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 SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue was RMB1,872.8 million, which was roughly the same as RMB1,880.4 million for the corresponding period last year
- Profit attributable to the owners of the Company was RMB20.6 million
- Basic earnings per share was RMB0.03
- Net assets value per share was RMB1.88

INTERIM RESULTS

The board (the "Board") of directors ("Directors") of China Sunshine Paper Holdings Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 (together with comparative figures of the Group for the six months ended 30 June 2012) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**Six months ended 30 June 2013** *RMB'000* **(unaudited)**	Six months ended 30 June 2012 *RMB'000* (unaudited)
Revenue	4	**1,872,846**	1,880,435
Cost of sales		**(1,568,973)**	(1,574,212)
Gross profit		**303,873**	306,223
Other income	5	**62,986**	69,090
Other gains and losses	6	**10,965**	(2,209)
Distribution and selling expenses		**(127,774)**	(102,589)
Administrative expenses		**(73,216)**	(66,347)
Other expenses		**—**	(539)
Finance costs	7	**(145,245)**	(179,529)
Profit before tax		**31,589**	24,100
Income tax expenses	8	**(6,333)**	(2,276)
Profit and total comprehensive income for the period	9	**25,256**	21,824
Profit and total comprehensive income attributable to:			
Owners of the Company		**20,555**	16,678
Non-controlling interests		**4,701**	5,146
		25,256	21,824
		RMB	*RMB*
Earnings per share	11		
— Basic		**0.03**	0.02
— Diluted		**0.03**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**3,228,940**	3,252,719
Prepaid lease payments		**263,900**	188,798
Investment properties		**244,170**	241,728
Goodwill		**18,692**	18,692
Deferred tax assets		**12,190**	10,612
Interest in a joint venture		**103,530**	—
Assets held for establishment of a joint venture		—	103,530
Deposits		**70,375**	122,185
		3,941,797	3,938,264
Current assets			
Inventories		**485,422**	656,496
Loan receivables		—	50,000
Trade receivables	12	**493,303**	392,456
Prepaid lease payments		**5,150**	3,853
Bills receivable	13	**591,387**	528,567
Prepayments and other receivables		**536,820**	323,603
Income tax recoverable		**2,646**	6,000
Restricted bank deposits		**1,074,249**	1,162,368
Bank balances and cash		**268,695**	258,391
		3,457,672	3,381,734
Assets classified as held for sale		—	157,550
		3,457,672	3,539,284

	NOTES	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Current liabilities			
Trade payables	14	**527,236**	408,602
Bills payable	14	**90,000**	90,000
Other payables		**92,509**	111,331
Payable for construction work, machinery and equipment		**24,662**	58,036
Income tax payable		**741**	3,915
Obligations under finance leases — current portion		**98,958**	95,372
Deferred income — current portion		**2,068**	2,103
Derivative financial instruments		**1,034**	259
Discounted bill financing	15	**1,560,426**	1,870,699
Bank borrowings — due within one year	16	**2,279,512**	2,355,939
Short-term financing notes	17	**300,000**	—
Other borrowings		**14,000**	14,000
		4,991,146	5,010,256
Net current liabilities		**1,533,474**	1,470,972
Total assets less current liabilities		**2,408,323**	2,467,292
Capital and reserves			
Share capital		**72,351**	72,351
Reserves		**1,432,771**	1,412,151
Equity attributable to owners of the Company		**1,505,122**	1,484,502
Non-controlling interests		**92,724**	85,323
Total equity		**1,597,846**	1,569,825
Non-current liabilities			
Obligations under finance leases — non-current portion		**144,896**	195,351
Bank borrowings — due after one year	16	**620,634**	656,469
Deferred income — non-current portion		**24,461**	25,460
Deferred tax liabilities		**20,486**	20,187
		810,477	897,467
Total equity and non-current liabilities		**2,408,323**	2,467,292

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 of Hong Kong Limited.

