



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



2008
INTERIM REPORT

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Corporate Information

Board of Directors

Executive Directors

Mr. Wang Dongxing (*Chairman and General Manager*)
Mr. Shi Weixin (*Vice Chairman*)
Mr. Zhang Zengguo (*Deputy General Manager*)
Mr. Wang Yilong

Non-Executive Directors

Mr. Wang Nengguang
Mr. Xu Fang

Independent Non-Executive Directors

Mr. Wang Zefeng
Ms. Wong Wing Yee, Jessie
Mr. Xu Ye

Audit Committee

Ms. Wong Wing Yee, Jessie (*Chairman*)
Mr. Wang Zefeng
Mr. Xu Ye

Remuneration Committee

Mr. Wang Zefeng (*Chairman*)
Mr. Wang Dongxing
Ms. Wong Wing Yee, Jessie

Joint Company Secretaries

Mr. Cheung Kai Fung *CPA, FCCA*
Ms. Jiao Jie

Qualified Accountant

Mr. Cheung Kai Fung *CPA, FCCA*

Authorised Representatives

Ms. Jiao Jie
Mr. Wang Dongxing

Principal Place of Business In China

Changle Economic Development Zone
Weifang 262400
Shandong
China

Principal Place of Business In Hong Kong

43th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Corporate Information

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Auditors

Deloitte Touche Tohmatsu

Compliance Adviser

BNP Paribas Capital (Asia Pacific) Limited

Legal Advisers

Coudert Brothers in association with
Orrick, Herrington & Sutcliffe LLP (as to Hong Kong law)
Conyers Dill & Pearman (as to Cayman Islands law)

Principal Bankers

Agricultural Bank of China
Bank of China
Industrial and Commercial Bank of China
Standard Chartered Bank (Hong Kong) Limited

Stock Code

2002

Website

www.sunshinepaper.com.cn

Financial Highlights

64.2% increase in profit attributable to equity holders of the Company to RMB72.4 million

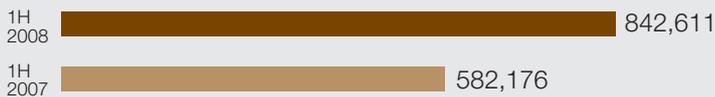
	Six months ended 30 June	
	2008	2007
Operating results (RMB'000)		
Revenue	842,611	582,176
Profit for the period	74,036	44,589
Profit attributable to equity holders of the Company	72,398	44,086
Earnings per share — basic (RMB)	0.18	0.26
Financial ratios (%)		
Revenue growth	44.7%	112.1%
Gross profit margin	16.4%	16.7%
Net profit margin	8.8%	7.7%

	As at	As at
	30 June 2008	31 December 2007
Liquidity ratios		
Trade receivable turnover (days)	29.8	29.0
Trade payable turnover (days)	116.7	127.4
Inventory turnover (days)	76.7	58.2
Current ratio (times)	0.97	1.27
Capital ratios		
Gearing ratio	32.9%	27.5%
Net borrowings to equity ratio	47.9%	Net cash position

Financial Highlights

	As at 30 June 2008	As at 31 December 2007
Financial Position (RMB'000)		
Total assets	2,885,595	2,392,550
Total liabilities	1,634,993	1,254,395
Total equity	1,250,602	1,138,155

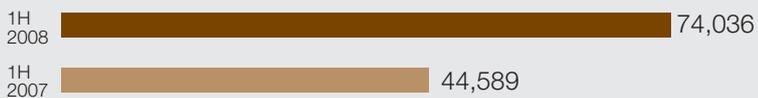
Revenue (RMB'000)



+44.7%

Revenue

Profit for the period (RMB'000)



+66.0%

Profit for the period

Total assets (RMB'000)



+20.6%

Total assets

Business Review

Revenue contribution

The Group's revenue generated from the sales of white top linerboard, light-coated linerboard, core board and specialised paper products, such as packaging boxes and copper plate paper, net of sales-related taxes and discounts and sale of

electricity and steam to a minority shareholder of its subsidiary. The Group's revenue increased by 44.7% from RMB582.2 million for the six months ended 30 June 2007 ("1H 2007") to RMB842.6 million for the six months ended 30 June 2008 ("1H 2008"). Profit for the period grew 65.9% from RMB44.6 million in 1H 2007 to RMB74.0 million in 1H 2008.

(a) Sales by product categories

	Six months ended 30 June					
	2008			2007		
	RMB'000	%	Gross profit margin (%)	RMB'000	%	Gross profit margin (%)
White top linerboard	507,947	60.3	16.0	448,988	77.1	16.8
Light-coated linerboard	147,357	17.5	20.3	5,892	1.0	12.4
Core board	84,997	10.1	22.7	66,054	11.4	25.1
Specialised paper products	68,075	8.1	5.5	60,946	10.4	7.8
Sale of electricity and steam	34,235	4.0	12.9	296	0.1	17.9
Total	842,611	100.0	16.4	582,176	100.0	16.7

White top linerboard products accounted for 60.3% and 77.1% of the Group's sales for 1H 2008 and 1H 2007, respectively. They contributed the most significant portion of the Group's sales during the period under review.

Upon the completion of the fifth production line, which can produce both white top linerboard and lighted-coated linerboard products interchangeably and with annual production capacity of 180,000 tons, in late 2006, the Group commenced to produce light-coated linerboard products in 1H 2007. Light-coated linerboard products accounted for 17.5% and 1.0% of the Group's sales for 1H 2008 and 1H 2007, respectively, which represented an increase of 24 times for their sales during the period under review compared against the same period in 2007. We are very confident that sales of light-coated linerboard products will increase

their contribution to the Group's sales in the coming few years.

Core board products accounted for 10.1% and 11.4% of the Group's sales in 1H 2008 and 1H 2007, respectively. The sixth production line ("PL6") with annual production capacity of 200,000 tons core board products has recently commenced its operation in September 2008. Directors expect that the additional production output of core board products in the second half of 2008 will increase its contribution to the Group's sales in the second half of 2008.

