder's loan and bank borrowings to finance capital expenditures in purchasing and upgrading production facilities and equipment. Amount due to the Group's immediate holding company, which amounted to RMB269.0 million, was capitalized as the Company's capital in FY 2007. As a result of the above capitalization and together with the IPO net proceeds (before the partial exercise of over-allotment option) of HK$551.9 million (equivalent to approximately RMB521.2 million), the Group turned from a net current liability position as at 31 December 2006 into a net current asset position as at 31 December 2007.

Current ratio

The current ratio, being current assets over current liabilities, was 1.27 as at 31 December 2007 (31 December 2006: 0.57).

Borrowings

The Group generally finances its operations with internally generated cashflow and credit facilities provided by its principal bankers. As at 31 December 2007, the Group had total borrowings of RMB658.6 million (31 December 2006: RMB323.3 million). These bank loans were secured by corporate guarantees and assets of the Group. As at 31 December 2007, the Group had credit facilities totaling RMB1,154.8 million, of which RMB496.2 million were unutilized.

Net borrowings to equity ratio

The Group's net borrowings to equity ratio, being net borrowings (total borrowings net of bank balances and cash) over total equity, was 0.01 as at 31 December 2007 (31 December 2006: 1.73).

Capital expenditure

The Group's ability to maintain and increase its sales and profits depends upon continued capital spending. Capital expenditures are used to purchase land, property, plant and equipment. For FY 2007, the Group's expenditure for the purchase of land use rights totaled RMB22.1 million, and the Group's expenditure for the purchase of fixed assets totaled RMB257.9 million.

Capital commitments and contingent liabilities

The Group had capital commitments of RMB89.9 million for acquisition of property, plant and equipment, which were contracted but not provided for, as at 31 December 2007.

As at 31 December 2007, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 31 December 2007, the Group had 1,239 full-time employees. The staff costs for FY 2007 was around RMB34.4 million, representing an increase of 92.5% over FY 2006.

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

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

The Company was listed on the Stock Exchange on 12 December 2007 (the "Listing Date"). The net proceeds from the Company's listing and issue of new shares (before the partial exercise of over-allotment option) amounted to HK$551.9 million (equivalent to approximately RMB521.2 million). The net proceeds will be applied in accordance with the proposed applications set out in the section headed "Use of proceeds" contained in the Prospectus. As at 31 December 2007, the unutilized proceeds are deposited with licensed banks as short-term deposits in China and Hong Kong. On 3 January 2008, the Company received an additional net proceeds of HK$43.4 million upon issue of the new shares pursuant to the partial exercise of over-allotment option on 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the financial year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Company's listing on the Stock Exchange on 12 December 2007, except for the deviation from Code Provision A2.1 under the CG Code. Code Provision A2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the Company does not have the position of chief executive officer and Mr. Wang Dongxing is the chairman of the Board, an executive director of the Company and also the general manager of Changle Century Sunshine Paper Industry Co., Ltd., the principal operating subsidiary of the Group. In addition to such roles, with Mr. Wang's extensive experience in the paper industry, the Board considers that it is in the interest of the Group and the shareholders as a whole for him to be given the overall management responsibility of the Group. The Board considers that vesting the roles of chairman and functions of chief executive officer in the same person, namely Mr. Wang, is appropriate to the Company at this stage and believes such arrangement will not result in any material adverse impact to the efficiency of operation and management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code during the period from the Listing Date to 31 December 2007.

AUDIT COMMITTEE

The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The Company's audit committee, comprising Ms. Wong Wing Yee, Jessie (Chairman), Mr. Wang Zefeng and Mr. Xu Ye, has reviewed the Group's consolidated financial statements for the year ended 31 December 2007 and the accounting principles and practices adopted, and discussed auditing, internal controls, and financial reporting matters with management and the external auditors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 May 2008 (Monday) to 7 May 2008 (Wednesday), both days inclusive, during which no transfer of Shares will be registered. To qualify for attending and voting at the forthcoming annual general meeting of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30pm on 2 May 2008 (Friday). Members whose names appear on the register of members of the Company at the close of business on 2 May 2008 will be entitled to attend and vote at the forthcoming annual general meeting of the Company.

PUBLICATION OF RESULTS

This announcement of results has been published on the websites of the Company (www.sunshinepaper.com.cn) and the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2007 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

APPRECIATION

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

By order of the Board
Wang Dongxing
Chairman

Shenzhen, PRC, 26 March 2008

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

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

* *For identification purpose*