The Group has net current liabilities of approximately RMB1,533,474,000 as at 30 June 2013. The directors of the Company (the "Directors") are of the opinion that, taking into account the present available banking facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by banks) and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of issuance of the condensed consolidated financial statements. Hence, 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has adopted the following accounting policy for its investment in joint ventures.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture is initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's condensed consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") that are relevant to the Group.

IFRS 10	Consolidated Financial Statements;
IFRS 11	Joint Arrangements;
IFRS 12	Disclosure of Interests in Other Entities;
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;
IFRS 13	Fair Value Measurement;
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities;
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income; and
Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation — Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The Group has a 51% ownership interest in Sunshine Oji (Shouguang) Specialty Paper Co., Ltd. (陽光王子（壽光）特種紙有限公司) ("Sunshine Oji") which was established on 11 March 2013, The Group's 51% ownership interest in Sunshine Oji gives the Group the same percentage of the voting rights in Sunshine Oji. The remaining 49% of shares of Sunshine Oji are owned by Dragon Chariot Limited ("Dragon Chariot") and Oji Paper Co. Ltd (王子制紙株式會社) ("Oji Paper"), two independent third parties. The Group is entitled to assign 4 directors of Sunshine Oji, and another 2 directors and a director are assigned by Oji Paper and Dragon Chariot respectively.

The Directors made an assessment as to whether or not the Group has control over Sunshine Oji in accordance with the new definition of control and the related guidance set out in IFRS 10. The governing board of Sunshine Oji is its board of directors which direct the relevant activities of Sunshine Oji, and the decisions about the relevant activities of Sunshine Oji require the unanimous consent in the board of directors. The Directors concluded that it does not control Sunshine Oji and with the application of IFRS 11 as detailed as below, Sunshine Oji was accounted for as a joint venture of the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers,has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors reviewed and assessed the Group's involvement in Sunshine Oji in accordance with the requirements of IFRS 11. The Directors concluded that the Group's investment in Sunshine Oji should be classified as a joint venture under IFRS 11 and accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive. The Directors consider that the application of IFRS 12 will affect the Group's disclosures in the annual consolidated financial statements for the year ending 31 December 2013.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

The application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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 2013

	Paper products					
	White top linerboard	**Light-coated linerboard**	**Core board**	**Specialized paper products**	**Electricity and steam**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**617,991**	**819,577**	**217,723**	**145,885**	**71,670**	**1,872,846**
Inter-segment revenue	**—**	**—**	**—**	**—**	**209,815**	**209,815**
Segment revenue	**617,991**	**819,577**	**217,723**	**145,885**	**281,485**	**2,082,661**
Segment profit	**87,236**	**139,091**	**38,562**	**21,734**	**28,840**	**315,463**

Six months ended 30 June 2012

	Paper products					
	White top linerboard	Light-coated linerboard	Core board	Specialized paper products	Electricity and steam	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	567,442	840,177	270,267	129,114	73,435	1,880,435
Inter-segment revenue	—	—	—	—	257,980	257,980
Segment revenue	567,442	840,177	270,267	129,114	331,415	2,138,415
Segment profit	86,473	120,193	49,538	36,694	35,215	328,113

(b) **Reconciliations of segment profit**

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Profit		
Segment profit	**315,463**	328,113
Unrealised profit on intragroup sales	**(29,542)**	(48,761)
	285,921	279,352
Other income	**62,140**	66,214
Other gains and losses	**6,894**	(2,875)
Other expenses	**—**	(539)
Distribution and selling expenses	**(127,774)**	(102,589)
Administrative expenses	**(65,420)**	(58,599)
Finance costs	**(130,172)**	(156,864)
Consolidated profit before taxation	**31,589**	24,100

Segment profit represents the gross profit earned by each paper product segments and the profit before tax earned by electricity and steam segment separately. The Group does not allocate other income and other expenses, other gains and losses, distribution and selling expenses, administrative expenses, finance costs, to paper products 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 2012.

