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

Annual Report 2016

*For identification purposes only

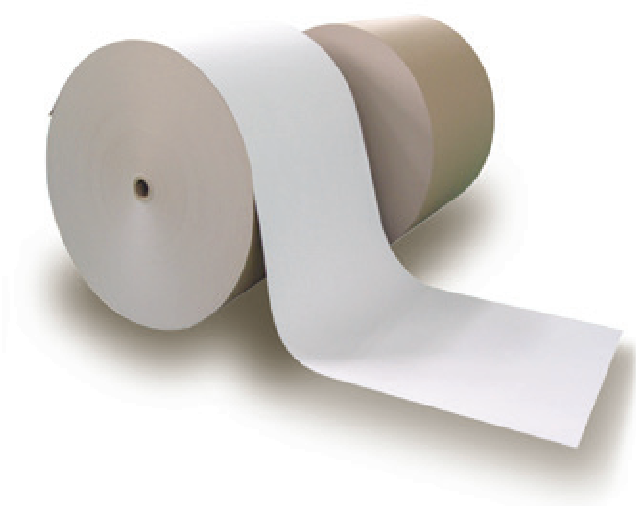
Contents

Main Products

White top linerboard is used to provide the outer facing surface of the corrugating medium. It is a combination of linerboard and fluted inner sheet of corrugating medium, which gives the board its rigid structure and stacking strength. White top linerboard is typically used as packaging material for boxes, which require high quality printability and stacking strength.

Light coated linerboard is a form of white top linerboard comprising a multiple-ply sheet made of a bleached upper ply layer coated writer a coating medium. Such coating allows superior printability by offering better brightness and gloss, and at the same time, delivers excellent ink transfer quality. The coating layer of the light coated linerboard is much thinner than that of the traditional coated duplex board, and thus, it is considered more environmentally friendly.

Core board is the main material used to produce “cores” which are tubes generally used as the base around which various products, such as paper and yarn, are wound. It is predominantly used to produce durable spindles with the ability to withstand high spinning speeds, and to produce strong paper cores and related products.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Dongxing *(Chairman)*
Mr. Shi Weixin *(Vice Chairman)*
Mr. Zhang Zengguo *(Deputy General Manager)*
Mr. Wang Changhai *(General Manager)*
(Appointed on 29 February 2016)
Mr. Ci Xiaolei (Resigned on 29 February 2016)

Non-Executive Directors

Mr. Xu Leihua
Mr. Li Hengwen

Independent Non-Executive Directors

Mr. Wang Zefeng
Ms. Jiao Jie
Ms. Shan Xueyan (Appointed on 15 December 2016)
Mr. Leung Ping Shing (Resigned on 15 December 2016)

AUDIT COMMITTEE

Ms. Shan Xueyan *(Chairlady)*
Mr. Wang Zefeng
Ms. Jiao Jie

REMUNERATION COMMITTEE

Mr. Wang Zefeng *(Chairman)*
Mr. Wang Dongxing
Ms. Shan Xueyan

NOMINATION COMMITTEE

Ms. Jiao Jie *(Chairlady)*
Mr. Wang Dongxing
Mr. Wang Zefeng

COMPANY SECRETARY

Mr. Chan Yee Ping, Michael

AUTHORISED REPRESENTATIVES

Mr. Wang Dongxing
Mr. Chan Yee Ping, Michael

PRINCIPAL PLACE OF BUSINESS IN CHINA

Changle Economic Development Zone
Weifang 262400
Shandong
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 801 & 803, 8/F.
Beverly House
93–107 Lockhart Road
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedder Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG 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

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai, Hong Kong

LEGAL ADVISERS AS TO THE LAWS OF HONG KONG

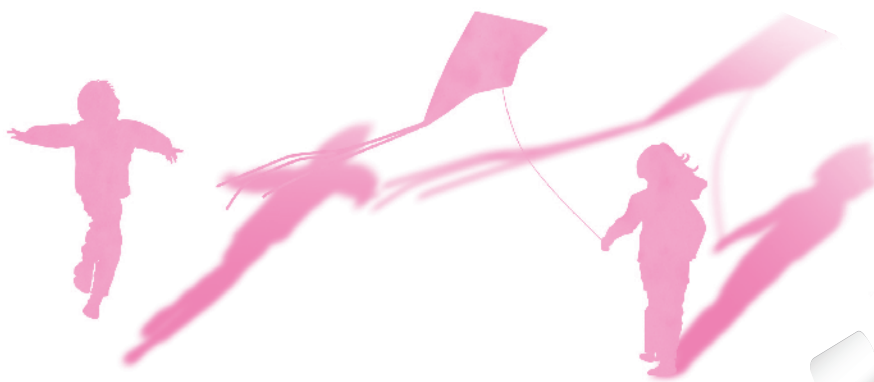
Luk & Partners
Unit 2001, Level 20
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

STOCK CODE

2002

WEBSITE

www.sunshinepaper.com.cn



Chairman's Statement

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Sunshine Paper Holdings Company Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of our Group for the financial year ended 31 December 2016 ("FY2016").

BUSINESS REVIEW

In 2016, production operation and business environment remained stable as a whole for the entire pulp and paper making and paper products industry. Environmental awareness pressed the industry further into the process of eliminating weaker players and keeping only the stronger ones, resulting in fewer supply and effective digestion of inventory. Although the demand-supply situation had improved momentarily, it remained under pressure. The entire workforce of our Group, from top to bottom, had been focusing on "innovation and revolution" so as to continuously maintain a healthy operation for the enterprise.

Having analyzed the current situation, the management of the Group made prudent response to continue to promote the standard of supply chain management and the operation standard of enterprise resource planning with focus on logistic reform and procurement reform, enabling successful implementation of various initiatives and making breakthrough in production operation. As a result, our Group achieved a record-breaking production capacity and sales volume of approximately 1.27 million tons of products for 2016.

OUTLOOK

The belief of "making paper by environmental-friendly methods" has generally become a common ground of the industry. With more stringent, systematic and optimized environmental policies and systems, enterprises will be forced to fulfill their social responsibilities in pursuing long-term development, which should work well for facilitating a level playing field among enterprises.

We see the co-existence of opportunities and challenges, and simultaneous presence of difficulties and hopes in 2017. The Group will grab the material strategic opportunities arising from the recovery of the paper manufacturing market by paying close attention to market development. We will strive for horizontal expansion of our core business while extending the industry chain vertically by accelerating the implementation of innovation-driven strategy and international development strategy. Meanwhile, we will foster and create new drive and endeavor in developing new strengths with a view to enhance our operation standard and cost-effectiveness, which will increase our management standard and bring our operating result to a new high level.

Wang Dongxing
Chairman

Shanghai, China
17 March 2017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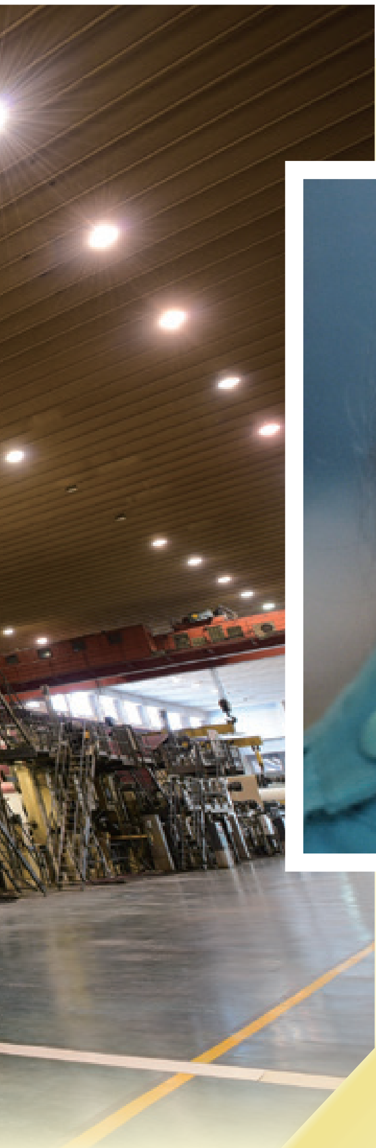
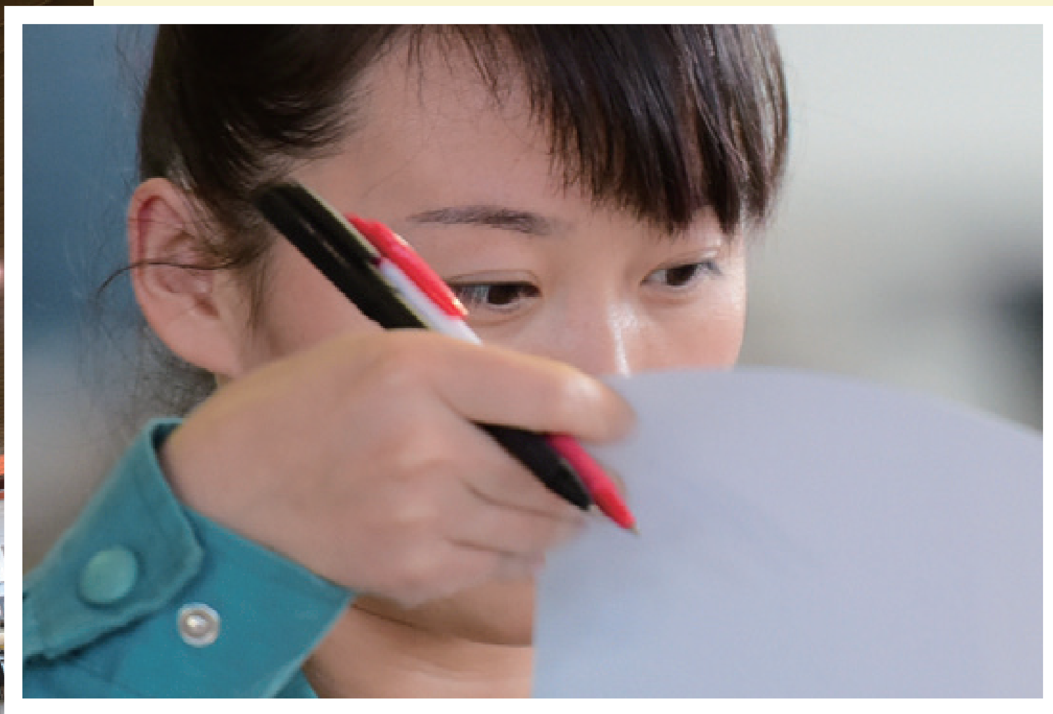
ValCoat
ValHard
PowerDry
PowerDry





Management Discussion and Analysis

Management Discussion and Analysis

TOTAL REVENUE

Our Group's total revenue for the year ended 31 December 2016 ("FY2016") was RMB4,223.3 million, representing an increase of RMB497.5 million or 13.4% as compared to that of RMB3,725.8 million for the year ended 31 December 2015 ("FY2015").

Sales of paper products, which recorded an increase of 14.7%, accounted for substantially all of our Group's total revenue. Our successful marketing strategy and customer focused products resulted in the increase in sales volume of our paper products from 1.15 million tons for FY2015 to 1.27 million tons for FY2016, and as well as their average selling prices.

Sales of electricity and steam continued to account for a low single digit percentage of our Group's total revenue.

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

	FY2016		FY2015	
	RMB'000	**%**	RMB'000	%
Sales of paper products				
White top linerboard	**1,196,996**	**28.3**	1,070,221	28.7
Light-coated linerboard	**1,755,488**	**41.6**	1,643,205	44.1
Core board	**514,614**	**12.2**	483,401	13.0
Specialized paper products	**585,605**	**13.9**	335,658	9.0
Sub-total of paper products	**4,052,703**	**96.0**	3,532,485	94.8
Sales of electricity and steam	**170,595**	**4.0**	193,323	5.2
	4,223,298	**100.0**	3,725,808	100.0

COST OF SALES

Our cost of sales was around RMB3,396.3 million for FY2016, whereas the cost of sales for FY2015 was RMB2,980.0 million. Cost of sales for FY2016 was progressively grown with the increase in total revenue in general. We saw an increase in purchase cost of both domestic recovered paper and overseas recovered paper during FY2016. With respect to the costs of our paper products segment, domestic recovered paper, overseas recovered paper and kraft pulp accounted for approximately 26.5%, 32.9% and 10.5%, respectively, of our cost of sales for FY2016.

Chemicals and additives was portioned around 10.0% of the cost of sales and the remaining 20.1% were manufacturing overhead costs and labour costs.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit increased from RMB745.8 million for FY2015 to RMB827.0 million for FY2016. During FY2016, we absorbed some cost increment pressure without passing it to customers. As such, our gross profit margin for FY2016 was 19.6%, representing a 0.4 percentage point decrease as compared to that of 20.0% for FY2015.

OTHER PROFIT AND LOSS ITEMS

Other income of RMB121.4 million for FY2016 (FY2015: RMB91.2 million) mainly comprised interest income of RMB52.6 million (FY2015: RMB68.2 million), rental income from an investment property and other properties of RMB1.7 million (FY2015: RMB3.9 million) and government grants of RMB67.1 million (FY2015: RMB19.1 million). The increase in government grants mainly reflected unconditional government subsidies of RMB49.8 million and RMB15.5 million for the purposes of supporting the Group's operation and refund of value-added tax paid, respectively.

We recorded net other losses of RMB28.2 million for FY2016, as compared to that of RMB5.3 million for FY2015. The increase in net other losses mainly reflected a loss on disposal and written off of property, plant and equipment of RMB20.0 million in FY2016. Net foreign exchange loss of RMB14.7 million was reported in FY2016 (FY2015: RMB19.4 million). The continuing depreciation of Renminbi against US dollar during FY2016 resulted in the foreign exchange loss of our bank borrowings denominated in US dollar.

Transportation cost and staff costs constituted major parts of the distribution and selling costs. Distribution and selling expenses recorded an increase from RMB263.7 million for FY2015 to RMB277.8 million for FY2016. For FY2016, it was approximately 6.6% of the total revenue, compared with 7.1% for FY2015.

The expansion of operation size of our Group resulted in the increase in administrative expenses from RMB166.5 million for FY2015 to RMB191.2 million for FY2016. As a percentage of total revenue, it was approximately 4.5% for both FY2015 and FY2016.

The loss for the change in fair value of an investment property of RMB4.5 million represented the revaluation loss arising from the investment property located in the PRC (FY2015: RMB15.9 million revaluation loss).

We continued to share the loss of a joint venture of RMB12.5 million for FY2016, which was much lower than that of RMB23.3 million for FY2015. The launch of high quality decorative papers during FY2016 resulted in the improvement in the operating results of this joint venture.

Finance costs decreased by approximately 14.7% or RMB42.7 million, from RMB291.4 million for FY2015 to RMB248.7 million for FY2016. The decrease in finance costs resulted from the renewal of lower interest bearing bank borrowings and a reduction of bank borrowings in FY2016.

INCOME TAX EXPENSES

Income tax expenses were RMB58.8 million and RMB14.6 million, respectively, for FY2016 and FY2015. The sharp increase in income tax expenses reflected the increase in taxable profit of our Group's PRC subsidiaries, which are subject to PRC enterprise tax of 25%.

PROFIT FOR THE YEAR

As a result of the above factors, we recorded a profit for the year attributable to the owners of our Company of RMB123.1 million for FY2016 (FY2015: RMB51.3 million).