(b) Sales by regions

While focusing on domestic sales in the past seven years, the Group has begun to widen its customer base to outside China since early 2007. For 1H 2008 and 1H 2007, domestic

Business Review

sales accounted for 91.2% and 90.0% of the Group's total sales, respectively, and export

sales accounted for 8.8% and 10.0% of the Group's total sales, respectively.

(c) Average selling prices ("ASP") of paper products

The following table sets out the sales, sales volume and ASP of white top linerboard, light-coated linerboard and core board products (*).

	Six months ended 30 June	
	2008	2007
Total sales	RMB'000	RMB'000
White top linerboard	507,947	448,988
Light-coated linerboard	147,357	5,892
Core board	84,997	66,054
Sale volumes	Tons	Tons
White top linerboard	129,807	126,215
Light-coated linerboard	34,871	1,602
Core board	29,031	28,689
ASP per ton	RMB	RMB
White top linerboard	3,913	3,557
Light-coated linerboard	4,226	3,678
Core board	2,928	2,302

* No ASP of specialised paper product is presented since specialised paper products comprise a wide range of products which are measured and sold based on different standards and measurements.

Demand from the market continued to surge. During the period under review, the Group increased the ASP of white top linerboard, lighted-coated linerboard and core board products by approximately 10.0%, 14.9% and 27.2%, respectively.

Expansion and Operational Strategy

Expansion plan

Construction of PL6 with annual production capacity of 200,000 tons core board products has

been completed in August 2008. As of the date of this report, the Group has 560,000 tons annual production capacity.

During 1H 2008, the Group has commenced construction of its seventh production line ("PL7") with annual production capacity of 500,000 tons producing white top linerboard and light-coated linerboard products interchangeably.

Both PL6 and PL7 are located on the same piece of land comprising a total area of approximately 325,635 square metre adjacent to the Group's

Business Review

existing production facilities in Weifang, Shandong. PL6 has recently started its operation and will contribute revenue and operating profits to the Group in the second half of 2008. Construction of PL7 is estimated to be completed by the end of 2009 and will commence production in 2010. These two production lines will further reinforce the Group's leading position in producing white top linerboard, light-coated linerboard and core board products in the domestic market.

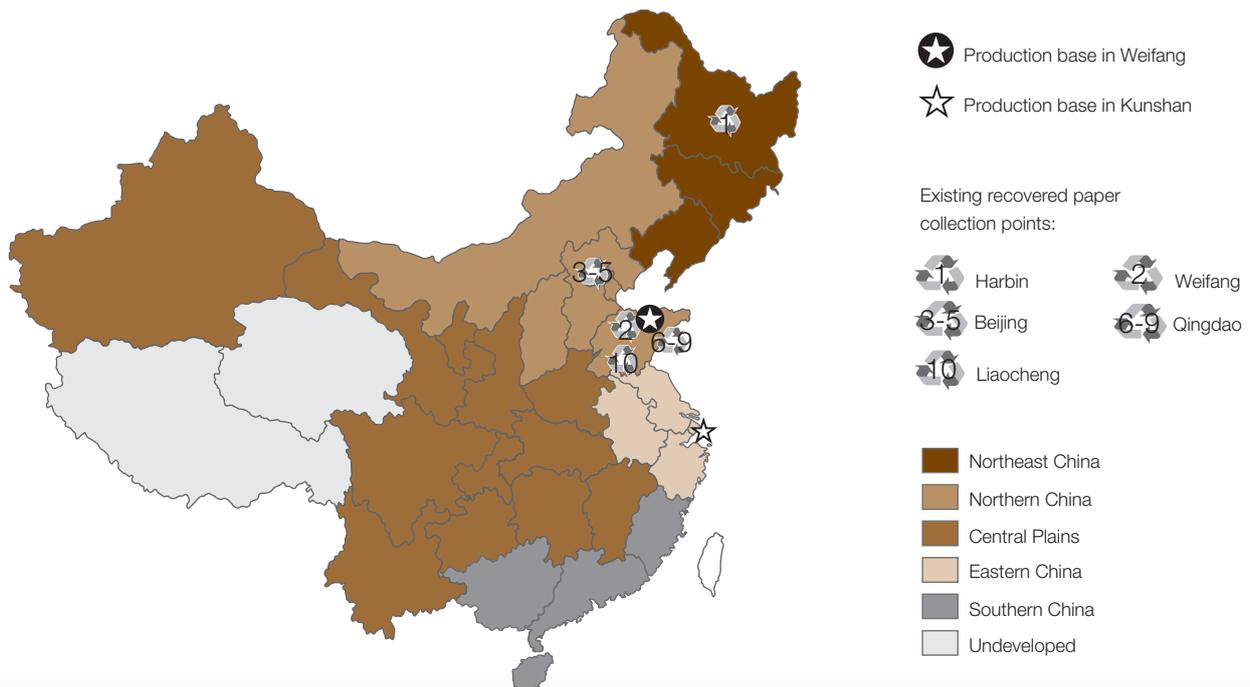
Recovered paper collection points

The development of recovered paper collection points perfectly matches with the Group's increasing use of domestic recovered paper as one of the key raw materials in the manufacture of its core products. As of today, the Group has established ten recovered paper collection points in China located as follows:

City	Number of recovered paper collection points
Beijing	3
Harbin	1
Liaocheng	1
Qingdao	4
Weifang	1
Total	10

All the collection points are strategically located for convenient transportation of recovered paper to the Group's production facility in Weifang. This enables the Group to secure a stable source of raw materials and provide cost savings.

The following map shows the geographical location of the Group's production bases and recovered paper collection points in China as at the date of this report:





Business Review

Outlook

Total annual production capacity of the Group will be increased by nearly two times from 560,000 tons this year to estimated 1,060,000 tons in 2010. The market coverage rate of light-coated linerboard has been increasing. Certain well known brands such as manufacturer of instant noodles series, intend to jointly develop new packaging materials with the Company. The new production line for core board has commenced operation, and it is expected that the middle to high end products will significantly enhance the gross profit margin in the second half year. Ten recovered paper collection points have been established, and the possibility to build more collection points will not be ruled out according to actual needs.