5. OTHER INCOME

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Interest income on bank deposits	**17,276**	15,463
Interest income on the loan receivable	**645**	—
Government grants *(note)*	**38,122**	48,457
Rental income	**2,293**	620
Sales of materials (net)	**2,750**	1,797
Others	**1,900**	2,753
	62,986	69,090

Note: During the six months ended 30 June 2013, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd.) ("Century Sunshine"), a subsidiary of the Company, was granted unconditional government subsidy of approximately RMB19,898,000 from local government (six months ended 30 June 2012: RMB31,147,000). During the six months ended 30 June 2013, 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 entitled to value-added tax refund of approximately RMB14,549,000 from local government (six months ended 30 June 2012:RMB16,119,000)

6. OTHER GAINS OR LOSSES

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Net exchange gain (loss)	**8,953**	(3,379)
Changes in fair value of investment properties	**2,442**	—
Changes in fair value of derivative financial instruments	**(1,058)**	470
Loss on disposal of property, plant and equipment	**(5,027)**	(1,099)
Others	**5,655**	1,799
	10,965	(2,209)

7. FINANCE COSTS

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Interest expenses on:		
Discounted bill financing	**37,957**	71,110
Bank and other borrowings	**91,221**	111,186
Finance leases	**10,068**	9,574
Short-term financing notes	**7,926**	—
	147,172	191,870
Less: Interest capitalised in construction in progress	**(1,927)**	(12,341)
	145,245	179,529

Borrowing costs capitalised during the period ended 30 June 2013 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.60% (six months ended 30 June 2012: 7.17%) per annum to expenditure on construction in progress.

8. INCOME TAX EXPENSES

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Current income tax		
People's Republic of China ("PRC")		
Enterprise Income Tax	**7,612**	1,876
Deferred tax (credit) charge	**(1,279)**	400
Charge for the period	**6,333**	2,276

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.

Pursuant to the approval of the Jiangsu State Tax Bureau, 昆山世紀陽光紙業有限公司 (Kunshan Century Sunshine Paper Industry Co., Ltd.) ("Kunshan Sunshine"), which became a foreign investment enterprise in 2006, was exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in next three years. Kunshan Sunshine commenced its first profit-making year in 2008 and accordingly, the applicable income tax rate for six months ended 30 June 2013 was 25% (six months ended 30 June 2012: 12.5%).

In 2010, Century Sunshine is recognised as Advanced Technology Enterprise which is approved by Science Technology Bureau, Finance Bureau and State Administration of Taxation in Shandong province. Pursuant to the relevant laws and regulations in the PRC, Century Sunshine is entitled to enterprise income tax rate of 15% for three years since 2010.

No provision for Hong Kong Profit Tax has been made for the six months ended 30 June 2013 and 2012 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 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Wages and salaries	**64,943**	54,309
Retirement benefits schemes contributions	**6,753**	5,964
Equity-settled share-based payment	**65**	153
Total staff costs (including directors' emoluments)	**71,761**	60,426
Cost of inventories recognised as an expense	**1,508,990**	1,510,100
Depreciation of property, plant and equipment	**98,464**	95,251
Allowance for inventory	**—**	167
Release of prepaid lease payments	**2,441**	2,043
Auditor's remuneration	**1,161**	1,963

10. DIVIDENDS

The Directors have determined that no dividend will be declared in respect of the year ended 31 December 2012 and the current interim period (six months ended 30 June 2012: nil).

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

11. EARNINGS PER SHARE

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

	Six months ended 30 June 2013 *RMB'000*	Six months ended 30 June 2012 *RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**20,555**	16,678
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	**—**	—
Number of ordinary shares for the purpose of diluted earnings per share	**802,588**	802,588

The computation of diluted earnings per share does not assume the exercise of share options as the exercise price is higher than the average market price of the Company's shares for the six months ended 30 June 2013 and 30 June 2012.