LIQUIDITY AND FINANCIAL RESOURCES

Treasury policy

Our working capital requirement and capital expenditure are financed by a combination of cash generated from our operations and bank and other borrowings. It is our Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. During FY2015 and FY2016, our Group continued to adopt a conservative approach to financial risk management.

Market risks

As the functional and reporting currencies of our Group are Renminbi, there are no foreign exchange differences arising from the translation of financial statements. In addition, as our Group conducts business transactions principally in Renminbi, the exchange rate risk at our Group's operational level is not significant. Nevertheless, the management continues to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when needed.

Working capital

Net current liabilities of our Group was RMB1,963.6 million as at 31 December 2016, as compared to that of RMB1,740.2 million as at 31 December 2015. The increase in net current liabilities mainly reflected a portion of the seven-year corporate bond to be repaid in fiscal year 2017. Current ratio was 0.63 times and 0.66 times, respectively, as at 31 December 2016 and 31 December 2015.

As at 31 December 2016, we had bank balances and cash, and restricted bank deposits, of approximately RMB2,037.8 million, representing an increase of RMB204.4 million as compared to that of RMB1,833.4 million as at 31 December 2015.

Inventories decreased from RMB375.1 million as at 31 December 2015 to RMB345.2 million as at 31 December 2016. Inventory turnover was 39 days for FY2016, as compared to that of 46 days for FY2015.

Trade receivables decreased from RMB416.1 million as at 31 December 2015 to RMB310.5 million as at 31 December 2016. Trade receivables turnover for FY2016 was 31 days as compared to 40 days for FY2015. The shorter trade receivables turnover day reflected the improving business environment of paper manufacturing for FY2016.

Trade payables were RMB936.0 million as at 31 December 2016, as compared to RMB778.8 million as at 31 December 2015. Trade payables turnover for FY2016 was 92 days, as compared to that of 87 days for FY2015.

Cashflow

Net cash from operating activities amounted to RMB848.3 million for FY2016 (FY2015: RMB733.2 million). Net cash used in investing activities amounted to RMB40.9 million for FY2016 (FY2015: Net cash from investing activities of RMB17.5 million), primarily representing the purchase of property, plant and equipment of RMB175.1 million, offset in part by RMB60.5 million for the proceeds from disposal of a subsidiary, decrease in restricted bank deposits of RMB60.9 million, and the repayment from a joint venture of RMB50.0 million.

Net cash used in financing activities amounted to RMB542.7 million for FY2016 (FY2015: RMB725.4 million), primarily attributable to interest paid of RMB252.9 million, the net repayment of bank and other borrowings of RMB319.7 million, and the repayment of obligations under finance lease of RMB86.3 million, offset in part by the net proceeds from sale and finance lease back transactions of RMB127.0 million.

The combined effect of the above resulted in a net increase in cash and cash equivalents of RMB264.8 million for FY2016 (FY2015: RMB25.3 million).

Gearing

Our net gearing ratio decreased from 54.8% as at 31 December 2015 to 27.5% as at 31 December 2016. The improvement in net gearing ratio was mainly driven by the decrease in bank borrowings of RMB236.2 million.

Capital expenditure

During FY2016, our capital expenditure was approximately RMB184.0 million, which mainly related to the upgrade of our plant and machinery, and the construction of ancillary facilities.

Pledge of assets

As at 31 December 2016, the aggregate carrying amount of our assets pledged was approximately RMB2,794.6 million (2015: RMB2,978.8 million).

Capital commitments and contingent liabilities

Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment was approximately RMB33.0 million as at 31 December 2016 (2015: RMB79.2 million).

As at 31 December 2016, our Group had no material contingent liabilities.

Employees and remuneration policies

Our Group employed approximately 2,950 full-time employees in the PRC and Hong Kong as at 31 December 2016. The staff costs for FY2016 were approximately RMB201.2 million, representing an increase of RMB24.1 million over FY2015 of approximately RMB177.1 million. The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our emolument policy will be adjusted depending on a number of factors, including changes to the market practice and stages of our business development, so as to achieve our operational targets.

Subsequent Events

Subsequent to the year ended 31 December 2016, certain PRC banks agreed to extend the expiration dates of the Group's bank borrowings of approximately RMB355,193,000 for one year when they fall due in year 2017.

Notes to financial ratios

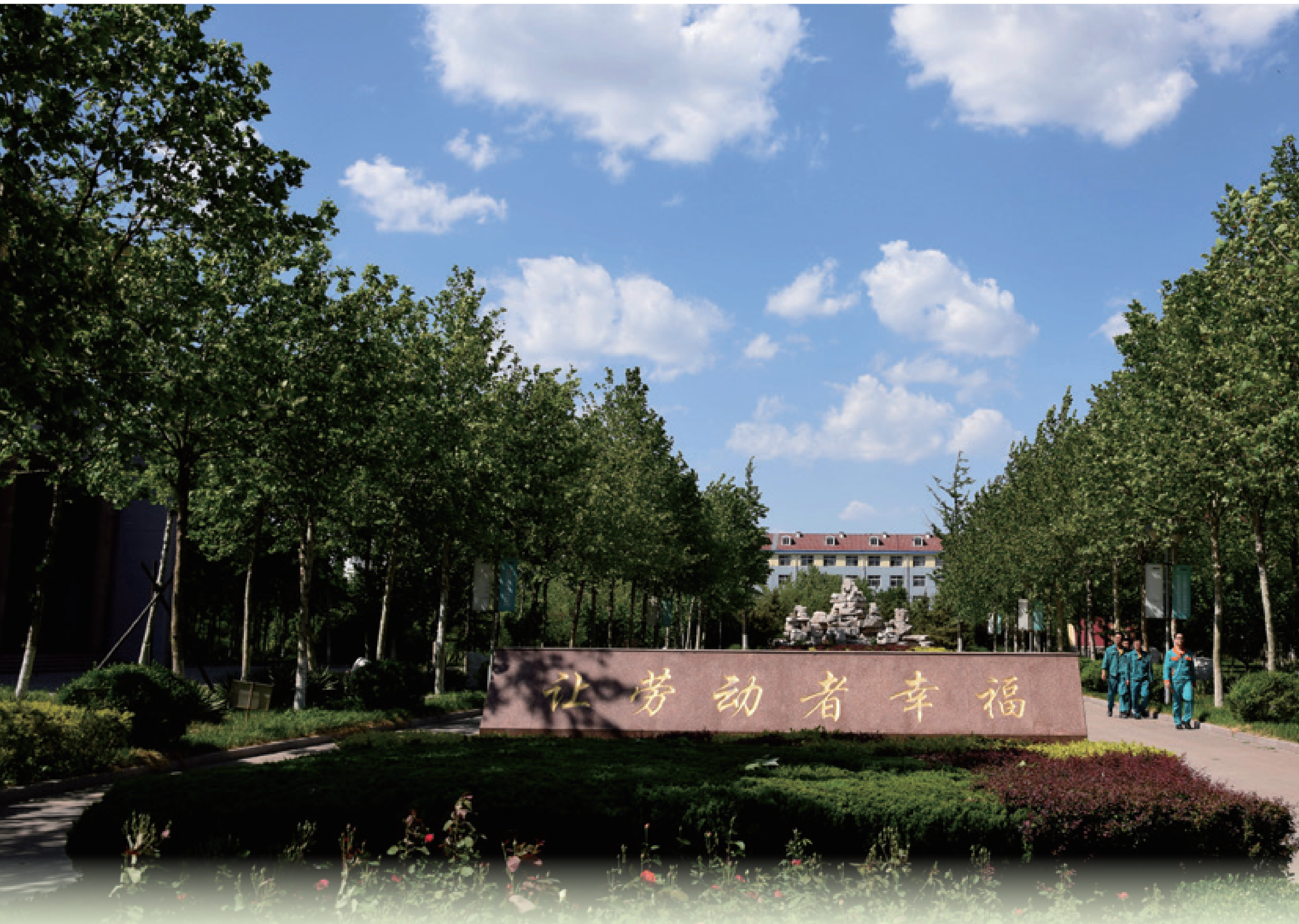
(1) Inventory turnover days equal the average of the opening and closing balances of inventories of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.

(2) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables of the relevant year divided by turnover of the relevant year and multiplied by 365 days.

(3) Trade payables turnover days equal the average of the opening and closing balances of trade payables of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.

(4) Current ratio equals current assets divided by current liabilities as of the end of the year.

(5) Net gearing ratio equals total of borrowings, short-term financing notes, corporate bond and obligations under finance leases, net of bank balances and cash, and restricted bank deposits divided by total equity as of the end of the year.


让劳动者幸福


Corporate Governance Report

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Code on Corporate Governance Practices

Our Company is committed to achieve high standard of corporate governance. The directors of our Company (the "Directors" and each a Director) believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during FY2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all Directors by our Company to confirm that all Directors have complied with the Model Code during FY2016.

THE BOARD

Board responsibilities

Our Board is responsible for the overall development and guidance of our Group. It formulates business strategies and policies for our Group and oversees the effectiveness of management strategies to maximize long-term shareholders' value. Our Group's management team takes charge of the daily operations of our Group. Our Board primarily performs the following duties:

— formulate long-term business strategies;

— approve annual budgets;

— review operating and financial performance;

— discuss and approve acquisition opportunities, investments and significant capital expenses;

— approve the appointment of Directors and the company secretary of our Company; and

— monitor the performance of our Group's management.

The chairman of our Board is responsible for the management and operation of our Board. Our executive Directors (including the chairman of our Board) also take charge of the operations of our Company.

Board composition

For FY2016 and as at the date of this report, the Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The members of the Board are as follows:

Chairman:	Mr. Wang Dongxing
Executive Directors:	Mr. Wang Dongxing
	Mr. Shi Weixin
	Mr. Zhang Zengguo
	Mr. Wang Changhai (Appointed on 29 February 2016)
	Mr. Ci Xiaolei (Resigned on 29 February 2016)
Non-executive Directors:	Mr. Xu Leihua
	Mr. Li Hengwen
Independent non-executive Directors:	Mr. Wang Zefeng
	Ms. Jiao Jie
	Ms. Shan Xueyan (Appointed on 15 December 2016)
	Mr. Leung Ping Shing (Resigned on 15 December 2016)

Our Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of our Company.

Biographical details of our Directors and their respective terms of appointment are set out in the section headed "Directors and Senior Management" of this report.

As to the relationships among our Board members, Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai are parties to a concert parties agreement. For further details of their relationship, please refer to notes 1 and 2 of the section headed "Directors' Interests in Securities". Other than the relationships between Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai, there is no other relationship between other members of our Board.

Re-election of retiring Directors and re-appointment of independent non-executive Director

In accordance with the articles of association of our Company, one third (or if their number is not a multiple of three, the number nearest to but not less than one-third) in number of our Directors shall retire from office by rotation at each annual general meeting of our Company and provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Directors are eligible to offer themselves for re-election at such annual general meeting. Pursuant to Article 87 of the Articles, Mr. Zhang Zengguo, Mr. Wang Zefeng and Ms. Jiao Jie shall retire from office at the forthcoming annual general meeting of the Company to be held on 19 May 2017 (the "AGM") and being eligible for re-election, will offer themselves for re-election at the AGM.

Pursuant to Article 86(3) of the Articles, Ms. Shan Xueyan shall hold office until the next general meeting of the Company and be subject to re-election. Ms. Shan Xueyan shall retire at the AGM and will offer herself for re-election at the AGM.

Pursuant to code provision A.4.3 of the CG Code, (a) serving more than nine years could be relevant to the determination of a non-executive director's independence; and (b) if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Wang Zefeng has been serving as an independent non-executive Director for more nine years since November 2007. The Directors are of the opinion that notwithstanding that Mr. Wang Zefeng has been serving as an independent non-executive Director for more than nine years, he still maintains an independent view of the Company's affairs. The Board considers Mr. Wang Zefeng to be independent under the Listing Rules. A separate resolution will be proposed at the AGM for the re-election and re-appointment of Mr. Wang Zefeng.

Independence of independent non-executive Directors

Our Company has received from each of our independent non-executive Directors an annual confirmation of his/her independence for FY2016 in accordance with Rule 3.13 of the Listing Rules. Our Company considers all of the independent non-executive Directors are independent.

Board meetings and general meetings

For FY2016, our Company held a total of four Board meetings and one annual general meeting. The attendance records of each member of the Board at the Board meetings and the general meeting are set out in the following table:

Director	Board meetings attendance/held	General meetings attendance/held
Executive Directors		
Mr. Wang Dongxing	4/4	1/1
Mr. Shi Weixin	4/4	1/1
Mr. Zhang Zengguo	4/4	1/1
Mr. Wang Changhai (Appointed on 29 February 2016) (Note 1)	3/3	1/1
Mr. Ci Xiaolei (Resigned on 29 February 2016) (Note 2)	1/1	N/A
Non-executive Directors		
Mr. Xu Leihua	4/4	1/1
Mr. Li Hengwen	4/4	1/1
Independent Non-executive Directors		
Mr. Wang Zefeng	4/4	1/1
Ms. Jiao Jie	4/4	1/1
Mr. Leung Ping Shing (Resigned on 15 December 2016) (Note 3)	4/4	1/1
Ms. Shan Xueyan (Appointed on 15 December 2016) (Note 4)	N/A	N/A

Notes:

(1) Mr. Wang Changhai was appointed as an executive Director on 29 February 2016. Three Board meetings and one general meeting were held from 29 February 2016 to 31 December 2016.

(2) Mr. Ci Xiaolei resigned as an executive Director on 29 February 2016. One Board meeting was held from 1 January 2016 to 29 February 2016.

(3) Mr. Leung Ping Shing resigned as an independent non-executive Director on 15 December 2016. Four Board meetings and one general meeting were held from 1 January 2016 to 15 December 2016.

(4) Ms. Shan Xueyan was appointed as an independent non-executive Director on 15 December 2016. No Board meeting or general meeting was held from 15 December 2016 to 31 December 2016.

Directors' training and continuous professional development

Each of our newly appointed Directors is provided with the necessary induction and information to ensure that such Director has a proper understanding of our operations and businesses as well as his responsibilities under the Listing Rules and other relevant regulatory requirements.

Furthermore, from time to time, the company secretary of our Company updates and provides training and written materials on the latest development of the applicable laws, rules and regulations to our Directors.

According to the records maintained by our Company, our Directors received the following training during FY2016:

Director	**Type of training attended**
Executive Directors	
Mr. Wang Dongxing	A
Mr. Shi Weixin	A
Mr. Zhang Zengguo	A
Mr. Wang Changhai (Appointed on 29 February 2016)	A
Mr. Ci Xiaolei (Resigned on 29 February 2016)	A
Non-executive Directors	
Mr. Xu Leihua	A
Mr. Li Hengwen	A
Independent Non-executive Directors	
Mr. Wang Zefeng	A
Ms. Jiao Jie	A
Ms. Shan Xueyan (Appointed on 15 December 2016)	A
Mr. Leung Ping Shing (Resigned on 15 December 2016)	A

Legends:

A — reading materials relating to the operations, businesses and the laws, rules and regulations relevant to our Group, and directors' duties and responsibilities.

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

For the terms of appointment of our non-executive Directors and independent non-executive Directors, please refer to the section headed "Report of the Directors — DIRECTORS — Directors' service contracts" on page 42 of this annual report.