The comprehensive expansion and operational strategy will continue to provide growth momentum that allows the Group to be the dominant producer of its core products that the Group is focusing on. In order to maximise the return for the Company's shareholders, the Group will enhance the competitive advantage of its core products and upgrade its operational standard continuously.

Management Discussion and Analysis

Financial Review

Revenue

Packaging paper sector in the consumer and industrial markets has been fast growing during the period under review. The Group's revenue recorded an increase of 44.7% to RMB842.6 million for 1H 2008, as compared to RMB582.2 million for 1H 2007. Such increase was mainly driven by (i) an increase in the average selling prices of the Group's paper products; (ii) an increase in the Group's production output as a result of its increased production capacity on the existing production facilities; and (iii) a change in product mix by increasing the production and

sales of light-coated linerboard products, which have higher selling prices than white top linerboard products.

Cost of sales

The Group's cost of sales includes raw materials, overhead costs relating to production and manufacturing and labour costs. The Group's cost of sales recorded an increase of 45.2% to RMB704.0 million for 1H 2008, as compared to RMB484.8 million for 1H 2007. The increase in cost of sales during the period under review was in line with the increases in sales and production output.

The following table sets out the Group's breakdown of the cost of sales:

	Six months ended 30 June			
	2008		2007	
	RMB'000	%	RMB'000	%
Domestic recovered paper	218,622	31.1	147,578	30.4
Overseas recovered paper	104,956	14.9	82,802	17.1
Kraft pulp	124,894	17.7	112,539	23.2
Chemicals and others	119,397	17.0	43,953	9.1
Raw materials cost subtotal	567,869	80.7	386,872	79.8
Labour costs	18,015	2.5	9,858	2.0
Overhead costs	118,157	16.8	88,029	18.2
	704,041	100.0	484,759	100.0

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. Raw material costs, representing the major portion of the cost of sales, were RMB567.9 million

and RMB386.9 million, respectively, and accounted for 80.7% and 79.8% of the Group's cost of sales for 1H 2008 and 1H 2007, respectively. Raw material costs increased by 46.8% during the period under review, mainly due to the increased production volume and higher average purchase price of raw materials.

Management Discussion and Analysis

Overhead costs

Overhead costs relating to production and manufacturing include utility expenses, depreciation charges, other factory overheads and related expenses. Overhead costs were RMB118.2 million and RMB88.0 million, respectively, and accounted for 16.8% and 18.2% of the Group's cost of sales, respectively, for 1H 2008 and 1H 2007.

Gross profit and gross profit margin

As a result of the foregoing, the gross profit increased by RMB41.2 million to RMB138.6 million in 1H 2008 from RMB97.4 million in 1H 2007. The gross profit margin was 16.4% and 16.7% for 1H 2008 and 1H 2007, respectively.

Other income, gains and losses

The increase in other income, gain and losses of RMB20.5 million was mainly due to VAT refund in respect of the Group's purchase of domestic machinery and equipment for the fifth production line in prior years of RMB9.5 million and an increase in interest income of RMB7.8 million during 1H 2008.

Selling and distribution expenses

Selling and distribution expenses mainly comprise transportation costs (rail, road and marine), rentals and utilities of sales offices, salary costs of the Group's sales and marketing staff and related expenses. As a percentage of sales, the Group's selling and distribution costs were 4.0% and 5.4% for 1H 2008 and 1H 2007, respectively.

Administrative expenses

Administrative expenses mainly consist of administrative staff salaries and their related expenses, administrative fixed assets depreciation, professional charges, and office utilities and consumables. As a percentage of sales, administrative expenses were 4.4% and 2.5% for 1H 2008 and 1H 2007, respectively. The increase in such percentage was mainly due to share-based payments of RMB6.4 million recognised during 1H 2008 in accordance with IFRS 2 "Share-based Payment", primarily from the share options issued under the Pre-IPO Share Option Scheme of the Company on 19 November 2007.

Income tax expense

The income tax expenses in 1H 2008 increased by RMB5.9 million to RMB6.6 million for 1H 2008 from RMB0.7 million for 1H 2007. Notwithstanding this, the effective tax rate in 1H 2008 was only 8.2%. Such low effective tax rate resulted primarily from income tax benefits applicable to Changle Century Sunshine Paper Industry Co., Ltd. ("Changle Sunshine"), a member of the Group, since the second half year of 2006.

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

As a result of the factors discussed above, the profit for 1H 2008 and the net profit attributable to the equity holders of the Company for 1H 2008 increased by RMB29.4 million and RMB28.3 million to RMB74.0 million and RMB72.4 million, respectively, from RMB44.6 million and RMB44.1 million for 1H 2007. Net profit margin for 1H 2008 and 1H 2007 was 8.8% and 7.7%, respectively.

Management Discussion and Analysis

Liquidity and Capital Resources

Bank balances and cash, and restricted bank deposits

Total bank balances and cash, and restricted bank deposits of the Group decreased by RMB339.8 million to RMB349.8 million as at 30 June 2008 (31 December 2007: RMB689.6 million). The decrease was primarily due to (i) payments to suppliers to acquire property, plant and equipment of RMB492.8 million; and (ii) an increase in loans receivable of RMB157.4 million during the period under review. Subsequent to the period ended 30 June 2008, approximately RMB86.9 million of the loans receivable were received as of today.

Borrowings

The Group generally finances its operations with internally generated cashflow and credit facilities provided by its principal bankers. As at 30 June 2008, the Group had total borrowings of RMB948.9 million (31 December 2007: RMB658.6 million). These borrowings were secured by corporate guarantees and assets of the Group. As at 30 June 2008, the Group had credit facilities totaling RMB1,542.9 million, of which RMB594.0 million were unutilised (31 December 2007: credit facilities of RMB1,154.8 million, of which RMB496.2 million were unutilised).