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 2013 *RMB'000*	At 31 December 2012 *RMB'000*
0–30 days	**331,504**	253,132
31–90 days	**133,632**	99,742
91–365 days	**23,010**	34,867
Over 1 year	**5,157**	4,715
	493,303	392,456

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 2013 RMB'000	At 31 December 2012 RMB'000
0–90 days	**289,871**	248,803
91–180 days	**301,516**	279,764
	591,387	528,567

As at 30 June 2013, the Group has discounted bills receivable of RMB251,426,000 (31 December 2012: RMB255,199,000) 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 15).

14. TRADE AND BILLS PAYABLES

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
0–90 days	**460,815**	337,535
91–365 days	**41,003**	51,704
Over 1 year	**25,418**	19,363
	527,236	408,602

All the bills payable as at 30 June 2013 are trading nature and will mature within six months.

15. DISCOUNTED BILL FINANCING

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Discounted bill financing	**1,560,426**	1,870,699
Comprising:		
Discounted bills receivable from third party	**251,426**	255,199
Discounted bills receivable from subsidiaries of the Group	**1,309,000**	1,615,500
Total	**1,560,426**	1,870,699

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.

16. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,324,976,000 (six months ended 30 June 2012: RMB1,456,895,000), and repaid RMB1,436,180,000 (six months ended 30 June 2012: RMB1,351,507,000). The newly raised loans bear interest at market rates from 1.43% to 9.0% per annum (six months ended 30 June 2012: 2.1% to 9.18% per annum).

17. SHORT-TERM FINANCING NOTES

Century Sunshine has obtained the notification of acceptance from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) accepting the registration of the short-term financing notes of Century Sunshine on 28 December 2012. The registered amount is RMB600 million and the validity period of the registered amount is 2 years from the date of issue of the notification of acceptance. On 9 January 2013, Century Sunshine has completed the issue of the first tranche of the short-term financing notes with a principal amount of RMB300 million for a one-year term. The short-term financing notes is interest bearing at a fixed rate of 5.65% per annum.

OPERATION REVIEW

The operating environment for our Group was challenging during the first half of 2013. There was a temporary slowdown in consumption as a result of the change in leadership in China. Paper manufacturers continued to face fierce competition in price and profit margin amid the overcapacity and various headwinds affecting the paper industry. Our Group inevitably experienced sporadic periods of price competition in response to the excess capacity and inventory.

Notwithstanding this challenging business environment, our Group have been able to record an increase in the sales volume of paper products during the first half of 2013 as compared to that for the first half of 2012. Our production lines have operated at their optimum levels and our ancillary facilities have operated functionally to support our Group's production. The following table sets forth the details of our Group's production lines as at 30 June 2013:

Production line	Location	Paper product	Designed annual production capacity *(tons)*[(a)]
PL1	Weifang	White top linerboard	110,000
PL2[(b)]	Weifang	White top linerboard and light-coated linerboard	220,000
PL3	Weifang and Kunshan	Specialized paper products	70,000
PL4	Weifang	Core board	200,000
PL5	Weifang	Light-coated linerboard	500,000
			1,100,000

Notes:

(a) Approximate numbers

(b) Production of white top linerboard and light-coated linerboard is interchangeable

MANAGEMENT DISCUSSION AND ANALYSIS

Total Revenue

Our Group was principally engaged in two different businesses, namely sales of paper products, and sales of electricity during the first six months 30 June 2013 ("1H 2013"). For 1H 2013, our Group's total revenue from these two businesses was RMB1,872.8 million, representing a decrease of less than 1.0% as compared to RMB1,880.4 million for the corresponding period in 2012 ("1H 2012").