AUDIT COMMITTEE

Our Board has established an audit committee in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process, internal control system and risk management of our Company and to provide advice and comments to our Board. The members of the audit committee are all of our independent non-executive Directors. During FY2016, our audit committee held two meetings to review our annual results for FY2015 and interim results for the six months ended 30 June 2016, and our risk management and internal control systems.

REMUNERATION COMMITTEE

Our Board has established a remuneration committee in compliance with the CG Code. 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. Shan Xueyan. Mr. Wang Zefeng is the chairman of the remuneration committee. The primary duties of the remuneration committee are to review and give recommendations to our Board in relation to the remuneration and other benefits paid by our Company to our Directors and the senior management of our Group. The remuneration of all our Directors and the senior management of our Group is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. During FY2016, our remuneration committee held one meeting to determine the policy for the remuneration of our executive Directors and assess performance of our executive Directors.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2016 is set out below:

Remuneration bands	Number of persons
Nil to RMB500,000	1
RMB500,001 to RMB1,000,000	4
RMB1,000,001 or above	2

NOMINATION COMMITTEE

Our Board has established a nomination committee in compliance with the CG Code. The primary duties of the nomination committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

The nomination 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. Jiao Jie. Ms. Jiao Jie is the chairlady of the nomination committee. During FY2016, our nomination committee held one meeting to review the structure, size and composition of our Board, the retirement of our Directors by rotation and the re-appointment of retiring Directors at the AGM.

The Company has adopted a board diversity policy. The purpose of the policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, which are the measurable objectives for implementing the policy.

The nomination committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the board diversity policy in selection of Board candidates. Board members nomination and appointments will continue to be made on merit basis based on the Company's business needs from time to time while taking into account diversity.

The nomination committee is also responsible for reviewing the policy, developing and reviewing measureable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the policy and the measureable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board.

During FY2016, the nomination committee has considered the board diversity policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the nomination committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the board diversity policy for FY2016.

Board committees meetings

Our audit committee, remuneration committee and nomination committee held meetings during FY2016. The attendance records of each member of our audit committee, remuneration committee and nomination committee are set out in the following table:

Director	Audit committee attendance/held	Remuneration committee attendance/held	Nomination committee attendance/held
Executive Directors			
Mr. Wang Dongxing	—	1/1	1/1
Mr. Shi Weixin	—	—	—
Mr. Zhang Zengguo	—	—	—
Mr. Wang Changhai (Appointed on 29 February 2016)	—	—	—
Mr. Ci Xiaolei (Resigned on 29 February 2016)	—	—	—
Non-executive Directors			
Mr. Xu Leihua	—	—	—
Mr. Li Hengwen	—	—	—
Independent Non-executive Directors			
Mr. Leung Ping Shing (Resigned on 15 December 2016)	2/2	1/1	—
Mr. Wang Zefeng	2/2	1/1	1/1
Ms. Jiao Jie	2/2	—	1/1
Ms. Shan Xueyan (Appointed on 15 December 2016)	—	—	—

COMPANY SECRETARY

For FY2016, in accordance with Rule 3.29 of the Listing Rules, Mr. Chan Yee Ping, Michael, the company secretary of our Company, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Chan are set out in the section headed “Directors and Senior Management” of this report.

CORPORATE GOVERNANCE POLICY

Our Board is responsible for developing and reviewing our Company’s policies and practices on corporate governance. It reviews and monitors the training and continuous professional development of our Directors and senior management of our Company; reviews and monitors our Company’s policies and practices on compliance with legal and regulatory requirements; develops, reviews and monitors the code of conduct applicable to our Company’s employees and Directors; and reviews our Company’s compliance with the CG Code and the disclosure in this corporate governance report. During FY2016, the Board has carried out such responsibilities during the Board meetings held in the year.

CHAIRMAN AND CHIEF EXECUTIVE

The CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, our Company does not have the position of chief executive. Mr. Wang Dongxing is the chairman of our Board. Mr. Wang Changhai was the general manager of Shandong Century Sunshine Paper Group Co., Ltd (“Century Sunshine”), the principal operating subsidiary of our Group for FY2016. As such, our Company has complied with the CG Code in respect of the appointment of chairman and chief executive.

AUDITOR’S REMUNERATION

For FY2016, we have engaged the auditor of our Company for audit services only. The fee paid or payable to the auditor of our Company in respect of the audit services and non-audit services provided amounted to approximately RMB1.1 million and RMB0.4 million, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board acknowledges that it has overall responsibility for our Group's risk management and internal control systems and for reviewing their effectiveness. The Company has an internal audit and control department which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

During FY2016, our Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The audit committee of our Company also performs regular review of our Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of our Group. Such review in FY2016 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. Our Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of our Group, based on which the priority of the risks was determined.

(3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, our Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

Our Directors acknowledge their responsibility for preparing the consolidated financial statements for FY2016, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibility of the external auditor of our Company on the consolidated financial statements of our Group are set out in the independent auditor's report on pages 49 to 54 of this annual report.

SHAREHOLDERS' RIGHTS

Under article 58 of the articles of association of our Company, in addition to annual general meeting, one or more shareholders of our Company holding 10% or more of the paid up capital of our Company carrying the right of voting at general meetings of our Company have the right to require an extraordinary general meeting to be called by our Board through written requisition, provided that on the date of requisition, such shareholder or shareholders are holding 10% or more of the paid up capital of our Company. Such extraordinary general meeting called may transact any business specified in the said written requisition and such meeting shall be held within two calendar months after the deposit of the written requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the shareholder or shareholders requesting the meeting may do so in the same manner and all reasonable expenses incurred by such shareholder or shareholders as a result of the failure of our Board to convene such meeting shall be reimbursed by our Company. The same procedures apply to any proposal to be tabled at the annual general meeting for adoption.

We value opinions from our shareholders and acknowledge the importance of communication with our shareholders. We have a section titled "Investors Relations" on our Company's website www.sunshinepaper.com.cn where shareholders may access the published information, announcements and circulars of our Company. Shareholders who have enquiries may also send us email to the email accounts as disclosed in the "Investors Relations" on our Company's website.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There are no significant changes to the constitutional documents of our Company during FY2016.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This environment, social and governance report of our Group highlights our approach and performance in the aspects of environmental and social areas by reference to the requirements in the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules.

This report covers the whole Group, including the Company and its subsidiaries, for the period from 1 January 2016 to 31 December 2016.

CORPORATE MOTTO AND VISION ON ENVIRONMENTAL AND SOCIAL AREAS

Our Group has always upheld and adhered to our corporate motto of "faithfulness, pragmatism, innovation and healthiness". We have been advocating and practicing the production concept of "making paper by green and environmental-friendly methods" in making full utilization of renewable resources through manufacturing our paper products with recycled materials, thereby diminishing the impact of production process towards the environment. On the other hand, a large amount of effort has been spent in enhancing and reinforcing our management and internal control to strengthen our fundamentals in corporate management. As a result, a more scientific, highly sophisticated and professional management structure has been taking shape and come into form piece-by-piece, facilitating better performance in corporate social responsibility.

A steering committee on environmental protection is in place for our Group companies. With the help of some technical experts it engaged, the committee has formulated a rigid system for our Group to administer its environmental protection affairs and has put in place contingency plans on environment-related emergencies. Regular internal control meetings have been held, drills on tackling emergency situations have been conducted, and sessions have also been arranged for updating our staff about the latest development on environmental protection-related laws and regulations. Our Group is totally committed to consistently comply with the various state and local regulations on environmental protection and to implement measures in alignment with its various energy conservation and emission reduction policies. More time will be spent on working to ensure that our Group remain on par with the highest standards in terms of environmental protection and to minimize our Group's impact on the environment and natural resources.

A. ENVIRONMENT

Emissions

Major categories of emissions of our Group during the reporting period were greenhouse gases emissions and exhaust gases emissions from boiler stations including sulphur dioxide (SO_2), nitrogen oxide (NO_x), particulate, etc. Operations of our Group did not involve any hazardous elements and land pollution that would have been subject to laws and regulations of the state authority.

Greenhouse gas (GHG) emissions

Areas of GHG emissions	Sources of emissions	Emission amounts (in tonnes of CO_2 equivalent (CDE)) 2016	Total emissions (%) 2016
Area 1			
Direct emissions	Coal burned at the boiler stations in our Group's thermal power plant	1,549,840	95.01%
Area 2			
Direct emissions	Natural gas consumed during transportation and production of our Group's products	21,583	1.32%
Area 3			
Direct emissions	Diesel consumed during transportation of our Group's products	2,129	0.13%
Area 4			
Indirect emissions	Consumption of electric power purchased by our Group	32,248	1.98%
Area 5			
Indirect emissions	Consumption of thermal power purchased by our Group	25,425	1.56%
Total		1,631,225	100%

GHG emission amounts	Units	2016
Total GHG emissions (a)	tonne of CDE	1,631,225
Gross floor area covered (b)	Square metre (sqm)	1,264,117
Emission density (c)=(a)/(b)	tonne of CDE per sqm	1.29

Exhaust gas emissions

Areas of exhaust gas emissions	Sources of emission (coal burned at the boiler stations of our Group)	Emission amounts (calculated as emission amounts of exhaust gases) 2016	Total emissions (%) 2016
Area 1			
Direct emissions	SO_2 contents in exhaust gases	514.1	46.31%
Direct emissions	NO_x contents in exhaust gases	520.0	46.85%
Direct emissions	Particulate contents in exhaust gases	75.5	6.84%
Total		1,109.6	100%

Exhaust gas emission amounts	Units	2016
Total SO_2 emission (a)	tonne	514.1
Total NO_x emission (b)	tonne	520.0
Total particulate emission (c)	tonne	75.5
Total exhaust gas emissions (d)	Cubic metre (m^3)	6,903,794,536
Measured concentration of SO_2 emission (f)=(a)/(d)	mg/m^3	74.47
Measured concentration of NO_x emission (g)=(b)/(d)	mg/m^3	75.32
Measured concentration of particulate emission (h)=(c)/(d)	mg/m^3	10.94

Coal

Total amount of coal consumed by our Group during the reporting period was 834,597.89 tonnes, translated into 1,549,840 tonnes of CDE.

SO_2

Total SO_2 emission amount of our Group during the reporting period was 514.1 tonnes and the measured concentration of emission was 74.47 mg/m^3. Our subsidiary which operates the thermal power plant had been very supportive and responsive to the state's policy on environmental protection and had been working in phases towards completion of its desulphurisation upgrading for boiler stations no. 1–6, thereby reducing the SO_2 concentration in the exhaust gases.

NO_x

Total NO_x emission amount of our Group during the reporting period was 520 tonnes and the measured concentration of emission was 75.32 mg/m^3. In 2016, our Group completed the upgrading work of flue gas denitrification system installation at its boiler stations, thereby reduced the NO_x concentration in the exhaust gases.

Particulate

Total particulate emission amount of our Group during the reporting period was 75.5 tonnes and the measured concentration of emission was 10.94 mg/m^3. Our Group completed the upgrading work of baghouse filters installation at its boiler stations in 2016, thereby reduced the concentration of particulate emission.

Resources

The Group promotes the efficient use of resources including energy, water and other raw materials.

The environmental protection equipment used in the production line of our Group's major product, which was designed by Paques of the Netherlands, boosted a daily capacity of 55,000 m^3 and applied the anaerobic removal + aerobic removal + flocculation technique – the most effective wastewater treatment solution worldwide. With our water reuse rate of above 80% and our clean production practices in terms of clean water consumption, integrated energy consumption and bone dry fibre consumption all within the Level B Standard of China, we had simultaneously incorporated water treatment, water conservation and energy conservation into our production that contributed to conservation of scarce natural resources as well as our production cost reduction, thereby creating benefits to both operating efficiency and environmental protection.

Our Group has implemented measures for reducing paper consumption such as opting for paperless procedures wherever practicable, setting printers to print double-sided by default, serving reminders to staff members to urge them taking fewer photocopies at work, and adopting separate collection of used paper and other domestic waste.

For 2016, our Group's total used paper from office of 2.53 tonnes had been recycled and reused in the pulp and paper production of our Group.

B. SOCIAL

Employment and Labour Practices

Employment

Our Group employed a total of 2,950 employees as at 31 December 2016.

Age breakdown of employees	18–25	26–35	36–45	46–55	56 and above
2016	15.9%	60.3%	15.8%	6.9%	1.1%

The recruitment and emolument policies of our Group are aimed at attracting, retaining and motivating talented individuals. The principle is to have performance-based remuneration which reflects market standards. Remuneration package for each employee is generally determined based on his or her job nature and position with reference to market standards. Employees may also be entitled to certain welfare benefits, such as year-end bonus, "five insurances and one fund", and various statutory paid leaves (maternity leave, marriage leave, bereavement leave, paternity leave and home leave etc.) and festive holidays.

Our Group conducts regular review on its staff manual and modifies its provisions as it thinks fit. Contents of the manual include the key corporate information of the Company, our policy, procedures, career promotion path, compensation and welfare, occupational safety and health, complaint filing and reporting procedures.

During the reporting period, our Group adhered to the core value of "a people-oriented approach for the happiness of labor" to maximize the happiness and benefits of employees. Our Group assures employees a safe, healthy and comfortable work environment and gradually establishes a system of career development planning for employees, regardless of age, gender and ethnicity. It should serve as a platform of self-realization for employees and inspire them to enhance work efficiency.

Health and Safety of Employees
Our Group regularly reviews its health and safety procedures for employees to ensure a safe working environment and to protect employees from occupational hazards. Our Group boosts the employees' safety awareness with briefing, training, information and reminders. After induction, employees are required to complete safety education and training with satisfactory examination results before taking up the position.

Development and Training
Our Group provides employees with comprehensive and diverse training programs to enhance the overall quality of employees through standardized and specific training, such as internal lectures and external specialized training, with an aim of offering quality and effective services to customers. Newly recruited members are subject to induction training to familiarize themselves with the essence of our corporate culture, including core values, company spirit and work approach. During the reporting period, 2,183 hours of training programs were arranged in total.

Exchange between Employees
To cultivate a sense of health and self-improvement in the employees and foster positivity for development, our Group organized a wide range of activities: pacesetter contest, female sports competition, tug of war competition for employees, the 4th young singer competition, the 7th basketball league for employees, apprentice thanksgiving speech contest, seminars for fresh graduates, etc. The above activities enriched the cultural life of the employees and enhanced corporate harmony.

Labor Standards
During the reporting period, there was no child labor or forced labor in the operation of our Group. Our Group's management strictly adhered to the requirements of the relevant laws and regulations of the People's Republic of China in respect of recruitment, employment and work safety. Each employee shall provide relevant data and information in the recruitment form, the accuracy of which will be inspected by the human resource department, thus recruiting suitable candidates in accordance with work requirements and expectations of applicants.

Equal Opportunity
Our Group offers equal opportunity to employees with regard to recruitment, training and development, promotion, and compensation and benefit. We strive to eliminate discrimination or deprival of equal opportunity based on gender, ethnicity, religious belief, race, sexual orientation, age, marriage status, family status, disability, pregnancy or other prohibited factors stipulated in relevant laws. Our Group also thoroughly recognizes the importance of recruiting employees of different age, gender and race in corporate development.

Operating Practices

Supply Chain Management
Our Group has put in place a stringent tendering process and supplier approval system as a fair and transparent platform to ensure the selection of the best suppliers of equipment, materials and service procurement who meet requirements of sustainable development.