Net current (liabilities) assets

The Group has net current liabilities of RMB44.2 million as at 30 June 2008 as compared to its net current assets of RMB295.6 million as at

31 December 2007. The Group's current liabilities exceeded current assets of RMB44.2 million as at 30 June 2008 because the Group raised new short-term borrowings to finance capital expenditures in purchasing production facilities and equipment during the period under review.

Net borrowings to equity ratio

The Group's net borrowings to equity ratio, being net borrowings (total borrowings net of bank balances, deposits and cash) over total equity, was 47.9% as at 30 June 2008 (31 December 2007: net cash position). The net cash position as at 31 December 2007 was mainly due to the net proceeds from the initial public offering of the Company ("IPO") of RMB521.2 million received on 12 December 2007 which has not yet been utilised by the Group as at 31 December 2007. As mentioned in the paragraph headed "Bank balances and cash, and restricted bank deposits" above, the Group began to utilise its net proceeds from IPO to fund its development plans.

Capital commitments and contingent liabilities

The Group had capital commitments of RMB720.2 million in respect of expenditure for acquisition of property, plant and equipment, which included capital expenditure of RMB88.1 million contracted but not provided for, as at 30 June 2008 (31 December 2007: RMB89.9 million). The Board has mid to long-term domestic and foreign borrowings under arrangement to fulfil the Group's capital commitments.

As at 30 June 2008, the Group had no significant contingent liabilities.

Management Discussion and Analysis

Use of net proceeds from the Company's IPO

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 12 December 2007. The net proceeds from the Company's listing and issue of new shares (after the partial exercise of over-allotment option on 3 January 2008) amounted to HK\$595.3 million (equivalent to approximately RMB562.2 million). The net proceeds have been applied in accordance with the proposed applications set out in the section headed "Use of proceeds" contained in the Company's prospectus dated 29 November 2007, as follows:

	Net proceeds raised		Utilised proceeds		Unutilised proceeds	
	RMB'000	%	RMB'000	%	RMB'000	%
Establishment of PL7	493,000	87.7	150,000	71.4	343,000	97.4
Expansion of recovered paper collection points	44,800	8.0	44,800	21.3	—	—
Research and development efforts	19,600	3.5	15,000	7.2	4,600	1.3
Installation of enterprise resource planning system	4,800	0.8	200	0.1	4,600	1.3
	562,200	100.0	210,000	100.0	352,200	100.0

As at 30 June 2008, the unutilised proceeds are primarily deposited with licensed banks as short-term deposits in China and Hong Kong.

Corporate Governance and Other Information

Corporate Governance Practices

The Company is committed to achieve high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests. During the six-month period ended 30 June 2008 (the "Current Period"), 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"), except for the deviation from Code Provision A2.1 under the CG Code. Code Provision A2.1 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 and executive Director of the Company and also the general manager of Changle Sunshine, 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 Current Period.

Audit Committee

The Company 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 the Company's financial reporting process and internal control system and to provide advice and comments to the Board. The audit committee consists of the three independent non-executive Directors, namely Ms. Wong Wing Yee, Jessie, Mr. Wang Zefeng and Mr. Xu Ye. Ms. Wong Wing Yee, Jessie is the chairman of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the Current Period and discussed the financial matters with management. The unaudited condensed consolidated financial statements of the Group for the Current Period 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.

Remuneration Committee

The Company has established a remuneration committee in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, of whom one is an executive Director, namely Mr. Wang Dongxing, and two are independent non-executive Directors, namely Mr. Wang Zefeng and Ms. Wong Wing Yee, Jessie. Mr. Wang Zefeng is the chairman of the remuneration committee. The primary duties of the remuneration committee are

Corporate Governance and Other Information

to review and give recommendations to the Board in relation to the remuneration and other benefits paid by the Company to the Directors and the senior management of the Company. The remuneration of all the Directors and the senior management is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

Employees and Remuneration Policies

As at 30 June 2008, the Group had 1,490 full-time employees. 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.

(a) Long Positions in the Company's Shares:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Wang Dongxing ⁽¹⁾	Corporate interest	176,643,526	43.35%
Mr. Shi Weixin ⁽¹⁾	Corporate interest	176,643,526	43.35%
Mr. Zhang Zengguo ⁽¹⁾	Corporate interest	176,643,526	43.35%
Mr. Wang Yilong ⁽¹⁾	Corporate interest	176,643,526	43.35%
Mr. Wang Nengguang ⁽²⁾	Corporate interest	45,273,837	11.11%

Notes:

1. Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Yilong, each an executive Director, are members of the Controlling Shareholder Group. All members of the Controlling Shareholder Group are acting in concert. As the Controlling Shareholder Group beneficially owns the entire interests in China Sunshine Paper Investments Limited ("China Sunshine"), which in turns owns the entire interest in China Sunrise Paper Holdings Limited ("China Sunrise"), each of them are deemed to be interested in the 172,643,526 Shares held by

Dividend

The Directors do not recommend the payment of a dividend for the Current Period.

Purchase, Sale or Redemption of Securities

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Directors' Interests in Securities

As at 30 June 2008, the Directors of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Corporate Governance and Other Information

China Sunrise and options granted to Mr. Wang Dongxing and Mr. Shi Weixin to subscribe an aggregate of 4,000,000 Shares under the Pre-IPO Share Option Scheme under the SFO. Please refer to Note 2 on page 17 for the composition of the Controlling Shareholder Group.

2. Mr. Wang Nengguang, a non-executive Director, is the sole director of Good Rise Holdings Limited ("Good Rise"). Accordingly, he is deemed to be interested in the 45,273,837 Shares held by Good Rise under the SFO.