Sales of paper products

Our Group's revenue on sales of paper products was RMB1,801.2 million for 1H 2013, representing a decrease of approximately 0.3% as compared to RMB1,807.0 million for 1H 2012. The slight decrease in our Group's revenue was mainly due to the decrease in the average selling price ("ASP") of our paper products. On the contrary, sales volume of paper products increased from approximately 490,000 tons for 1H 2012 to approximately 540,000 tons for 1H 2013.

Sales of white top linerboard increased by approximately 8.9%, from RMB567.4 million for 1H 2012 to RMB618.0 million for 1H 2013. Sales of specialized paper products was RMB145.9 million for 1H 2013, representing an increase of 13.0%, as compared to RMB129.1 million for 1H 2012. Sales of light-coated linerboard recorded a decrease from RMB840.2 million for 1H 2012 to RMB819.6 million for 1H 2013. Due to the decrease in its ASP and diminishing purchase orders from customers engaged in textile and chemical industries, sales of core board recorded a decrease by 19.5%, from RMB270.3 million for 1H 2012 to RMB217.7 million for 1H 2013.

Sales of electricity and steam

Sales of electricity and steam were mainly made to a minority shareholder of a subsidiary of our Company. Sales of electricity and steam was RMB71.7 million and RMB73.4 million, respectively, for 1H 2013 and 1H 2012.

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

	1H 2013			1H 2012		
	RMB'000	**Gross profit margin *(%)***	***(%)***	*RMB'000*	Gross profit margin *(%)*	*(%)*
White top linerboard	**617,991**	**14.1**	**33.0**	567,442	16.0	30.1
Light-coated linerboard	**819,577**	**17.0**	**43.8**	840,177	16.6	44.7
Core board	**217,723**	**17.7**	**11.6**	270,267	17.1	14.4
Specialized paper products	**145,885**	**14.9**	**7.8**	129,114	12.6	6.9
Subtotal for sales of paper products	**1,801,176**	**15.9**	**96.2**	1,807,000	16.2	96.1
Sales of electricity and steam	**71,670**	**24.1**	**3.8**	73,435	18.2	3.9
Total revenue of the Group	**1,872,846**	**16.2**	**100.0**	1,880,435	16.3	100.0

Cost of sales

Cost of sales, mainly comprised of raw materials costs, labour costs and manufacturing overheads, slightly decreased from RMB1,574.2 million for 1H 2012 to RMB1,569.0 million for 1H 2013, which was in line with the decrease in the total revenue of our Group.

With respect to the paper products segment, raw materials costs represented approximately 75.0% (1H2012: 76.0%) of the cost of sales for 1H 2013. Manufacturing overhead costs mainly comprised of depreciation, energy cost, consumables, repairs and maintenance, and other overhead related expenses. As a percentage of cost of sales, manufacturing overhead costs increased from approximately 22.0% for 1H 2012 to approximately 23.0% for 1H 2013.

The remaining 2.0% of cost of sales for both 1H2013 and 1H2012 represented labour costs.

Gross profit and gross profit margin

The gross profit of our Group slightly decreased from RMB306.2 million for 1H 2012 to RMB303.9 million for 1H 2013. The overall gross profit margin of our Group also recorded a slightly decrease from 16.3% for 1H 2012 to 16.2% for 1H 2013. With respect to the paper products segment, the extra profit arising from the decrease in raw materials costs was totally offset against the decrease in ASP of our Group's paper products. As such, its gross profit margin was 16.2% for 1H2013, which was nearly the same as for 1H2012.

Other profit and loss items

Other income decreased from RMB69.1 million for 1H 2012 to RMB63.0 million for 1H 2013. The decrease mainly reflected the decrease in unconditional government subsidy of RMB11.2 million.

Other gains and losses recorded a net gain of RMB11.0 million for the 1H 2013, as compared to a net loss of RMB2.2 million for 1H 2012. The improvement in other gains and losses was mainly due to the fact that our Group recorded a net exchange gain of RMB9.0 million (1H 2012: net exchange loss of RMB3.4 million), and a gain from the changes in fair value of investment properties of RMB2.4 million (1H 2012: Nil) during 1H 2013.