To provide customers with quality products and services, our Group purchases materials which meet the standard in a prudent manner so as to offer quality products to customers. All end products pass through intensive inspection by the quality management department of the Company.

Material suppliers of our Group are mainly based in China, the United States, Canada, Japan and European countries. Suppliers are selected according to a clear and strict set of criteria, such as qualification, quality management system, operation capacity, availability of sample, pricing, delivery guarantee, and quality of product and service, to ensure the purchased product and service meet the product quality assurance. Our Group also conducts a comprehensive supplier assessment based on the findings from visiting the production sites of suppliers to select the best suppliers. Our Group also examines suppliers and prepares record reports to monitor the overall performance of the selected suppliers as evidence to support the selection and renewal of cooperation.

Product Responsibility

Product Return Policy

Since the commencement of business, our Group has maintained good after-sale services to uphold its commitment to customers in terms of product quality, safety and assurance.

Safeguarding Customer Particulars and Privacy Policy

Procedure and informatization department of our Group has formulated a comprehensive information protection policy to provide sufficient protection and confidence for the data and proprietary information of the Company as well as to safeguard the rights of employees, customers and business partners. Our Group has set up a clear stratification of authority to restrict the access to the system or virtual data.

Our Group has adopted an all-round enterprise resource planning system to ensure the effectiveness of each procedure and to maintain the integrity of information. Our Group strictly adheres to rules in respect of data collection, use, handling and storage to ensure its safety.

Anti-corruption

Our Group guarantees that all its business is free from improper influence. Directors and employees shall closely observe the code of conduct of our Group and the requirements of anti-corruption regulations to prevent potential bribery, extortion, fraud and money laundering. The code of conduct of our Group expressly states that:

— Directors and employees should be integral and committed to their responsibilities and are prohibited to acquire improper benefits with their authority and power.

— Employees are prohibited from participating in income generating activities in private, taking up part time positions with remunerations from other economic entities and engaging in paid agency activities. Registration of or investment in companies competing with the Company is prohibited.

— Employees should observe the requirements on the management and use of public property and are prohibited from using public resources to satisfy private needs.

— Directors and employees shall be committed to frugality and avoid extravagance, overspending, squandering public fund and wastefulness.

— a committee primarily responsible for anti-corruption is established to examine, oversee and assess the system formulation and implementation.

Community

To understand the needs and interests of the communities where it operates, our Group has entered into friendly cooperation agreements with various institutions to provide students with opportunities of visiting our Group companies, and internship and career openings with the Group.

Report of the Audit Committee

MEMBERS

The audit committee of our Company consists of the three independent non-executive Directors, namely Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie, with Ms. Shan Xueyan sitting as the chairlady of the audit committee. Biographical details of the current members are set out in the section headed "Directors and Senior Management".

TERMS OF REFERENCE

Based on the terms of reference of the audit committee as at 31 December 2016, members of the committee shall, among other things, oversee our Group's relationship with its external auditor, review the preliminary results, interim results and annual financial statements, review the scope, extent and effectiveness of our Group's internal audit functions and risk management, and, where necessary, commission independent investigations by legal advisers or other professionals.

MEETINGS

Two audit committee meetings were held during FY2016 and all members at the relevant time have attended such meetings.

The following is a summary of the tasks completed by the audit committee during FY2016 and up to the date of this report:

- reviewed the consolidated financial statements for FY2015 and FY2016;
- reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2016;
- reviewed the external auditor's audit plan, letter of representation and audit engagement letter for FY2016;
- considered and approved the external audit fees for FY2016;
- reviewed our Company's internal control and risk management systems; and
- reviewed the "Connected Transactions" set out on pages 46 to 47 of this annual report.

FINANCIAL REPORTS

The audit committee reviewed and considered the reports and statements of the management to ensure that the consolidated financial statements of our Group have been prepared in accordance with International Financial Reporting Standards and Appendix 16 to the Listing Rules. The committee also met with the external auditor of our Company, Grant Thornton Hong Kong Limited, to consider the scope and results of their independent audit in respect of the consolidated financial statements.

REVIEW OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The audit committee assisted our Board to perform its duties to maintain effective risk management and internal control systems for our Group. The audit committee reviewed our Group's procedure and workflow for environmental and risk assessment and its initiatives for business risks management and control.

RE-APPOINTMENT OF EXTERNAL AUDITOR

The audit committee recommended to our Board that, subject to Shareholders' approval at the AGM, Grant Thornton Hong Kong Limited be re-appointed as our Company's external auditor for the year ending 31 December 2017.

For FY2016, the fee paid or payable to the external auditor of our Company in respect of the audit services and non-audit services provided amounted to approximately RMB1.1 million and RMB0.4 million, respectively.

Directors and Senior Management

BOARD OF DIRECTORS

Our Board is responsible for and has general powers over the management and conduct of our Group's business. Our Board consists of nine Directors including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Company has entered into service contracts with each of our executive Directors. The table below shows certain information in respect of the members of the Board:

Name	Position in our Group
Executive Directors	
Mr. Wang Dongxing	Chairman of our Board, a member of the remuneration committee and a member of the nomination committee
Mr. Shi Weixin	Vice chairman of our Board
Mr. Zhang Zengguo	Deputy general manager of our Group
Mr. Wang Changhai	General manager of our Group
Non-executive Directors	
Mr. Xu Leihua	
Mr. Li Hengwen	
Independent non-executive Directors	
Ms. Shan Xueyan	Chairlady of the audit committee and a member of the remuneration committee
Mr. Wang Zefeng	Chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee
Ms. Jiao Jie	Chairlady of the nomination committee and a member of the audit committee

EXECUTIVE DIRECTORS

Mr. Wang Dongxing, aged 54, is an executive Director and the chairman of our Board. Mr. Wang was appointed as a Director on 22 August 2007. Mr. Wang is also a member of the remuneration committee and a member of the nomination committee of our Board. With over 20 years of experience in the paper manufacturing industry, Mr. Wang is responsible for the overall management and strategy of our Group. Mr. Wang has been with our Group since the establishment of Changle Century Sunshine Paper Industry Co., Ltd. ("Changle Sunshine") in 2000 and was previously the general manager of Century Sunshine. Mr. Wang is also a director of China Sunshine Paper Investments Limited ("China Sunshine") and China Sunrise Paper Holdings Limited ("China Sunrise"), controlling shareholders of our Company. He graduated from 山東輕工業學院 (Shandong Institute of Light Industry) with a Bachelor of Engineering degree in 1983, with a major in pulp and paper making. He served as a director and deputy general manager of Shandong Chenming Paper Holdings Limited ("Shandong Chenming"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1812), which was mainly engaged in the business of production of machine-made paper, paper plate, paper materials and paper-making related machineries from 1985 to 1999. He was mainly responsible for the daily operation and management in Shandong Chenming. He served as a factory manager of Shandong Chenming Paper Industry Group Qihe Cardboard Co., Ltd ("Qihe Cardboard") from 1995 to 1996. During his tenure in office in Qihe

Cardboard, Mr. Wang obtained the Qihe County's Economic Special Achievement Golden award. He also served as a factory manager of Shandong Chenming No. 2 Factory from 1997 to 1998, and was the general manager of Wuhan Shuailun Paper Industry Co., Ltd. from 1999 to 2000.

Mr. Shi Weixin, aged 60, is an executive Director and the vice chairman of our Board. Mr. Shi was appointed as a Director on 19 November 2007. With over 20 years of experience in electrical automation control, Mr. Shi is responsible for the management of the automation system. Mr. Shi has been with our Group since the establishment of Changle Sunshine in 2000. Mr. Shi is also a director of China Sunshine and China Sunrise, controlling shareholders of our Company. He graduated from China Textile University in 1986, with a major in industrial electrical automation. Mr. Shi used to be a director of Shanghai Paper Manufacturing Machinery General Factory from 1981 to 1992 and was responsible for the design of the automation control system for paper-making equipments. During 1984 to 1992, he has been named as an "Excellent Technician" twice. In 1993, Mr. Shi founded Shanghai Paper Mechanical Electric Control Technology Institute ("Shanghai Institute"), and has been its chairman and general manager since 1993. Mr. Shi was primarily responsible for management and operation in Shanghai Institute. He was also a member of the Shanghai Hongkou District Committee of Political Consultative Conference, a member of the executive committee of Shanghai Hongkou Federation of Industry and Commerce and a director of Hongkou Association of Entrepreneurs Association. Mr. Shi won the "Shanghai City Technological Achievement" award in 2000.

Mr. Wang Changhai, aged 46, is an executive Director and the general manager of our Group. He has been appointed as a Director on 29 February 2016. Mr. Wang joined our Group in 2001 and he has 15 years of experience in the paper products industry and is very familiar with the operations of the Group. Mr. Wang is currently a General Manager of the Group and is responsible for the overall management of the Group. He had been a manager and an assistant manager of the Group prior to the promotion to the deputy general manager of domestic sales in 2003.

Mr. Zhang Zengguo, aged 51, is an executive Director and the deputy general manager of our Group and is responsible for production management. Mr. Zhang was appointed as a Director on 19 November 2007. Mr. Zhang joined our Group in 2001. He is also the director of the technical department, assistant general manager and deputy general manager of Changle Sunshine since 2001. Further, Mr. Zhang is a director of China Sunshine and China Sunrise, controlling shareholders of our Company. He graduated from the Shandong Institute of Light Industry in 1988, with a major in pulp and paper manufacturing. Mr. Zhang was the department director and engineer of Jinguang Paper Mill from 1993 to 2000. During his tenure in office in Jinguang Paper Mill, Mr. Zhang was primarily responsible for the design, construction and test run of projects.

NON-EXECUTIVE DIRECTORS

Mr. Xu Leihua, aged 53, is a non-executive Director of our Group. Mr. Xu was appointed as a Director on 5 June 2015. Mr. Xu obtained an undergraduate qualification of computer science and technology from Wuhan University of Science and Technology in 2002. He also obtained the certificate of accounting professional in China in 1994.

Mr. Xu is currently a director and general manager of Hubei Mailyard Share Co., Ltd ("Hubei Mailyard"), a company listed on the main board of the Shanghai Stock Exchange (Stock code: 600107). He joined Hubei Mailyard in July 2000 and served as a vice general manager and secretary to the board. Prior to that, he served as the head of investment securities department of Daye Special Steel Co., Ltd, a company listed on the main board of the Shenzhen Stock Exchange (Stock code: 000708) from March 1995 to June 2000. He also worked at the finance department and the audit department of Ye Gang Group Company Limited from July 1985 to February 1995.

Mr. Li Hengwen, aged 37, is a non-executive Director of our Group. Mr. Li was appointed as a Director on 5 June 2015. Mr. Li currently serves as the secretary of the board of Chenxin Mining Group Co., Limited (辰信礦業集團有公司). Prior to that, he was the head of the finance department and the assistant of the general manager of China Shanshui Cement Group Limited (中國山水水泥集團有限公司), a company listed on the main board of the Stock Exchange of Hong Kong Limited (Stock code: 691). He had worked in Shandong Huide Certified Public Accounting Ltd (山東匯德會計師事務所) and KPMG Huazhen (Special General Partnership) (畢馬威華振會計師事務所) for ten years.

Mr. Li obtained a bachelor's degree in management from the Faculty of Economics of Qingdao University in 2002. Mr. Li is a member of the Chinese Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Zefeng, aged 56, is an independent non-executive Director. Mr. Wang joined our Group in 2007 and was appointed as a Director on 19 November 2007. Mr. Wang is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of our Board. Mr. Wang graduated from Shandong Institute of Light Industry in 1982 with a Bachelor's degree in industrial art of pulp and paper. He is currently the principal of Shandong Papermaking Industry Research and Design Institute and the chairman of Shangdong Paper Manufacturing Industry Association. He previously served as the deputy general manager, chief engineer and senior engineer of Shandong Paper Industry Group.

Ms. Jiao Jie, aged 36, is an independent non-executive Director. Ms. Jiao first joined our Group in 2007 and subsequently left our Group in 2010. The last position held by Ms. Jiao was as a joint company secretary of our Company and the special assistant to the chairman of our Board. Ms. Jiao rejoined our Group in January 2014 and was appointed as a Director on 27 January 2014. Ms. Jiao is currently the chief financial officer of iClick Interactive Asia Limited, and is responsible for corporate finance and legal affairs. Prior to that, she was a joint company secretary and a general legal counsel of Artgo Mining Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 3313) from March 2012 to May 2014. Ms Jiao was a legal assistant of Jingtian & Gongcheng from 2004 to 2007. From March 2007 to January 2010, she was the board secretary and special assistant to the chairman of the Company. From January 2010 to February 2012, Ms. Jiao was the chief legal counsel and head of investor relations of Soufun Holdings Limited, a company listed on the New York Stock Exchange (stock code: SFUN). Ms. Jiao graduated from the Law School and China Center for Economic Research at Peking University with bachelor's degrees in law and economics in July 2003 and obtained a degree of magister juris from University of Oxford in July 2005. Ms. Jiao obtained the certificate of Legal Profession Qualification in March 2010. She also obtained Registered Qualification Certificate of Enterprise Legal Adviser of the PRC from Stated-Owned Assets Supervision and Administration Commission of the State Council in May 2012, and Chartered Financial Analyst qualification in September 2014.

Ms. Shan Xueyan, aged 39, is an independent non-executive Director. Ms. Shan joined our Group in 2016 and was appointed as a Director on 15 December 2016. Ms. Shan is also the chairlady of the audit committee and a member of the remuneration committee. Ms. Shan has over 15 years of experience in accounting and auditing. Currently, Ms. Shan is the audit supervisor of Shouguang Shengcheng Certified Public Accountants ("Shouguang Shengcheng") (壽光聖誠有限責任會計師事務所), which she joined in July 2001. At Shouguang Shengcheng, Ms. Shan is mainly responsible for auditing sizeable enterprises and government projects, and providing finance and tax consultancy services to enterprises in China. Ms. Shan graduated with a Bachelor of Engineering degree from the Tsingtao Polytechnic University in July 2001. She is a member of the Chinese Institute of Certified Public Accountants and has been qualified as a senior accountant since 2011.

SENIOR MANAGEMENT

Mr. Chen Xiaojun, aged 48, is the deputy general manager of our Group and is responsible for project management. He graduated from the Shandong Institute of Light Industry in 1991, with a major in mechanical design. Mr. Chen joined our Group in 2001. Prior to joining our Group, Mr. Chen worked at Shandong Chenming Paper Industry Group Co., Ltd and was responsible for mechanical engineering.

Mr. Liu Wenzheng, aged 45, is the deputy general manager of our Group and is responsible for the management of the accounting and finance of our Company's subsidiaries in China. Mr. Liu joined the Group in February 2010. Mr. Liu graduated from Shandong Administration Institute with a Bachelor's degree in accountancy in 1993. Prior to joining our Group, he was the chief financial controller of Shandong Haoxin Group. He was a supervisor of Shandong Chenming. Mr. Liu is a member of the Chinese Institute of Certified Public Accountants.

Mr. Zhang Hongming, aged 46, is the deputy general manager of our Group and is responsible for the management of Changle Shengshi Thermoelectricity Co. Ltd., a subsidiary of our Group. He was previously responsible for the domestic sales and production management of our Group. Mr. Zhang joined our Group in 2001.