(b) Long Positions in Underlying Shares

Movements of the share options granted under the Pre-IPO Share Option Scheme for the Current Period are as follows:

Name of Director	Date of Grant	Number of share options			As at 30 June 2008	Exercise period
		As at 1 January 2008	Exercised during the period	Lapsed during the period		
Wang Dongxing	19 November 2007	400,000	—	—	400,000	(i)
	19 November 2007	400,000	—	—	400,000	(ii)
	19 November 2007	400,000	—	—	400,000	(iii)
	19 November 2007	400,000	—	—	400,000	(iv)
	19 November 2007	400,000	—	—	400,000	(v)
Shi Weixin	19 November 2007	400,000	—	—	400,000	(i)
	19 November 2007	400,000	—	—	400,000	(ii)
	19 November 2007	400,000	—	—	400,000	(iii)
	19 November 2007	400,000	—	—	400,000	(iv)
	19 November 2007	400,000	—	—	400,000	(v)

Notes :

- (i) From 1 July 2008 to 31 December 2008
(ii) From 1 January 2009 to 31 December 2009
(iii) From 1 January 2010 to 31 December 2010
(iv) From 1 January 2011 to 31 December 2011
(v) From 1 January 2012 to 31 December 2012

Save as disclosed above, no other option was granted, cancelled or lapsed during the Current Period.

Corporate Governance and Other Information

Substantial Shareholders' Interests in Securities

So far as the Directors are aware, as at 30 June 2008, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Long position/ short position	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	172,643,526	42.37%
China Sunshine ⁽¹⁾	Long	Corporate interest	172,643,526	42.37%
Controlling Shareholder Group ⁽²⁾	Long	Corporate interest	172,643,526	42.37%
SOF (I) Paper	Long	Beneficial interest	43,915,622	10.78%
SOF (I) ⁽³⁾	Long	Corporate interest	43,915,622	10.78%
Seabright Asset Management Limited ⁽⁴⁾	Long	Corporate interest	43,915,622	10.78%
China Everbright Limited ^(5, 6)	Long	Corporate interest	43,915,622	10.78%
Seagate Global Advisors, LLC ⁽⁵⁾	Long	Corporate interest	43,915,622	10.78%
Good Rise	Long	Beneficial interest	45,273,837	11.11%
LC Fund III ⁽⁷⁾	Long	Corporate interest	45,273,837	11.11%
LC Fund III GP Limited ⁽⁸⁾	Long	Corporate interest	45,273,837	11.11%
Right Land Limited ⁽⁹⁾	Long	Corporate interest	45,273,837	11.11%
Legend Holdings Limited ⁽¹⁰⁾	Long	Corporate interest	45,273,837	11.11%
The Employees' Shareholding Society of Legend Holdings Limited ⁽¹¹⁾	Long	Corporate interest	45,273,837	11.11%
The Chinese Academy of Sciences Holdings Co., Ltd. ^(11, 12)	Long	Corporate interest	45,273,837	11.11%
Deutsche Bank AG	Long	Beneficial interest	41,480,300	10.18%

Notes:

- As China Sunrise is wholly owned by China Sunshine, China Sunshine is deemed to be interested in the 172,643,526 Shares held by China Sunrise.
- As China Sunshine is wholly-owned by a group of 20 individuals who are the only shareholders of China Sunshine, comprising Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Wang Yilong, Ms. Wu Rong, Mr. Wang Feng, Mr. Sang Ziqian, Mr. Sang Yonghua, Mr. Wang Yongqing, Mr. Chen Xiaojun, Mr. Zheng Fasheng, Mr. Zuo Xiwei, Mr. Ma Aiping, Mr. Li Zhongzhu, Ms. Li Hua, Mr. Guo Jianlin, Mr. Sun Qingtao, Mr. Lu Yujie, Mr. Hu Gang, Mr. Zhang Zengguo and Mr. Wang Changhai ("the Controlling Shareholder Group"), the Controlling Shareholder Group collectively and each of the members of the Controlling Shareholder Group is deemed to be interested in the 172,643,526 Shares held by China Sunrise as set out in Note 1.
- As Seabright SOF (I) Paper Limited ("SOF(I) Paper") is wholly-owned by Seabright China Special Opportunities (I) Limited ("SOF(I)"), SOF(I) is deemed to be interested in the 43,915,622 Shares held by SOF(I) Paper.
- As Seabright Asset Management Limited controls more than one third of the voting rights of SOF(I), it is deemed to be interested in the 43,915,622 Shares held by SOF(I) Paper as set out in Note 3.

Corporate Governance and Other Information

5. Each of the China Everbright Limited and Seagate Global Advisors, LLC controls more than one third of the voting rights of Seabright Asset Management Limited. Accordingly, each of China Everbright Limited and Seagate Global Advisors, LLC is deemed to be interested in the 43,915,622 Shares held by SOF(I) Paper as set out in the Notes 3 and 4.
6. China Everbright Limited is listed on the Stock Exchange (Stock Code:165).
7. As Good Rise is wholly-owned by LC Fund III, LC Fund III is deemed to be interested in the 45,273,837 Shares held by Good Rise.
8. As LC Fund III GP Limited is the general partner of LC Fund III, LC Fund III GP Limited is deemed to be interested in the 45,273,837 Shares held by Good Rise as set out in Note 7.
9. As Right Lane Limited controls more than one third of the voting rights of LC Fund III GP Limited, Right Lane Limited is deemed to be interested in the 45,273,837 Shares held by Good Rise as set out in Notes 7 and 8.
10. As Right Lane Limited is wholly-owned by Legend Holdings Limited, Legend Holdings Limited is deemed to be interested in the 45,273,837 Shares held by Good Rise as set out in Notes 7, 8 and 9.
11. Each of the Employees' Shareholding Society of Legend Holdings Limited and the Chinese Academy of Sciences Holdings Co., Ltd. controls more than one third of the voting rights of Right Lane Limited. Accordingly, each of the Employees' Shareholding Society of Legend Holdings Limited and the Chinese Academy of Sciences Holding Co., Ltd. is deemed to be interested in the 45,273,837 Shares held by Good Rise as set out in Notes 7, 8, 9 and 10.
12. The Chinese Academy of Science Holding Co., Ltd. is a state owned enterprise.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of the Company as at 30 June 2008.