Distribution and selling expenses primarily consisted of transportation costs and staff costs relating to sales and marketing. Distribution and selling expenses increased by approximately 24.6%, from RMB102.6 million for 1H 2012 to RMB127.8 million for 1H 2013. Distribution and selling expenses per tons of paper products sold was approximately RMB236.0 for 1H 2013, as compared to approximately RMB209.0 for 1H 2012. The increase reflected the higher staff cost and transportation cost during 1H 2013.

Administrative expenses were RMB73.2 million for 1H 2013 as compared to that of RMB66.3 million for 1H 2012. As a percentage of total revenue, the administrative expenses slightly increased from 3.5% for 1H 2012 to 3.9% for 1H 2013.

Finance costs was RMB145.2 million for 1H 2013, representing a decrease of 19.1%, as compared to RMB179.5 million for 1H 2012. The decrease was primarily due to (i) the interest rate for the short-term financing notes issued at the beginning of 2013 was lower than that of bank borrowings, and (ii) the lower bills discount charges during 1H 2013.

Income tax expenses

Income tax expenses increased by RMB4.0 million, from RMB2.3 million for 1H 2012 to RMB6.3 million for 1H 2013. The sharp increase in income tax expenses reflected the fact that our Group's operating profit was mainly contributed by those subsidiaries whose applicable tax rate increased to 25% for 1H 2013, as compared to that of 15% for 1H 2012.

Profit and total comprehensive income

As a result of the factors discussed above, the net profit and the profit attributable to the owners of the Company for 1H 2013 was RMB25.3 million and RMB20.6 million, respectively, representing an increase of approximately 16.1% and 23.4% as compared to RMB21.8 million and RMB16.7 million, respectively, for 1H 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital

Internally generated operating cash flow and credit facilities provided by our principal bankers are the main source of funding to meet our Group's working capital requirements. As at 30 June 2013, our Group had bank balances and cash, including restricted bank deposits, of approximately RMB1,342.9 million.

Inventories decreased by RMB171.1 million, from RMB656.5 million as at 31 December 2012 to RMB485.4 million as at 30 June 2013. Inventory turnover also decreased from 78 days for the fiscal year 2012 to 56 days for 1H 2013. The decrease in the absolute amount of inventories and the inventory turnover day reflected the fact that our Group ceased strategic store-up of kraft pulp as at 30 June 2013.

Trade receivable increased from RMB392.5 million as at 31 December 2012 to RMB493.3 million as at 30 June 2013. The trade receivable turnover for 1H 2013 was 47 days, which was higher than 39 days for the fiscal year 2012 but still in line with the longest credit period of 45 days given to our Group's customers.

As at 30 June 2013, our Group recorded net current liabilities of RMB1,533.5 million. Our Group's current ratio was 0.69 times and 0.71 times, respectively, as at 30 June 2013 and 31 December 2012. The net current liabilities position of our Group was mainly due to the fact that our Group relied on short term bank borrowings in China to finance our Group's capital expenditures. In view of the net cash inflow from operating activities of RMB277.0 million during 1H 2013 and the current available banking facilities at 30 June 2013, our Group still possessed sufficient resources to meet our Group's working capital requirement.

Cash flows

Our Group recorded a net cash inflow from operating activities of RMB277.0 million for 1H 2013 (1H 2012: RMB290.8 million). Due to the completion of the most of plant expansion projects in the fiscal year 2012, our Group was able to record a cash generated from investing activities of RMB44.6 million for 1H 2013 as compared to a cash used in investing activities of RMB412.7 million for 1H 2012.

Our Group recorded a net increase in cash and cash equivalents of RMB10.3 million for 1H 2013, representing a combined effect of the aforesaid net cash inflow from operating activities of RMB277.0 million, net cash generated from investing activities of RMB44.6 million and net cash used in the financing activities of RMB311.3 million.