COMPANY SECRETARY

Mr. Chan Yee Ping, Michael, aged 40, is the company secretary of our Company. Mr. Chan joined our Group in September 2013 and was appointed as a company secretary of our Company on 26 September 2013, Mr. Chan graduated from the Hong Kong Polytechnic University in 1999 with a bachelor's degree majoring in accountancy. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over ten years of experience in corporate secretarial management, accounting and audit and corporate governance. Mr. Chan is currently also the company secretary of Northeast Electric Development Co., Ltd. (東北電氣發展股份有限公司), a joint stock limited company incorporated in the PRC, whose A shares and H shares are listed on the Shenzhen Stock Exchange of the PRC and the Stock Exchange of Hong Kong Limited (Stock Code: 0042), respectively. He also acted as a company secretary of Birmingham International Holdings Limited (Stock Code: 2309) whose shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited from June 2015 to October 2016. Mr. Chan currently also serves as an independent non-executive director of China Renji Medical Group Ltd (Stock Code: 648) and China Sandi Holdings Limited (Stock Code: 910), all being companies listed on the Main Board of the Stock Exchange of Hong Kong Limited, and Epicurean and Company Limited, which is listed on the GEM Board of the Stock Exchange of Hong Kong Limited.

Report of the Directors

We, the Directors, present the annual report together with the audited consolidated financial statements of our Group for FY2016.

PRINCIPAL ACTIVITIES

Our Group is principally engaged in the production and sale of paper products.

BUSINESS REVIEW AND FINANCIAL KEY PERFORMANCE INDICATORS

A business review and an analysis on the financial key performance indicators are set out in the section headed "Chairman's Statement" on pages 8 to 9, and the section headed "Management Discussion and Analysis" on pages 12 to 17. These discussions form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The consolidated results of our Group for FY2016 are set out in the consolidated financial statements on page 55.

DIVIDEND

The Board recommended the payment of a final dividend of HK4 cents per ordinary share for FY2016 (FY2015: HK3 cents).

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The register of members of our Company will be closed from 16 May 2017 to 19 May 2017, both days inclusive, for the purpose of determining entitlement to attend the AGM, during which no transfer of shares of our Company will be registered. In order to qualify for attending and voting at the AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 15 May 2017.

Notice of the AGM will be published on our website at www.sunshinepaper.com.cn and on the website of the Stock Exchange at www.hkexnews.hk, and dispatched to the shareholders in due course.

In relation to the final dividend

Shareholders whose names appear on the Company's register of members on 8 June 2017 will qualify for the proposed final dividend. The register of members of our Company will be closed from 7 June 2017 to 8 June 2017, for the purpose of determining entitlement to the proposed final dividend, during which no transfer of shares of our Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 6 June 2017. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is payable on or about 20 June 2017 to the shareholders whose names appear on the register of members of the Company on 8 June 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The following principal risks and uncertainties facing the Company are in addition to those set out in notes 40 and 41 to the consolidated financial statements.

Business risk

Downturn pressure on China's economy and price competition from other peers are the crucial elements of business risk. These two negative factors result in the uncertainties of sales and profit margin performances of our Group. The Board will regularly review overall management and implement appropriate strategies to minimize risks exposure.

Loss of key individuals

Employees are one of the most important assets of our Group and their performances affect the sustainability of our Group's business. Our Group emphasizes the importance of attracting skilled and experienced talents by offering competitive remuneration packages, safe and pleasant working environment, and career development.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Over the years, our Group has been fully committed to environmental protection. We are committed to preserving and protecting the environment in every aspect of our operation by implementing various measures and controls, including periodic meetings to review environmental issues in our plants and updated environmental laws and regulations.

Our Group will continue to allocate resources to ensure high environmental standards are persistently met in the key areas including production process, water and electricity consumption, waste water treatment and emission control.

RESERVES

Details of the change in reserves of our Group for FY2016 are set out in the consolidated financial statements on page 58.

DONATIONS

Our Group had no donation for charitable purpose during FY2016 and FY2015.

PROPERTY, PLANT AND EQUIPMENT, AND LAND USE RIGHTS

Details of the movements in the property, plant and equipment, and land use rights of our Group during FY2016 are set out in notes 15 and 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of our Company during FY2016 are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of our Company and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of our Group for the last five financial years is set out on page 128.

SUBSIDIARIES

Particulars of the subsidiaries of our Company are set out in note 49 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of our Group are set out in note 35 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2016, neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of our Company.

DIRECTORS

The Directors who held office during FY2016 and up to the date of this report were:

Executive Directors

Mr. Wang Dongxing *(Chairman of our Board)*
Mr. Shi Weixin *(Vice chairman of our Board)*
Mr. Zhang Zengguo *(Deputy general manager of our Group)*
Mr. Wang Changhai *(General manager of our Group)* (Appointed on 29 February 2016)
Mr. Ci Xiaolei (Resigned on 29 February 2016)

Non-executive Directors

Mr. Xu Leihua
Mr. Li Hengwen

Independent non-executive Directors

Mr. Wang Zefeng
Ms. Jiao Jie
Ms. Shan Xueyan (Appointed on 15 December 2016)
Mr. Leung Ping Shing (Resigned on 15 December 2016)

In accordance with the articles of association of our Company, one third (or if their number is not a multiple of three, the number nearest to but not less than one third) in number of our Directors shall retire from office by rotation at each annual general meeting of our Company and provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Directors are eligible to offer themselves for re-election at such annual general meeting. Pursuant to Article 87 of the Articles, Mr. Zhang Zengguo, Mr. Wang Zefeng and Ms. Jiao Jie shall retire from office at the AGM and being eligible for re-election, will offer themselves for re-election at the AGM.

Pursuant to Article 86(3) of the Articles, Ms. Shan Xueyan shall hold office until the next general meeting of the Company and be subject to re-election. Ms. Shan Xueyan shall retire at the AGM and will offer herself for re-election at the AGM.

Pursuant to code provision A.4.3 of the CG Code, (a) serving more than nine years could be relevant to the determination of a non-executive director's independence; and (b) if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Wang Zefeng has been serving as an independent non-executive Director for more nine years since November 2007. The Directors are of the opinion that notwithstanding that Mr. Wang Zefeng has been serving as an independent non-executive Director for more than nine years, he still maintains an independent view of the Company's affairs. The Board considers Mr. Wang Zefeng to be independent under the Listing Rules. A separate resolution will be proposed at the AGM for the re-election and re-appointment of Mr. Wang Zefeng.

Our Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence during the year ended 31 December 2016 pursuant to Rule 3.13 of the Listing Rules and our Board considers that all of the independent non-executive Directors are independent.

Directors' service contracts

Each of Wang Dongxing, Shi Weixin and Zhang Zengguo has entered into a service contract dated 19 November 2016 with our Company for a term of three years commencing on 19 November 2016 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

Mr. Wang Changhai has signed a service contract dated 29 February 2016 with our Company for a term of three years commencing on 29 February 2016 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, or in accordance with the terms of the service contract.

The annual salary and bonus of each executive Director shall be determined by our Board and subject to the annual review by the remuneration committee of our Company.

Each of Mr. Xu Leihua and Mr. Li Hengwen has signed a letter of appointment dated 5 June 2015 with our Company under which he has agreed to act as a non-executive Director for a period of three years, commencing on 5 June 2015, unless terminated in accordance with the terms and conditions specified in such letter.

Mr. Wang Zefeng has signed a letter of appointment dated 12 December 2016 with our Company under which he has agreed to act as an independent non-executive Director for a period of three years, commencing on 12 December 2016, unless terminated in accordance with the terms and conditions specified in such letter.

Ms. Jiao Jie has signed a letter of appointment dated 27 January 2014 with our Company under which she has agreed to act as an independent non-executive Director for a period of three years, commencing on 27 January 2014, unless terminated in accordance with the terms and conditions specified in such letter.

Ms. Shan Xueyan has signed a letter of appointment dated 15 December 2016 with our Company under which she has agreed to act as an independent non-executive Director for a period of three years, commencing on 15 December 2016, unless terminated in accordance with the terms and conditions specified in such letter.

Details of directors' emolument for each of our Directors for FY2016 are set out in note 10 to the consolidated financial statements.

Except as disclosed above, none of our Directors has a service contract or a letter of appointment with our Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the Directors listed below had the following interests and short positions in the shares of our Company (the "Shares"), underlying shares and debentures of our 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 under Section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code:

(a) Long positions in our Company:

Name of Director	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company(1)	321,687,052	40.08%
	Beneficial owner	5,663,500	0.71%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	630,000	0.08%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company(1)	321,687,052	40.08%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	6,293,500	0.78%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company(1)	321,687,052	40.08%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	6,293,500	0.78%
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company(1)	321,687,052	40.08%
	Beneficial owner	630,000	0.08%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	5,663,500	0.71%

Notes:

1. A group of 18 individuals comprising Mr. Chen Xiaojun, Mr. Guo Jianlin, Ms. Li Hua, Mr. Li Zhongzhu, Mr. Lu Yujie, Mr. Ma Aiping, Mr. Sang Ziqian, Mr. Shi Weixin, Mr. Sun Qingtao, Mr. Wang Changhai, Mr. Wang Dongxing, Mr. Wang Feng, Mr. Wang Yilong, Mr. Wang Yongqing, Ms. Wu Rong, Mr. Zhang Zengguo, Mr. Zheng Fasheng and Mr. Zuo Xiwei (the "Controlling Shareholders Group") entered into an agreement on 16 June 2006 and as amended by a supplemental agreement on 19 November 2007 (the "Concert Parties Agreement"), pursuant to which each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in China Sunshine, China Sunrise and any members of our Group (with China Sunshine and China Sunrise, collectively, the "Target Entities") and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunrise is wholly-owned by China Sunshine, and China Sunshine is wholly-owned by the Controlling Shareholders Group, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code), including Mr. Wang Dongxing, Mr. Shi Weixin, Mr. Zhang Zengguo and Mr. Wang Changhai, is deemed to be interested in the 321,687,052 Shares held by China Sunrise.

2. Under section 318 of the SFO, Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 6,293,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 630,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 5,663,500 Shares held by Mr. Wang Dongxing.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF OUR COMPANY

So far as we, the Directors, are aware, as at 31 December 2016, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) in the shares, underlying shares or debentures of our Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	321,687,052	40.08%
China Sunshine[(1)]	Long	Interest of a controlled corporation	321,687,052	40.08%
Controlling Shareholders Group[(2)]	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	40.08%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	6,293,500	0.78%
Prime Capital Management Company Limited	Long	Beneficial interest	132,141,848	16.46%

Notes:

1. As China Sunshine owns the entire interest of China Sunrise, China Sunshine is deemed to be interested in the 321,687,052 Shares held by China Sunrise.

2. Pursuant to the Concert Parties Agreement, each of the members of the Controlling Shareholders Group has confirmed that, among other things, since he or she became interested in and possessed voting rights in the Target Entities and participated in the management of the business of the Target Entities, each of them has been actively cooperating with each other and has been acting in concert (for the purpose of the Takeovers Code), with an aim to achieve consensus and concerted action on major affairs relating to the business of the Target Entities. In addition, each of the members of the Controlling Shareholders Group has also agreed to keep the other members informed of their direct or indirect interest in the Target Entities or changes to such interest, so as to ensure due and prompt compliance of all applicable laws and regulations on disclosure of securities interests by Shareholders. As China Sunshine owns the entire interest of China Sunrise, and the Controlling Shareholders Group owns the entire interest of China Sunshine, each of China Sunshine and members of the Controlling Shareholders Group (for the purpose of the Takeovers Code) is deemed to be interested in the 321,687,052 Shares held by China Sunrise. Further, Mr. Wang Dongxing is interested in 5,663,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 630,000 Shares as beneficial owner. Other members of the Controlling Shareholders Group, being member of the Concert Parties Agreement, are deemed to be interested in such shares held by Mr. Wang Dongxing and Mr. Wang Changhai under section 318 of the SFO.

Except 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 our Company as at 31 December 2016.

SHARE OPTION SCHEME

Pursuant to the written resolution of our shareholders passed on 19 November 2007, a share option scheme (the "Share Option Scheme") was adopted by our Company. The purpose of the Share Option Scheme is to motivate eligible persons ("Eligible Persons" as mentioned in the following paragraph) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

For the purpose of the Share Option Scheme, Eligible Persons include (a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Employee"), any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group, ("Executive"); (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate (as defined in the Listing Rules) of any of the foregoing persons. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 40,000,000 shares (the "Scheme Mandate Limit") provided that our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent of the shares of our Company in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of our Company's issued share capital from time to time.

The exercisable of the option is subject to both the achievement of the operating and financial targets of our Group, and the annual appraisal result of the grantees of the option. The remuneration committee of our Company and we, the Directors, will be jointly responsible for monitoring the operating and financial targets of our Group, and the annual appraisal of the grantees.

No option may be granted to any Eligible Person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our Company's issued share capital from time to time. The period within which the options must be exercised will be specified by our Board at the time of grant, which must expire no later than 10 years from the date of grant (being the date on which our Board resolved to offer the grant of an option to the Eligible Person concerned).

An offer of the grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date of offer ("Offer Date") provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme ("Acceptance Date").

An option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the Acceptance Date. Such remittance shall in no circumstances be refundable.

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share of our Company; (b) the closing price of a share of our Company as stated in the daily quotations of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sheet on the Offer Date; and (c) the average closing price of a share of our Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date.

Subject to the terms of the Share Option Scheme, such scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, being 12 December 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme. As at the date of this report, the remaining life of the Share Option Scheme is approximately 8 months.

No option was granted, exercised, cancelled or lapsed during FY 2016. There was no outstanding option granted under the Share Option Scheme as at 31 December 2016, and up to date of this report.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 79,500,000 shares (after adjustment pursuant to the bonus issue of the Company completed on 2 December 2010), representing approximately 9.91% of the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, our Group purchased less than 30% of its goods from its five largest suppliers and sold less than 30% of its goods to its five largest customers.

None of our directors, their respective close associates, or any shareholder of the Company who, to the knowledge of our directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers and suppliers.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the corporate governance report contained in this annual report.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 45 to the consolidated financial statements also constituted connected transactions under the Listing Rules and are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

Our Group has entered into two agreements on 28 January 2016 with Weifang Shengtai Medicine Co., Ltd ("Shengtai Medicine"), who is interested in 20% of the registered capital of Changle Shengshi Thermoelectricity Co., Ltd ("Shengshi Thermoelectricity"). The remaining 80% of the registered capital of Shengshi Thermoelectricity is held by Century Sunshine, an indirect subsidiary of our Company. Transactions under such two agreements constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and the details of such continuing non-exempt connected transactions are set out below:

(a) A steam supply agreement dated 28 January 2016 was entered into between Shengtai Medicine as a customer and Shengshi Thermoelectricity as a supplier. Shengshi Thermoelectricity has agreed to supply steam to Shengtai Medicine for a term of three years from 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry. The price of steam sold by Shengshi Thermoelectricity to Shengtai Medicine is the same as the price of steam sold by Shengshi Thermoelectricity to Century Sunshine and it reflects Shengshi Thermoelectricity's policy to sell steam to its shareholders who purchase steam in bulk at a discount. Our Directors consider that the price of steam is fair and reasonable and on normal commercial terms.

For the year ended 31 December 2016, the aggregate sale of steam by Shengshi Thermoelectricity to Shengtai Medicine amounted to RMB60.6 million, which was below the annual cap of RMB102.5 million for the year ended 31 December 2016.