Share Options Granted to Other Eligible Participants

Movements of the share options granted under the Pre-IPO Share Option Scheme for the Current Period are as follows:

Date of Grant	Number of share options				Exercise period
	As at 1 January 2008	Exercised during the period	Lapsed during the period	As at 30 June 2008	
19 November 2007	2,080,000	—	—	2,080,000	(i)
19 November 2007	2,080,000	—	—	2,080,000	(ii)
19 November 2007	2,080,000	—	—	2,080,000	(iii)
19 November 2007	2,080,000	—	—	2,080,000	(iv)
19 November 2007	2,080,000	—	—	2,080,000	(v)

Notes:

- (i) From 1 July 2008 to 31 December 2008
- (ii) From 1 January 2009 to 31 December 2009
- (iii) From 1 January 2010 to 31 December 2010
- (iv) From 1 January 2011 to 31 December 2011
- (v) From 1 January 2012 to 31 December 2012

Report on Review of Interim Financial Information

Deloitte. **德勤**

TO THE BOARD OF DIRECTORS OF CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 36, which comprises the condensed consolidated balance sheet of China Sunshine Paper Holdings Company Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 September 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (audited) (restated)
Revenue	5	842,611	582,176
Cost of sales		(704,041)	(484,759)
Gross profit		138,570	97,417
Other income, gains and losses		26,956	6,456
Share of result of an associate		—	2,025
Selling and distribution expenses		(33,618)	(31,626)
Administrative expenses		(37,419)	(14,751)
Finance costs		(13,839)	(14,238)
Profit before tax		80,650	45,283
Income tax expense	6	(6,614)	(694)
Profit for the period	7	74,036	44,589
Attributable to:			
Equity holders of the Company		72,398	44,086
Minority interests		1,638	503
		74,036	44,589
Earnings per share			
— Basic (RMB)	9	0.18	0.26

Condensed Consolidated Balance Sheet

At 30 June 2008

		At 30 June 2008 RMB'000 (unaudited)	At 31 December 2007 RMB'000 (audited)
	Notes		
Non-current assets			
Property, plant and equipment	10	1,327,943	891,085
Prepaid lease payments		91,278	88,278
Goodwill		19,246	19,246
Deferred tax assets		1,158	1,087
		1,439,625	999,696
Current assets			
Prepaid lease payments		1,936	1,856
Inventories		295,767	177,248
Loans receivable	11	157,387	—
Trade and other receivables	12	641,107	524,154
Restricted bank deposits		213,228	40,725
Bank balances and cash		136,545	648,871
		1,445,970	1,392,854
Current liabilities			
Trade and other payables	13	573,467	453,449
Payables for construction work, machinery and equipment		98,636	129,167
Amount due to a related party		—	217
Income tax payable		2,235	5,476
Deferred income		884	936
Borrowings — due within one year	14	814,981	508,053
		1,490,203	1,097,298
Net current (liabilities) assets		(44,233)	295,556
Total assets less current liabilities		1,395,392	1,295,252

Condensed Consolidated Balance Sheet

At 30 June 2008

	Notes	At 30 June 2008 RMB'000 (unaudited)	At 31 December 2007 RMB'000 (audited)
Capital and reserves			
Share capital	15	38,482	37,783
Reserves		1,181,167	1,062,837
Equity attributable to equity holders of the Company		1,219,649	1,100,620
Minority interests		30,953	37,535
Total equity		1,250,602	1,138,155
Non-current liabilities			
Borrowings — due after one year	14	133,954	150,531
Deferred tax liabilities		10,836	6,566
		144,790	157,097
Total equity and non-current liabilities		1,395,392	1,295,252

The interim financial report on pages 20 to 36 were approved by the board of directors on 16 September 2008 and are signed on its behalf by:

Wang Dongxing
DIRECTOR

Zhang Zengguo
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company											Total RMB'000
	Paid-in	Share	Merger	Capital	Share	Assets	Statutory	Discretionary	Retained	Subtotal	Minority	
	capital/Share	premium	reserve	reserve	option	revaluation	surplus	surplus	profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2007 (audited)	1	—	(2,587)	83,932	—	—	5,443	5,429	79,415	171,633	8,638	180,271
Revaluation of assets arising on acquisition of a subsidiary directly recognised in equity	—	—	—	—	—	4,196	—	—	—	4,196	—	4,196
Profit for the period	—	—	—	—	—	—	—	—	44,086	44,086	503	44,589
Total recognised income for the period	—	—	—	—	—	4,196	—	—	44,086	48,282	503	48,785
Acquisition of a subsidiary from a third party	—	—	—	—	—	—	—	—	—	—	24,466	24,466
Contributions from minority shareholders	—	—	—	—	—	—	—	—	—	—	61	61
At 30 June 2007 (audited)	1	—	(2,587)	83,932	—	4,196	5,443	5,429	123,501	219,915	33,668	253,583
At 1 January 2008 (audited)	37,783	752,596	(2,776)	83,932	1,601	4,196	20,956	5,429	196,903	1,100,620	37,535	1,138,155
Profit for the period and total recognised income for the period	—	—	—	—	—	—	—	—	72,398	72,398	1,638	74,036
Issue of shares	699	41,219	—	—	—	—	—	—	—	41,918	—	41,918
Transaction costs attributable to issue of shares	—	(1,471)	—	—	—	—	—	—	—	(1,471)	—	(1,471)
Acquisition of additional interests in a subsidiary (note)	—	—	—	(178)	—	—	—	—	—	(178)	(7,537)	(7,715)
Contributions from minority shareholders	—	—	—	—	—	—	—	—	—	—	313	313
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	(996)	(996)
Recognition of equity-settled share-based payments	—	—	—	—	6,362	—	—	—	—	6,362	—	6,362
At 30 June 2008 (unaudited)	38,482	792,344	(2,776)	83,754	7,963	4,196	20,956	5,429	269,301	1,219,649	30,953	1,250,602