Condensed consolidated statement of cash flows for the six months ended 30 June 2013 and 2012.

	1H 2013 ***RMB'000***	1H 2012 *RMB'000*
Net cash from operating activities	**277,020**	290,793
Net cash from (used in) investing activities	**44,611**	(412,666)
Net cash (used in) from financing activities	**(311,327)**	124,189
Net increase in cash and cash equivalents	**10,304**	2,316
Cash and cash equivalents at beginning of the period*	**258,391**	248,278
Cash and cash equivalents at end of the period*	**268,695**	250,594

* *Excluded restricted bank deposits*

Gearing and financial resources

The net gearing ratio (calculated based on the total of bank and other borrowings and obligations under finance leases net of bank balances and cash and restricted bank deposits divided by the total equity) increased from 120.8% as at 31 December 2012 to 132.4% as at 30 June 2013. Our Group strives to improve net gearing ratio and to maintain a healthy balance sheet by utilizing operating cash inflow to repay bank borrowings.

As at 30 June 2013, the unutilized banking facilities available to our Group was approximately RMB2,263.2 million. (as at 31 December 2012: RMB1,985.8 million)

Capital expenditure

During 1H 2013, our Group spent approximately RMB87.7 million to enhance the productivity of existing plant and for construction in progress for future development.

Capital commitments and contingent liabilities

Our Group had capital commitments of RMB121.1 million for acquisition of property, plant and equipment, which were contracted but not provided for, as at 30 June 2013.

Our Group had no material contingent liabilities as at 30 June 2013.

Events after the end of the interim period

On 1 July 2013, Century Sunshine has entered into a new joint venture agreement (the "New JV Agreement") with Oji F-Tex Co. Ltd. ("Oji F-Tex"), a wholly owned subsidiary of Oji Paper in relation to Sunshine Oji Pursuant to the New JV Agreement, Century Sunshine will make further capital contribution to Sunshine Oji, upon completion of the New JV Agreement, Sunshine Oji will be owned as to 60% by Century Sunshine and 40% by Oji F-Tex. Since the governing board of Sunshine Oji is its board of directors which direct the relevant activities of Sunshine Oji, and the decisions about the relevant activities of Sunshine Oji require the unanimous consent in the board of directors, the Directors are of the view that the Group will still account for Sunshine Oji as a joint venture upon completion of the New JV Agreement.

OUTLOOK

Our Group expects price competition will continue in the second half of 2013 since it is difficult to solve the problem of excess capacity and inventories in a short period of time. But we are still optimistic about the mid-to-long term future of the paper industry. In view of the continuous increase in domestic consumption, which is driving by the increase in disposable income and the acceleration in urbanization, provides tremendous growth potential for paper industry. Short term slowdown of economic growth in China is not expected to affect the long term trends of sustainable growth in consumption of packaging papers in China. Moreover, the closure of obsolete and low-efficient paper production lines will eliminate those small scale paper manufacturers which in turn solve the excess capacity issue.

Our Group will continue to improve our competitiveness by enhancing the quality of our Group's paper products and minimizing our production cost and operating cost. Our Group is strive for higher profit margin and investment return in the coming future.

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 of the Corporate Governance Code (the "CG Code") during 1H 2013 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding 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 during the 1H 2013.

AUDIT COMMITTEE

Our Board has established an audit committee in compliance with the CG Code set out in Appendix 14 of 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 Mr. Xu Ye. 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 the 1H 2013 and discussed the financial matters with management of the Company. The unaudited condensed consolidated financial statements of our Group for the 1H 2013 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 2,800 employees as at 30 June 2013. The staff costs for 1H 2013 were RMB71.8 million (1H 2012: RMB60.4 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. Employee's 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.

DIVIDEND

Our Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2013, none of our Company and 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
Wang Dongxing
Chairman

Hong Kong, 27 August 2013

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 Mr. Xu Ye

* *For identification purpose*