(b) An electricity supply agreement dated 28 January 2016 was entered into between Shengtai Medicine as the customer and Shengshi Thermoelectricity as the supplier. Shengshi Thermoelectricity has agreed to supply electricity to Shengtai Medicine for a term of three years from 1 January 2016 to 31 December 2018, renewable for term(s) of not more than three years each upon expiry. The price of electricity sold by Shengshi Thermoelectricity to Shengtai Medicine is the same as the price of electricity sold by Shengshi Thermoelectricity to Century Sunshine and it reflects Shengshi Thermoelectricity's policy to sell electricity to its shareholders who purchase electricity in bulk at a discount. The Directors consider that the price of electricity is fair and reasonable and on normal commercial terms.

For the year ended 31 December 2016, the aggregate sale of electricity by Shengshi Thermoelectricity to Shengtai Medicine amounted to RMB35.1 million, which was below the annual cap of RMB55.1 million for the year ended 31 December 2016.

Pursuant to Rule 14A.56 of the Listing Rules, our Board engaged the auditor of our Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of our Group. The auditor have reported the factual findings on these procedures to our Board. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of our Group;

(2) either on normal commercial terms or on terms no less favourable to our Group than terms available to or from (as appropriate) independent third parties;

(3) on terms that are fair and reasonable and in the interests of our shareholders as a whole; and

(4) in accordance with the relevant agreements governing the said transactions.

The auditor of the Company had provided a letter to the Directors, confirming that the continuing connected transactions:

(1) had been approved by the Board;

(2) were in accordance with the pricing policies of our Group;

(3) had been entered into in accordance with the relevant agreements governing these transactions; and

(4) had not exceeded the annual caps for the transactions.

The Board also hereby confirms that the auditor's letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rule 14A.56 and 14A.57 of the Listing Rules.

COMPLIANCE WITH NON-COMPETITION DEED

Each of China Sunrise, China Sunshine and members of the Controlling Shareholders Group (the "Covenantors") has confirmed to our Company of its or his or her compliance with the non-competition undertaking provided to our Company under the deed of non-competition dated 19 November 2007. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under such deed of non-competition have been complied with by the Covenantors.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to our Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of our Company's issued shares up to the date of this report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 and 2016 have been audited by Grant Thornton Hong Kong Limited, who will retire at the forthcoming annual general meeting of our Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Wang Dongxing
Chairman

Shanghai, China

17 March 2017

Grant Thornton
致同

To the members of China Sunshine Paper Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Sunshine Paper Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 127, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

The Key Audit Matters	How the matter was addressed in our audit
Carrying values of investment in a joint venture and the receivables therefrom *Refer to notes 21, 27 and 45(b) to consolidated financial statements.*	
The Group has joint interest in Sunshine Oji (Shouguang) Specialty Paper Co., Ltd (the "JV") and it is carried at RMB70.8 million in the consolidated financial position at reporting date. The Group also has receivables totalling RMB297.6 million from the JV, resulting a collective financial interest in the JV of RMB368.4 million at reporting date, which represents 20.8% of net assets value (RMB1,768.0 million) of the Group. The JV was loss-making since its incorporation in 2013 to the current year. There was no impairment loss made on these carrying amounts based on the management's judgment that the JV has a positive outlook to turn into profit-making in a near future. We have identified the carrying values of the JV and the receivables from the JV as a key matter to our audit considering materiality of the balances and the extent of management judgment exercised.	We reviewed management's assessment of the indicators of positive outlook and evaluated the significant assumptions used. We reviewed the profit and cash flow forecasts projected by the management and corroborated the historical financial information in which the forecasts grounded and evaluated assumptions of the projected revenue streams. We also reviewed the accuracy of prior year forecasts against actual results occurred to date.

KEY AUDIT MATTERS (continued)

The Key Audit Matter	How the matter was addressed in our audit

Going concern

Refer to notes 4.1 and 5 to consolidated financial statements.

The Group recorded net current liabilities of RMB1,963.6 million at reporting date. The Group employs high level of debt financing in its operations including bank borrowings, trade bills financing and corporate bond of RMB1,834.2 million, RMB2,214.9 million and RMB496.3 million respectively at reporting date. RMB3,859 million of these debts is repayable in one year.

All these factors draw attention of users of these consolidated financial statements and reasonably cast doubts in the Group's ability to maintain its liquid position and, consequently, the ability to continue its operations as a going concern which lies as the utmost fundamental basis these consolidated financial statements prepared on.

In order to evaluate the Group's liquidity position and assess the ability to continue its operation in foreseeable future, the directors reviewed the likelihood of renewing existing and obtaining additional bank facilities and prepared cash flow forecasts to demonstrate sufficient working capital over time horizon. In the process, significant judgement exercised by management.

We have identified the directors' going concern assessment as a key matter to our audit considering its fundamentality of and pervasive impact on consolidated financial statements.

We reviewed and assessed the Group's capital management policy and risk management policies over liquidity. In assessing the feasibility of these policies, we considered the financial positions of the Group in prior periods. We concurred that these policies were consistently applied in prior periods and objective of these policies were achieved.

We assessed the management's claim of relationship with banks and reviewed evidence of subsequent negotiation with banks including agreements to extend due date of bank borrowings of RMB355.2 million for one year.

We obtained cash flow forecasts by management and:

— assessed the appropriateness of key assumptions used based on our knowledge of the business, industry and historical data;

— reconciled input data to underlying evidence, such as approved budgets, banking facility agreements, confirmations from related parties;

— evaluated the downside analysis for the most sensitive factors including future sale prices and availability of bank facilities;

— compared prior years cash flow projections with actual occurrence to consider accuracy of management's prior projections and if the projections were overly optimistic.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

17 March 2017

Kwong Kam Wing Kelvin
Practising Certificate No.: P05373

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	6 & 7	**4,223,298**	3,725,808
Cost of sales		**(3,396,328)**	(2,980,032)
Gross profit		**826,970**	745,776
Other income	8	**121,378**	91,187
Other gains or losses	8	**(28,229)**	(5,345)
Distribution and selling expenses		**(277,836)**	(263,652)
Administrative expenses		**(191,212)**	(166,544)
Change in fair value of an investment property	16	**(4,516)**	(15,945)
Share of loss of a joint venture	27	**(12,533)**	(23,258)
Finance costs	9	**(248,707)**	(291,421)
Profit before income tax		**185,315**	70,798
Income tax expense	11	**(58,756)**	(14,624)
Profit and total comprehensive income for the year	12	**126,559**	56,174
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**123,111**	51,258
Non-controlling interests		**3,448**	4,916
		126,559	56,174
Earnings per share for profit attributable to owners of the Company during the year			
Basic and diluted (RMB)	14	**0.15**	0.06

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	**3,353,933**	3,338,282
Investment property	16	**181,712**	185,522
Prepaid lease payments	17	**313,806**	282,914
Goodwill	18	**18,692**	18,692
Deferred tax assets	19	**8,184**	6,108
Interest in a joint venture	27	**70,847**	83,380
Available-for-sale financial assets	20	**8,000**	—
Deposits and other receivables	21	**366,407**	249,945
		4,321,581	4,164,843
Current assets			
Prepaid lease payments	17	**5,889**	4,922
Inventories	22	**345,246**	375,055
Trade receivables	23	**310,472**	416,091
Bills receivable	24	**532,016**	347,549
Prepayments and other receivables	25	**178,701**	293,707
Restricted bank deposits	26	**1,445,592**	1,506,512
Bank balances and cash	26	**592,175**	326,865
		3,410,091	3,270,701
Assets classified as held for sale	28	**—**	59,944
		3,410,091	3,330,645
Current liabilities			
Trade payables	29	**936,017**	778,830
Bills payable	30	**225,000**	174,000
Other payables	31	**214,240**	135,878
Payable for construction work, machinery and equipment		**15,047**	8,703
Income tax payable		**22,047**	2,134
Obligations under finance leases	32	**88,510**	69,828
Deferred income	33	**2,758**	1,655
Discounted bills financing	34	**1,989,892**	2,010,129
Bank borrowings	35	**1,769,150**	1,870,430
Other borrowing	36	**11,000**	12,500
Corporate bond	37	**100,000**	—
		5,373,661	5,064,087
Liabilities directly associated with assets classified as held for sale	28	**—**	6,796
		5,373,661	5,070,883
Net current liabilities		**(1,963,570)**	(1,740,238)
Total assets less current liabilities		**2,358,011**	2,424,605

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Capital and reserves			
Share capital	38	72,351	72,351
Reserves	39	1,543,704	1,441,172
Equity attributable to owners of the Company		1,616,055	1,513,523
Non-controlling interests		151,898	105,097
Total equity		1,767,953	1,618,620
Non-current liabilities			
Obligations under finance leases	32	94,774	72,740
Bank borrowings	35	65,000	199,900
Corporate bond	37	396,250	495,179
Deferred income	33	21,045	23,828
Deferred tax liabilities	19	12,989	14,338
		590,058	805,985
Total equity and non-current liabilities		2,358,011	2,424,605

Approved and authorised for issue by the board of directors on 17 March 2017

Wang Dongxing	**Wang Changhai**
Director	*Director*

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital RMB'000	Capital redemption reserve RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Assets revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	72,351	610	695,682	(2,776)	79,992	19,806	78,451	5,429	512,720	1,462,265	100,185	1,562,450
Dividend paid to non-controlling interests of a subsidiary of the Company	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	3,305	–	(3,305)	–	–	–
Transactions with owners	–	–	–	–	–	–	3,305	–	(3,305)	–	(4)	(4)
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	51,258	51,258	4,916	56,174
At 31 December 2015 and 1 January 2016	72,351	610	695,682	(2,776)	79,992	19,806	81,756	5,429	560,673	1,513,523	105,097	1,618,620
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	14,728	14,728
Capital contribution by non-controlling interests of a subsidiary of the Company	–	–	–	–	–	–	–	–	–	–	30,000	30,000
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,356)	(1,356)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(5)	(5)
Dividend paid to owners of the Company	–	–	–	–	–	–	–	–	(20,579)	(20,579)	–	(20,579)
Dividend paid to non-controlling interests of a subsidiary of the Company	–	–	–	–	–	–	–	–	–	–	(14)	(14)
Transfer to retained earnings	–	–	–	–	–	(12,791)	–	–	12,791	–	–	–
Appropriation to statutory surplus reserve	–	–	–	–	–	–	26,226	–	(26,226)	–	–	–
Transactions with owners	–	–	–	–	–	(12,791)	26,226	–	(34,014)	(20,579)	43,353	22,774
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	123,111	123,111	3,448	126,559
At 31 December 2016	72,351	610	695,682	(2,776)	79,992	7,015	107,982	5,429	649,770	1,616,055	151,898	1,767,953

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

As at 31 December 2016

	2016 RMB'000	2015 RMB'000
Operating activities		
Profit before income tax	185,315	70,798
Adjustments for:		
Interest income	(52,574)	(68,156)
Finance costs	251,242	291,421
Depreciation of property, plant and equipment	243,070	218,875
Release of prepaid lease payments	5,804	5,519
Reversal of provision for indemnity	—	11,875
Loss on disposal and written off of property, plant and equipment	20,038	117
Release of deferred income	(2,680)	(2,428)
Gain on bargain purchase from business combination	(91)	—
Gain on disposal of a subsidiary	(8,067)	—
Non-controlling interests written off upon deregistration of a subsidiary	(1,356)	—
Loss on fair value changes of derivative financial instruments	—	75
Loss on fair value change of an investment property	4,516	15,945
Allowance for impairment of trade receivables	1,547	2,316
Share of loss of a joint venture	12,533	23,258
Operating cash flows before movements in working capital	659,297	569,615
Decrease in inventories	40,665	6,421
Decrease/(Increase) in trade receivables	110,041	(28,077)
(Increase)/Decrease in bills receivable	(184,467)	212,385
Decrease in prepayments and other receivables	20,734	21,806
Increase in trade payables	117,293	142,536
Increase/(Decrease) in bills payable	51,000	(146,000)
Increase/(Decrease) in other payables	75,944	(37,359)
Cash generated from operations	890,507	741,327
Income tax paid	(42,170)	(8,170)
Net cash from operating activities	848,337	733,157

As at 31 December 2016

	2016 RMB'000	2015 RMB'000
Investing activities		
Interest received	32,292	88,981
Proceeds from disposal of property, plant and equipment	7,626	22,857
Proceeds from disposal of a subsidiary	60,500	—
Government grants received	1,000	4,071
Purchase of property, plant and equipment	(175,098)	(140,798)
Addition for an investment property	(706)	(2,510)
Decrease in restricted bank deposits	60,920	68,121
Prepaid lease payments for the acquisition of land use rights	—	(7,185)
Loan to a related company	(36,916)	—
Repayment from/(Loan to) a joint venture	50,000	(50,000)
(Increase)/Decrease in guarantee deposits for finance leases	(10,500)	33,966
Acquisitions of available-for-sale financial assets	(8,000)	—
Acquisition of a subsidiary	(21,986)	—
Net cash (used in)/from investing activities	(40,868)	17,503
Financing activities		
Interest paid	(252,877)	(296,938)
Repayment of bank and other borrowing	(2,104,720)	(3,212,246)
Repayment of obligations under finance leases	(86,284)	(107,322)
Repayment of short-term financing note	—	(300,000)
Proceeds from capital contribution by non-controlling interests of the Company	30,000	—
New bank borrowings raised	1,785,040	3,285,392
Net proceeds from sale and finance lease back transactions	127,000	53,861
Decrease in discounted bills financing	(20,237)	(148,153)
Dividend paid to owners of the Company	(20,579)	—
Dividend paid to non-controlling interests of a subsidiary of the Company	(14)	(4)
Net cash used in financing activities	(542,671)	(725,410)
Net increase in cash and cash equivalents	264,798	25,250
Cash and cash equivalents at beginning of the year	327,377	302,127
Cash and cash equivalents at end of the year, representing bank balances and cash*	592,175	327,377

* The amount in 2015 included the cash and bank balances under assets classified as held for sale (note 28).

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

China Sunshine Paper Holdings Company Limited (中國陽光紙業控股有限公司) is a company incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 August 2007 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company (the "Directors"), the Company's controlling shareholder is China Sunrise Paper Holdings Limited (incorporated in the Cayman Islands), whose controlling shareholder is China Sunshine Paper Investments Limited (incorporated in the British Virgin Islands ("BVI")). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency of the Company and its subsidiaries).

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

2. NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied for the first time, all amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016. The adoption of these new standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group. The Directors are in the process of making an assessment of the impact of these IFRSs on the consolidated financial statements of the Group in their initial application.

3. STATEMENT OF COMPLIANCE

These annual consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

A summary of the significant accounting policies adopted by the Group is set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These annual consolidated financial statements have been prepared on the historical cost except for certain properties and financial instruments which are measured at fair values. Assets of a disposal group held for sale are stated the lower of carrying amount and fair value less costs to sell. The measurement bases are fully described in the accounting policies below.