Note: During the period ended 30 June 2008, the Group acquired additional equity interests of 48.76% in its subsidiary, 濰坊申易物流有限公司 (“Weifang Shenyi Logistic Co., Ltd.”) (originally named as 昌樂申易運輸有限公司 (“Changle Shenyi Transportation Co., Ltd.”)) from Wang Sibao and Xia Lianbao, and debit reserve of RMB178,000 was recognised in capital reserve.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008 RMB'000 (unaudited)	2007 RMB'000 (audited)
Net cash from operating activities	973	60,347
Net cash used in investing activities:		
Purchase of property, plant and equipment	(492,828)	(67,541)
Prepaid lease payments of land use rights	(4,016)	(13,037)
Proceeds on disposal of property, plant and equipment	703	—
Cash paid for acquisition of additional interests in a subsidiary	(5,606)	—
Acquisition of subsidiaries	—	(91,370)
Interest received	772	923
Increase in restricted bank deposits	(172,503)	(5,443)
Increase in loans receivable	(157,387)	—
Repayment from related parties	—	2,916
	(830,865)	(173,552)
Net cash from financing activities:		
Proceeds from issue of shares	41,918	—
Payment of transaction costs attributable to issue of new shares	(1,471)	—
Capital contribution by minority shareholders of subsidiaries	313	61
New borrowings raised	510,649	335,909
Borrowings repaid	(220,298)	(148,041)
Dividends paid to minority shareholders of a subsidiary	(996)	(1,031)
Interest paid	(12,766)	(13,385)
Advance from related parties	217	165,578
	317,566	339,091
Net (decrease) increase in cash and cash equivalents	(512,326)	225,886
Cash and cash equivalents at 1 January	648,871	11,913
Cash and cash equivalents at 30 June, represented by bank balances and cash	136,545	237,799

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. General Information

China Sunshine Paper Holdings Company Limited 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”) with effect from 12 December 2007.

The principal activities of China Sunshine Paper Holdings Company Limited 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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*.

The Group has net current liabilities of approximately RMB44,233,000 as at 30 June 2008. The interim financial information has been prepared on a going concern basis because the directors of the Company believed that the Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in 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 2007. In the current interim period, the Company has acquired additional equity interests in its subsidiary. The accounting policy in respect of acquisition of additional interest in subsidiaries is as follows:

Acquisition of additional interest in subsidiaries

Discount arising on acquisition of additional interest in subsidiaries represents the excess of the fair value of the net assets attributable to the additional interest in subsidiaries over the cost of the acquisition.

On acquisition of additional interest in subsidiaries, the difference between the fair value of the net assets attributable to the additional interest in subsidiaries and carrying values of the underlying assets and liabilities attributable to the additional interest in subsidiaries is charged directly to capital reserve.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. Principal Accounting Policies — continued

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the International Accounting Standards Board, which are effective for the Group’s financial year beginning 1 January 2008.

IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective on 1 January 2008.

IFRSs (Amendments)	Improvements to IFRSs ¹
IAS 1 (Revised)	Presentation of Financial Statements ²
IAS 23 (Revised)	Borrowing Costs ²
IAS 27 (Revised)	Consolidated and Separate Financial Statements ³
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
IAS 39 (Amendment)	Eligible Hedged Items ³
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
IFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
IFRS 3 (Revised)	Business Combinations ³
IFRS 8	Operating Segments ²
IFRIC 13	Customer Loyalty Programmes ⁴
IFRIC 15	Agreements for the Construction of Real Estate ²
IFRIC 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

3. Principal Accounting Policies — continued

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

4. Changes in Presentation of Condensed Consolidated Financial Statements

In the current period, the presentation of revenue, cost of sales and other income adopted on the condensed consolidated income statement has been changed to disclose in a more appropriate manner.

The following income statement line items have been reclassified:

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000 (restated)
Increase in Revenue	34,235	296
Increase in Cost of sales	29,833	243
Decrease in Other income, gains and losses	(4,402)	(53)
Impact in the condensed consolidated income statement	—	—

5. Segment Information

Business segments

The Group is currently organised into two operating divisions namely production/generation and sale of paper products, electricity and steam. These divisions are the basis on which the Group reports its primary segment information. During the period ended 30 June 2008, revenue relating to sale of electricity and steam exceeds 10% of total revenue, so business segment analysis is presented. The comparative information of six months ended 30 June 2007 has been restated to conform to the current period's presentation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

5. Segment Information — continued

Business segments — continued

The following table provides an analysis of the Group's revenue from external customers by business segments:

Six months ended 30 June 2008				
	Paper products RMB'000	Electricity and steam RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue				
External sales	808,376	34,235	—	842,611
Inter-segment sales	—	87,044	(87,044)	—
Total	808,376	121,279	(87,044)	842,611
Result				
Segment result	88,893	898	—	89,791
Other income, gains and losses				15,050
Unallocated corporate expenses				(10,352)
Finance costs				(13,839)
Profit before tax				80,650
Income tax expense				(6,614)
Profit for the period				74,036

Six months ended 30 June 2007				
	Paper products RMB'000	Electricity and steam RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue				
External sales	581,880	296	—	582,176
Inter-segment sales	—	925	(925)	—
Total	581,880	1,221	(925)	582,176
Result				
Segment result	51,986	53	—	52,039
Share of result of an associate	—	2,025	—	2,025
Other income, gains and losses				5,781
Unallocated corporate expenses				(324)
Finance costs				(14,238)
Profit before tax				45,283
Income tax expense				(694)
Profit for the period				44,589

Note: Inter-segment sales are charged at terms determined and agreed by both parties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

6. Income Tax Expense

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Current tax:		
People's Republic of China ("PRC")		
Enterprise Income Tax	2,170	428
Deferred tax:		
Current year	4,444	147
Attributable to a change in tax rate	—	119
	4,444	266
	6,614	694

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New law. The New law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's certain PRC subsidiaries from 1 January 2008.