The Group has net current liabilities of approximately RMB1,963,570,000 at 31 December 2016. The Directors have evaluated the relevant available information and key assumptions (see note 5 for more details) used in the cash flow projections for the twelve months since the reporting date. In addition, although most of the existing bank facilities will expire in 2017, the Directors consider that there are good track records and good relationships with banks, and that the Group will be able to renew existing bank facilities upon expiry or to obtain other additional borrowing facilities as necessary. Therefore, as stated in notes 41(d) and 50, the Directors are of the opinion that, taking into account the presently available borrowing facilities (including short-term bank borrowings which could be renewed on an annual basis subject to approval by the banks) and internal financial resources of the Group, the Group has sufficient working capital to meet its financial obligation as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (capital reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation was initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

4.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment loss and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4.5 Investment in joint venture

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 venture are incorporated in these 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. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the 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 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 recognizing 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Investment in joint venture (continued)

The requirements of IAS 39 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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

When a group entity earned financial income from a joint venture of the Group from its lending to this joint venture, the financial income earned from the joint venture of the Group is fully recognised in the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, or investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will obtain a non-controlling interest in its former subsidiary after the sale.

4.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of electricity are recognised when electricity are generated and transmitted to the customers.

Sales of steam are recognised when steam are generated and delivered to the customers.

Deposits and installments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Connection fee income in relation to transmission of steam is recognised on a straight line basis over the expected service period of steam transmission to be rendered.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

For sale and leaseback transaction that results in a finance lease, the Group continues to recognise the asset at its previous carrying amount. No adjustment is necessary if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset unless there has been impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36 Impairment of Assets.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payment can be made reliably, whilst the building element is classified as property, plant and equipment, interest in leasehold land is accounted for as an operating lease and presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment property under the fair value model.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss for the period in which they are incurred.

4.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.12 Retirement benefit costs

Payments to defined contribution retirement benefits schemes, including state-managed retirement benefits schemes in the People's Republic of China (the "PRC"), are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Taxation (continued)

For the purpose of measuring deferred tax liabilities or deferred assets for investment property that are measured using the fair value model, the carrying amounts of such property are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred assets for such investment property are measured in accordance with the above general principles set out in IAS 12.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.14 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under construction for such purpose.

Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

Investment properties transferred from property, plant and equipment are initially measured at fair value, which is the deemed cost of the property. Subsequent to initial recognition, investment properties are measured at their fair values. Gain or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

4.16 Impairment of tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Impairment of tangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventory is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

4.18 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivable, other receivables, loan receivable, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables and other receivables, restricted bank deposits, bank balance and cash, bill receivables, loan receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 45 days, observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivables' original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including bank and other borrowings, discounted bills financing, trade payables, bills payable, other payables and obligations under finance lease) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis for preparation of the consolidated financial statements

As disclosed in note 4.1, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration of all relevant available information about the future of the Group, including the proposed measures as described in note 4.1 and the cash flow projections for the next twelve months from the date of 31 December 2016. Such projections about the future inherently involve uncertainties in the sale prices of finished goods, the purchasing prices of the raw materials, and the renew of banking facilities. The Directors have reviewed the relevant available information and key assumptions used in the cash flow projections for the twelve months after end of the reporting period, and have concluded that the use of going concern basis for preparation of the consolidated financial statements for the year 2016 remains proper.

Impairment of goodwill

Determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Any change in the estimates would increase or decrease in the provision for impairment loss and affect the Group's results in future years. Details of the impairment of goodwill are disclosed in note 18.

Deferred taxation from the land appreciation tax on an investment property

For the purposes of measuring deferred tax liabilities of land appreciation tax arising from an investment property that is measured using the fair value model, the Directors have reviewed the Group's investment property and concluded that the Group's investment property is held under the lease purpose to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the Group's deferred tax liabilities of land appreciation tax on investment property, the Directors have determined that the presumption that the carrying amount of investment property measured using the fair value model is recovered entirely through sale is rebutted. As a result, the Group has not recognised any deferred taxation from the land appreciation tax on change in fair value of an investment property.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and realisability of the inventories. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the inventories and allowance for inventories in the year in which such estimate has been changed. As at 31 December 2016, the carrying amount of inventories is approximately RMB345,246,000 (2015: RMB375,055,000) (note 22).

Impairment of receivables

The Group makes allowances for and write-off of bad and doubtful debts based on an assessment of the recoverability of the receivables. Receivables may be impaired where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the receivables and doubtful debts expenses in the year in which such estimate has been changed. As at 31 December 2016, the aggregate carrying amount of trade, bills, and other receivables is approximately RMB908,058,000 (2015: RMB945,404,000). Details of movements of allowance for impairment of trade receivables are disclosed in note 23.

Deferred tax assets

As at 31 December 2016, deferred tax assets of RMB8,184,000 (2015: RMB6,108,000) in relation to tax losses and temporary differences set out in note 19 has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the remaining unused tax losses of RMB37,802,000 (2015: RMB38,491,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material adjustment of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such an adjustment takes place (note 19).

Useful lives and residual values of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment, as disclosed in note 15. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

6. REVENUE

The Group is principally engaged in production/generation and sale of paper products, electricity and steam. The Group's revenue represents the amount received and receivable for sale of paper products, electricity and steam during the year.

7. SEGMENT INFORMATION

(a) Operating segments

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the year. Each of the operating segment represents a reportable segment of the Group.

For the year ended 31 December 2016

	Paper products					
	White top linerboard RMB'000	**Light-coated linerboard RMB'000**	**Core board RMB'000**	**Specialized paper products RMB'000**	**Electricity and steam RMB'000**	**Total RMB'000**
Revenue from external customers	**1,196,996**	**1,755,488**	**514,614**	**585,605**	**170,595**	**4,223,298**
Inter-segment revenue	**–**	**–**	**–**	**–**	**323,026**	**323,026**
Segment revenue	**1,196,996**	**1,755,488**	**514,614**	**585,605**	**493,621**	**4,546,324**
Segment profit	**206,652**	**424,885**	**90,810**	**87,624**	**36,430**	**846,401**

For the year ended 31 December 2015

	Paper products					
	White top linerboard RMB'000	Light-coated linerboard RMB'000	Core board RMB'000	Specialized paper products RMB'000	Electricity and steam RMB'000	Total RMB'000
Revenue from external customers	1,070,221	1,643,205	483,401	335,658	193,323	3,725,808
Inter-segment revenue	–	–	–	–	280,253	280,253
Segment revenue	1,070,221	1,643,205	483,401	335,658	473,576	4,006,061
Segment profit	188,831	358,767	91,555	72,873	37,969	749,995

7. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the gross profit earned by each paper product category and the profit before income tax earned by electricity and steam segment. The Group does not allocate other income, other gains or losses, distribution and selling expenses, administrative expenses, finance costs, to paper product segment and does not allocate income tax expenses to both the paper product segment or electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

A reconciliation of the segment profit to the consolidated profit before income tax is as follows:

	2016 **RMB'000**	2015 RMB'000
Profit		
Segment profit	**846,401**	749,995
Unrealised profit on inter-segment sales	**(60,235)**	(50,679)
	786,166	699,316
Distribution and selling expenses	**(277,836)**	(263,652)
Administrative expenses	**(170,045)**	(146,362)
Other income	**118,191**	84,544
Other gains or losses	**(29,231)**	(5,893)
Finance costs	**(224,881)**	(257,952)
Change in fair value of an investment property	**(4,516)**	(15,945)
Share of loss of a joint venture	**(12,533)**	(23,258)
Consolidated profit before income tax	**185,315**	70,798

Depreciation of property, plant and equipment and release of prepaid lease payments, finance cost and interest income amounted to RMB47,821,000 (2015: RMB47,223,000), RMB23,826,000 (2015: RMB33,469,000), and RMB2,222,000 (2015: RMB5,935,000), respectively, were included in segment profit of the electricity and steam segment.

The Group does not allocate depreciation of property, plant and equipment and release of prepaid lease payments, finance cost and interest income to the relevant paper product segments in the internal segment analysis as this information is not necessary.

No segment assets and liabilities, and other related segment information were presented as no such discrete financial information are provided to the chief operating decision maker.

(b) Information about major customers

There is no single customer contributing over 10% of total sales of the Group for both years.

7. SEGMENT INFORMATION (continued)

(c) Geographical information

The Group's operations, assets and all the customers are substantially located in the PRC. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location is presented.

8. OTHER INCOME, GAINS OR LOSSES

	2016 RMB'000	2015 RMB'000
Other income:		
Interest income on:		
Bank deposits	**29,605**	46,383
The balance with a joint venture (note i)	**22,969**	21,773
Total interest income	**52,574**	68,156
Rental income from an investment property and other properties	**1,695**	3,941
Government grants (notes ii & iii)	**67,109**	19,090
	121,378	91,187
Other gains or losses:		
Net foreign exchange loss	**(14,696)**	(19,422)
Gain from sale of scrap materials, net	**4,611**	1,414
Loss on disposal and written off of property, plant and equipment	**(20,038)**	(117)
Change in the fair value of derivative financial instrument	**—**	(75)
Allowance for impairment of trade receivables (note 23)	**(1,547)**	(2,316)
Reversal of provision for indemnity (note iv)	**—**	11,875
Others	**3,441**	3,296
	(28,229)	(5,345)

Notes:

i. During the year ended 31 December 2016, the Group earned interest income from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd) at a weighted average effective interest rate of 6.80% per annum (2015: 7.17% per annum).

ii. During the year ended 31 December 2016, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd) ("Century Sunshine"), a subsidiary of the Company, was granted and received unconditional government subsidy of approximately RMB49,778,000 (2015: RMB16,080,000) from local government for the purpose of supporting its operation.

iii. During the year ended 31 December 2016, 昌樂新邁紙業有限公司 (Numat Paper Industry Co., Ltd.), a subsidiary of the Company, obtained unconditional government subsidy of approximately RMB15,536,000 (2015: Nil) from local government, the amount of which was determined by reference to the amount of value-added tax ("VAT") paid.

iv. An amount of RMB11,875,000 included in other gains or losses for the year ended 31 December 2015 represented the reversal of provision for indemnity for the early termination of a derivative contract recognised and included under other payable in previous year.

9. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest expenses on:		
Discounted bills financing	**86,124**	128,339
Bank and other borrowings wholly repayable within five years	**115,404**	121,229
Finance leases	**8,764**	6,342
Short-term financing notes	**–**	1,296
Corporate bond	**40,950**	38,874
	251,242	296,080
Less: Interest capitalised in construction in progress	**(2,535)**	(4,659)
	248,707	291,421

Borrowing costs capitalised during the year ended 31 December 2016 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 5.22% to 7.20% (2015: 5.85%) per annum to expenditure on construction in progress.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Directors' emoluments, disclosed pursuant to the Listing Rules, Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Performance related incentive payments RMB'000 (note i)	Total emoluments RMB'000
2016					
Executive directors:					
Wang Dongxing	50	1,013	–	568	1,631
Shi Weixin	50	–	–	–	50
Zhang Zengguo	50	323	12	313	698
Wang Changhai (note iii)	–	648	11	399	1,058
Ci Xiaolei (note ii)	–	–	–	–	–
Non-executive directors:					
Li Hengwen	29	–	–	–	29
Xu Leihua	29	–	–	–	29
Independent non-executive directors:					
Leung Ping Shing (note iv)	103	–	–	–	103
Wang Zefeng	50	–	–	–	50
Jiao Jie	50	–	–	–	50
Shan Xueyan (note v)	–	–	–	–	–
	411	1,984	23	1,280	3,698

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors (continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Performance related incentive payments RMB'000 (note i)	Total emoluments RMB'000
2015					
Executive directors:					
Wang Dongxing	50	390	–	332	772
Shi Weixin	50	–	–	–	50
Zhang Zengguo	50	277	11	265	603
Ci Xiaolei (note ii)	50	293	11	265	619
Non-executive directors:					
Li Hengwen	–	–	–	–	–
Xu Leihua	–	–	–	–	–
Wang Junfeng	50	–	–	–	50
Zhang Licong	50	–	–	–	50
Independent non-executive directors:					
Leung Ping Shing	101	–	–	–	101
Wang Zefeng	50	–	–	–	50
Jiao Jie	50	–	–	–	50
	501	960	22	862	2,345

Notes:

i. The performance related incentive payments is determined based on the Group's operating results, individual performance and prevailing market conditions.

ii. Mr. Ci Xiaolei has resigned as an executive director with effect from 29 February 2016.

iii. Mr. Wang Changhai has been appointed as an executive director with effect from 29 February 2016.

iv. Mr. Leung Ping Shing has resigned as an independent non-executive director with effect from 15 December 2016.

v. Ms. Shan Xueyan has been appointed as an independent non-executive director with effect from 15 December 2016.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

The five highest paid individuals of the Group during the year, including 3 directors (2015: 3 directors), details of their emoluments are set out above. The emoluments of the remaining 2 (2015: 2) individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other allowances	1,288	862
Retirement benefits schemes contributions	23	22
	1,311	884

The above employees' emoluments were within the following band:

	2016 RMB'000	2015 RMB'000
Nil to RMB1,000,000	2	2

During both years, no emoluments were paid by the Group to the Directors or the two highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the current year.

11. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current tax		
PRC enterprise income tax	59,105	14,510
Under provision in previous year	3,076	2,541
Deferred tax charge (note 19)	(3,425)	(2,427)
	58,756	14,624

Under the Law of the People's Republic of China on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25% (2015: 25%).

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2016 and 2015 as the Group did not have any assessable profit subject to Hong Kong Profits Tax during both years.

11. INCOME TAX EXPENSE (continued)

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2016 RMB'000	2015 RMB'000
Profit before income tax	185,315	70,798
Tax at the applicable income tax rate of 25% (2015: 25%)	46,329	17,700
Tax effect of expenses not deductible	22,234	1,141
Tax effect of share of result of a joint venture	3,133	5,815
Effect of tax concession granted to certain subsidiaries	(16,934)	(2,977)
Under provision in previous year	3,076	2,541
Utilisation of tax losses previously not recognised	(4,978)	(11,557)
Tax effect of tax losses not recognised	5,896	1,961
Tax charge for the year	58,756	14,624

Details of deferred tax charge for the current year are set out in note 19.

12. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after (crediting) charging:		
Wages and salaries	156,708	151,708
Retirement benefits schemes contributions	44,485	25,391
Total staff costs (including the Directors' emoluments)	201,193	177,099
Cost of inventories recognised as an expense	3,231,489	2,877,320
Depreciation of property, plant and equipment	243,070	218,875
Allowance for impairment of trade receivables	1,547	2,316
Release of prepaid lease payments (note 17)	5,804	5,519
Auditor's remuneration	1,548	1,940
Net foreign exchange loss	14,696	19,422
Rental income from an investment property and other properties	(1,695)	(3,941)
Gain on disposal of a subsidiary	8,067	—
Direct operating expenses incurred for an investment property generated rental income during the year	—	76

13. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised as distributions during the year:		
2016 — interim, paid — HK$0.03 (2015: nil)	**20,579**	—

A final dividend of HK$0.04 per share in respect of the year ended 31 December 2016 has been proposed by the Directors and is subject to the approval of the Company's shareholders in the forthcoming annual general meeting. A final dividend of HK$0.03 per share in respect of the year ended 31 December 2015 amounting to a total of HK$24,077,640 (equivalent to approximately RMB20,579,000) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 8 June 2016.

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit of RMB123,111,000 (2015: profit of RMB51,258,000) for the year attributable to owners of the Company, and the weighted average number of 802,588,000 (2015: 802,588,000) ordinary shares in issue during the year.