In February 2008, the Ministry of Finance and the State Administration of Taxation issued several tax circulars which clarify the implementation of the New Law and will have an impact on foreign investment enterprises ("FIE"). For enterprises which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of a tax reductions and exemptions, such as the "two-year tax exemption followed by three-year 50% tax reduction", etc., shall continue to enjoy preferential treatment for their initial term as prescribed under the previous tax laws, administrative regulations and related documents after the New Law take effect until the initial term expires. 昌樂世紀陽光紙業有限公司 ("Changle Century Sunshine Paper Industry Co., Ltd.") and 昆山世紀陽光紙業有限公司 ("Kunshan Century Sunshine Paper Industry Co., Ltd."), the PRC subsidiaries of the Group, which are levied at 12.5% (2007: Nil) for the period ended 30 June 2008 based on relevant tax circulars.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

7. Profit for the Period

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	24,634	12,634
Release of prepaid lease payments	936	535
Loss on disposal of property, plant and equipment	102	3
Exchange gain	(11,110)	(4,921)
Exchange loss	6,892	1,350
Reversal of allowance for doubtful receivables	—	(120)
Reversal of allowance for inventories	—	(459)

8. Dividends

The directors do not recommend the payment of dividend during both periods.

9. Earnings Per Share

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

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to equity holders of the Company)	72,398	44,086

	Six months ended 30 June	
	2008 '000	2007 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	407,418	169,744

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

9. Earnings Per Share — continued

No diluted earnings per share was presented as the exercise prices of share options were higher than the average market price during the period ended 30 June 2008 and there were no potential dilutive shares during the period ended 30 June 2007.

10. Movements in Property, Plant and Equipment

During the period, the Group spent approximately RMB31,718,000 on the acquisition of property, plant and equipment and approximately RMB430,579,000 on construction in progress in order to increase its manufacturing capabilities.

During the period, the Group disposed of certain plant and machinery with a carrying amount of RMB805,000 for proceeds of RMB703,000, resulting in a loss on disposal of RMB102,000.

11. Loans Receivable

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Loans receivable	157,387	—

The Group granted short-term entrusted loans to certain third parties with effective interest of 10% per annum. The amount is repayable within one year.

12. Trade and Other Receivables

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade receivables	137,536	109,768
Bills receivable	469,912	382,398
Other receivables and prepayments	33,659	31,988
	641,107	524,154

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

12. Trade and Other Receivables — continued

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 at the balance sheet date:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
0 – 30 days	106,077	87,215
31 – 90 days	26,253	18,977
91 – 365 days	5,028	3,389
Over 1 year	178	187
	137,536	109,768

13. Trade and Other Payables

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade payables	450,150	387,997
Bills payable	82,000	—
Other payables	41,317	65,452
	573,467	453,449

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

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
0 – 90 days	419,268	217,154
91 – 365 days	28,531	166,795
Over 1 year	2,351	4,048
	450,150	387,997

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

14. Borrowings

The Group obtained new loans amounting to RMB510,649,000 (2007: RMB335,909,000), and repaid RMB220,298,000 (2007: RMB148,041,000) during the period. The newly raised loans bear interest at market rates from 5.51% to 12.17% (2007: 5.02% to 8.54%) per annum.

15. Share Capital

	Number of shares	Share capital	
		HK\$'000	Shown in the condensed consolidated financial statement RMB'000
Ordinary shares of HK\$0.1 each issued and fully paid:			
At 1 January 2007 and 30 June 2007	1	—	—
Issue of shares as consideration for the acquisition of a subsidiary pursuant to the Group Reorganisation	1,956,389	196	190
Capitalisation of loan owing to China Sunrise Paper Holdings Limited	40,751,910	4,075	3,850
Capitalisation of share premium	257,291,700	25,729	24,299
Issue of shares by way of initial public offering	100,000,000	10,000	9,444
At 31 December 2007	400,000,000	40,000	37,783
Issue of new shares	7,500,000	750	699
At 30 June 2008	407,500,000	40,750	38,482

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

16. Share-based Payments

On 19 November 2007, the Company granted options to the senior management and other employees to subscribe for 14,400,000 shares in the Company at an exercise price of HK\$5.4 per share.

The fair value of the options determined at the date of grant using the Binomial Model was approximately HK\$23,815,000 (equivalent to RMB22,301,000).

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimates. The value of an option varies with different variables of certain subjective assumptions.

At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the profit and loss, with a corresponding adjustment to the share options reserve.

The Group recognised an expense of RMB6,362,000 (2007: Nil) for the six months ended 30 June 2008 in relation to share options granted by the Company.

17. Capital Commitments

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements	88,085	89,944
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	632,130	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

18. Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.) ("Shengshi Thermoelectricity")	Associate (Note i)
上海造紙機械電控技術研究所 (Shanghai Mechanical Electric Control Technology Institute) ("Shanghai Institute")	Controlled by a director and certain equity holders of the Company (Note ii)
昌樂衛東紙業化工有限公司 (Changle Weidong Paper Chemical Industry Co., Ltd.) ("Weidong Chemical")	Controlled by two directors of the Company (Note iii)

- (i) Shengshi Thermoelectricity became a subsidiary of the Company since 29 June 2007.
- (ii) The equity interests in Shanghai Institute held by the director and those equity holders of the Company were subsequently transferred to other parties after 30 June 2007. Thus, the company was not a related party of the Group since then.
- (iii) The equity interests in Weidong Chemical held by the directors of the Company were subsequently transferred to other parties after 30 June 2007 and Weidong Chemical was not a related party of the Group since then.

(b) The Group entered into the following significant transactions with its related parties during the period:

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Sales of goods		
— Weidong Chemical	—	357
Purchase of raw materials		
— Shengshi Thermoelectricity	—	67,078
— Weidong Chemical	—	1,312
Purchase of property, plant and equipment from Shanghai Institute	—	842

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

18. Related Party Transactions — continued

(c) Balance with a related party

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Amount due to a shareholder	—	217

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Short term employee benefit	793	427
Retirement benefit scheme contributions	3	4
Equity-settled share-based payments	6,362	—
	7,158	431