There are no dilutive potential ordinary shares in issue for the years ended 31 December 2016 and 31 December 2015. The basic earnings per share equals to the diluted earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost				
At 1 January 2015	829,482	3,223,632	409,290	4,462,404
Additions	4,162	22,023	119,272	145,457
Transfers	25,890	353,983	(379,873)	—
Transfer to investment properties (note 16)	—	—	(8,775)	(8,775)
Transfer to prepaid lease payments (note 17)	—	—	(18,699)	(18,699)
Disposals	(8,041)	(20,398)	—	(28,439)
At 31 December 2015 and 1 January 2016	851,493	3,579,240	121,215	4,551,948
Additions	6,741	19,855	157,381	183,977
Transfers	76,717	100,616	(177,333)	—
Acquisition of a subsidiary (note 47)	70,909	39,584	—	110,493
Transfer to prepaid lease payments (note 17)	—	—	(8,085)	(8,085)
Disposals and written off	(2)	(41,749)	(6,657)	(48,408)
At 31 December 2016	**1,005,858**	**3,697,546**	**86,521**	**4,789,925**
Depreciation				
At 1 January 2015	140,618	859,638	—	1,000,256
Provided for the year	25,295	193,580	—	218,875
Eliminated on disposals	(1,216)	(4,249)	—	(5,465)
At 31 December 2015 and 1 January 2016	164,697	1,048,969	—	1,213,666
Provided for the year	28,851	214,219	—	243,070
Eliminated on disposals and written off	—	(20,744)	—	(20,744)
At 31 December 2016	**193,548**	**1,242,444**	**—**	**1,435,992**
Carrying amount				
At 31 December 2016	**812,310**	**2,455,102**	**86,521**	**3,353,933**
At 31 December 2015	686,796	2,530,271	121,215	3,338,282

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

	Useful lives	Residual values
Buildings	20–40	2.5%–5%
Plant, machinery and equipment	5–18	5%–20%

(ii) The net book value of property, plant and equipment includes an amount of RMB392,037,000 (2015: RMB423,138,000) in respect of assets held under finance leases.

(iii) Details of property, plant and equipment pledged are set out in note 42.

16. INVESTMENT PROPERTY

	Completed investment property RMB'000
Fair value	
At 1 January 2015	248,939
Additions	2,510
Transfer from property, plant and equipment (note 15)	8,775
Transfer to asset classified as held for sale (note 28)	(58,757)
Net decrease in fair value recognised in profit or loss	(15,945)
At 31 December 2015 and 1 January 2016	185,522
Additions	706
Net decrease in fair value recognised in profit or loss	(4,516)
At 31 December 2016	**181,712**

The Group's investment property is commercial purpose unit located in Weifang, Shandong, the PRC, which were remeasured using significant unobservable inputs to fair value by reference to a valuation performed by Asia-Pacific Consulting and Appraisal Limited, independent qualified professional valuers as at 31 December 2016. Asia-Pacific Consulting and Appraisal Limited is a member of the Institute of Valuers. The Group's financial controller has discussions with the valuers on the valuation assumptions and valuation results for financial reporting purposes. The valuation was arrived at on the basis of capitalisation of net rental income derived from the existing tenancy agreements with allowance for the reversionary income potential of the property and by making reference to comparable sales evidence as available in the relevant market, as appropriate. The valuation and all key assumptions used in the valuation reflect market conditions at the valuation date. The resulting decrease in fair value of investment property of RMB4,516,000 has been recognised directly in profit or loss for the year ended 31 December 2016 (2015: decrease of RMB15,945,000).

16. INVESTMENT PROPERTY (continued)

The investment property with a fair value of RMB181,712,000 as at 31 December 2016 (2015: RMB185,522,000) is pledged for counter guarantee under the guarantee agreement of the corporate bond (note 37) entered by the Group and 中合中小企業融資擔保股份有限公司 (China United SME Guarantee Corporation Co. Ltd) (the "SME Guarantee").

There has been no significant change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is their current use.

The following table provides the information of fair value measurement of the Group's investment property:

Investment property held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation techniques(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs for fair value
Certain office part of the property in Weifang, Shandong	Level 3	Comparison approach	Market unit sales rate, using market direct comparable at RMB5,000–5,800/sq.m. (2015: RMB5,600–5,800/sq.m.)	The increase in the market unit sales rate would result in an increase in fair value.
		The key inputs are: (1) Market unit sales rate; (2) Location markdown;	Location markdown, based on location and other individual adjustment factors at 3%–11% (2015: 4%–9%)	The increase in the location markdown would result in a decrease in fair value.
Certain retail part of the property in Weifang, Shandong	Level 3	Income method (term and reversionary approach)	No term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received, in 2016 (2015: 4.5%)	The increase in the term yield would result in a decrease in fair value.
		The key inputs are: (1) Term yield; (2) Capitalisation rate or reversionary yield; and (3) Market unit rent of individual unit	Capitalisation rate, taking into account annual unit market rental income and unit market value of the comparable properties, of 5% (2015: Reversionary yield of 5%)	The increase in the capitalisation rate would result in a decrease in fair value.
			Market unit rent, using the unit price from the existing tenancy agreement and taking into account of other individual factors of range from RMB1.5 sq.m./day to RMB1.67 sq.m./day (2015: range from RMB1.5 sq.m./day to RMB1.6 sq.m./day)	The increase in the market unit rent would result in an increase in fair value.

There were no transfers into or out of Level 3 during the year.

The Group's property interest held under operating lease to earn rental is measured using the fair value model and is classified and accounted for as investment property.

17. PREPAID LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Prepaid lease payments related to land use rights are analysed for reporting purposes as:		
Non-current assets	**313,806**	282,914
Current assets	**5,889**	4,922
	319,695	287,836

The Group's interests in land use rights represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	2016 RMB'000	2015 RMB'000
Opening net carrying amount	**287,836**	267,471
Additions	**29,578**	7,185
Transfer from property, plant and equipment (note 15)	**8,085**	18,699
Amortisation (note 12)	**(5,804)**	(5,519)
Closing net carrying amount	**319,695**	287,836

The amount represents the prepayment of rentals for land use rights in the PRC under medium-term leases for 50 years.

At the end of the reporting period, the Group is in the process of obtaining land use right certificates for the land in the PRC amounting to approximately RMB49,288,000 (2015: RMB49,288,000). In the opinion of the Directors, the Group will not incur significant cost in obtaining the land use right certificates for the land in the PRC.

Details of land use rights pledged are set out in note 42.

18. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost		
At beginning and end of the year	**18,692**	18,692

For the purposes of impairment testing, goodwill as at 31 December 2016 has been allocated to an individual cash generating unit (CGU) of a subsidiary in electricity and steam segment.

18. GOODWILL (continued)

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and discount rate of 12.39% (2015: 12.24%). The CGU's cash flow beyond the 5-year period is extrapolated using a steady growth rate of 3% (2015: 3%). The growth rate used is based on the management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

Deferred tax assets

	Unrealised profit in inventories	Allowance for doubtful debts and inventories	Deferred income	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	1,353	967	4,215	302	6,837
Transfer to assets classified as held for sale (Note 28)	—	—	(525)	—	(525)
Credited (Charged) to profit or loss (Note 11)	(208)	4	—	—	(204)
At 31 December 2015	1,145	971	3,690	302	6,108
Credited (Charged) to profit or loss (Note 11)	(636)	2,712	—	—	2,076
At 31 December 2016	**509**	**3,683**	**3,690**	**302**	**8,184**

19. DEFERRED TAXATION (continued)

Deferred tax liabilities

	Fair value adjustment on property, plant and equipment RMB'000	Change in fair value of derivative financial instruments RMB'000	Change in fair value of investment property RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2015	(4,690)	(11)	(11,081)	(5,151)	(20,933)
Transfer to assets classified as held for sale (note 28)	—	—	3,964	—	3,964
Credited (Charged) to profit or loss (note 11)	(130)	11	2,750	—	2,631
At 31 December 2015	(4,820)	—	(4,367)	(5,151)	(14,338)
Credited (Charged) to profit or loss (note 11)	220	—	1,129	—	1,349
At 31 December 2016	**(4,600)**	**—**	**(3,238)**	**(5,151)**	**(12,989)**

Unrecognised deductible unused tax losses:

	2016 RMB'000	2015 RMB'000
Deductible tax losses	**39,814**	40,503
Less: available for offset future profit	**(2,012)**	(2,012)
Unused tax losses for which no deferred tax assets have been recognised	**37,802**	38,491

The Group has not recognised deferred tax assets on above tax losses, because it is not probable that the future taxable profits will be available in relevant subsidiaries to utilise the tax losses.

Tax losses unrecognised will expire in:

	2016 RMB'000	2015 RMB'000
2018	**—**	645
2019	**9,387**	30,000
2020	**4,831**	7,846
2021	**23,584**	—
	37,802	38,491

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Unlisted securities		
— Equity securities in the PRC, at cost	**8,000**	—

21. DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Due from a joint venture (note 45(b))	**297,570**	229,825
Guarantee deposits for finance leases	**27,684**	17,184
Loan to a related company (note 45(b))(*)	**36,916**	—
Deposit for acquisition of property, plant and equipment	**4,237**	2,936
	366,407	249,945

* The amount represents loan to a related company which a director of the Company, has a direct interest in and significant influence over the entity. In the Directors' opinion, the loan was made to this related company on normal commercial terms. The amount is unsecured, will be collected after 12 months from the end of the reporting period and carries a fixed interest at 5.22% per annum.

22. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**213,478**	232,405
Finished goods	**131,768**	142,650
	345,246	375,055

Details of inventories pledged are set out in note 42.

23. TRADE RECEIVABLES

An analysis of trade receivables, net of allowance for impairment of trade receivables, is as follows:

	2016 RMB'000	2015 RMB'000
Trade receivables due from:		
— Third parties	**295,339**	405,957
— Related parties (note 45(b))	**15,133**	10,134
	310,472	416,091

23. TRADE RECEIVABLES (continued)

Included in the balance of trade receivables above, there was no pledge of trade receivables at 31 December 2016 (2015: approximately RMB162,975,000 was pledged to banks to secure banking facilities granted to the Group (see note 42)).

The Group normally allows a credit period of 30 to 45 days to its trade customers with trading history, otherwise sales on cash terms are required. The Group's sales to related parties are entered into on the same credit terms of sales to independent customers.

The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2016 **RMB'000**	2015 RMB'000
0–30 days	**261,426**	329,797
31–90 days	**37,303**	58,551
91–365 days	**11,743**	24,659
Over 1 year	**—**	3,084
	310,472	416,091

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB4,318,000 (2015: RMB29,801,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers and the Group considers that these balances are not impaired. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2016 **RMB'000**	2015 RMB'000
31–90 days	**2,922**	18,458
91–365 days	**1,396**	8,494
Over 1 year	**—**	2,849
	4,318	29,801

The Directors are of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired at the end of each reporting period is of good quality.

23. TRADE RECEIVABLES (continued)

The following are the movements of allowance for impairment of trade receivables during the year:

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**8,764**	6,448
Provided during the year (note 8)	**1,547**	2,316
At the end of the year	**10,311**	8,764

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors considered that the Group has no significant concentration of credit risk of trade receivables, with exposure spread over a large number of customers.

At each reporting date the Group reviews receivables for evidence of impairment on individual basis. As at 31 December 2016, the Group has determined trade receivables of RMB10,311,000 as individually impaired (2015: RMB8,764,000). Based on this assessment, impairment loss of RMB10,311,000 has been recognised (2015: RMB8,764,000). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

24. BILLS RECEIVABLE

	2016 RMB'000	2015 RMB'000
Bills receivable	**532,016**	347,549

The bills represent promissory notes issued by banks received by the Group from customers who discharge their liabilities to pay the Group for the goods or services invoiced. These bills are endorsable, unsecured and non-interest bearing.

Included in the above balances, bills receivable of RMB193,026,000 (2015: RMB186,000,000) were discounted to banks with recourse. These bills receivable were not derecognised as the title of these bills receivable were not transferred to the banks. In the other hand, discounted bills financing of RMB193,026,000 (2015: RMB186,000,000) was recognised for the cash received from banks (note 34).

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

	2016 RMB'000	2015 RMB'000
0–90 days	**186,696**	235,830
91–180 days	**309,280**	109,899
181–365 days	**36,040**	1,820
	532,016	347,549

24. BILLS RECEIVABLE (continued)

Bills receivable endorsed

Not included in the period end balance, during the year, the Group has transferred bills receivables amounted to RMB659,389,000 (2015: RMB432,281,000) to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant.

The maximum exposure to loss, which is same as the amount payable by the Group to the supplier in respect of the endorsed bills, should the issuing bank fail to settle the bills on maturity date amounted to RMB659,389,000 (2015: RMB432,281,000). All the bills receivables endorsed to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

25. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2016 RMB'000	2015 RMB'000
Prepayments to suppliers	113,131	111,943
Other receivables	65,570	181,764
	178,701	293,707

An analysis of other receivables is as follows:

	2016 RMB'000	2015 RMB'000
VAT recoverable	41,675	86,357
Deposits	10,059	17,560
Advance to employees	452	1,597
Interest receivable	986	3,673
Loan to a joint venture (note 45(b))	—	50,000
Others	12,398	22,577
	65,570	181,764

26. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits represent the Group's short-term bank deposits pledged to banks to secure certain bills facilities, finance leases and short-term bank borrowings granted to the Group.

The restricted bank deposits carry interest at market rates which range from 0.35% to 1.50% (2015: from 0.35% to 1.30%) per annum. The pledged bank deposits will be released upon the settlement of relevant bills facilities and bank borrowings.

Bank balances carry market interest rate of 0.35% per annum as at 31 December 2016 (2015: 0.35% per annum).

Bank balances and cash at 31 December 2016 were mainly denominated in RMB which is not a freely convertible currency in the international market. The remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

27. INTEREST IN A JOINT VENTURE

	2016 **RMB'000**	2015 RMB'000
Cost of investment in a joint venture		
Unlisted	**121,800**	121,800
Share of post-acquisition loss and other comprehensive losses	**(41,569)**	(28,484)
Recognition of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	**552**	552
	80,783	93,868
Less: effect of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	**(9,936)**	(10,488)
	70,847	83,380

Details of the Group's investment in Sunshine Oji are as follows:

Name of entity	**Form of entity**	**Principal place of operation and incorporation**	**Proportion of ownership interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activity**
			2016 **%**	2015 %	**2016** **%**	2015 %	
Sunshine Oji	Limited incorporated	PRC	**60**	60	**60**	60	Special paper production

* Pursuant to the joint venture agreement of Sunshine Oji, Sunshine Oji has been owned as to 60% by Century Sunshine and 40% by Oji F-Tex Co, a wholly owned subsidiary of Oji Holdings Corporation not connected to the Group. 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 of Sunshine Oji, the Directors are of the view that the Group will account for Sunshine Oji as a joint venture.

27. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of Sunshine Oji

Summarised financial information of Sunshine Oji is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

Sunshine Oji is accounted for using the equity method in these consolidated financial statements

	2016 RMB'000	2015 RMB'000
Current asset	**270,376**	250,180
Non-current asset	**353,120**	361,159
Current liabilities	**(489,777)**	(455,812)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**69,633**	54,740
Current financial liabilities (excluding trade and other payables and provisions)	**(22,296)**	(86,819)

	2016 RMB'000	2015 RMB'000
Revenue	**346,889**	203,343
Loss and total comprehensive losses for the year	**(21,808)**	(39,683)
The above loss for the year include the following:		
Depreciation and amortisation	**13,569**	9,879
Interest income	**(130)**	(902)
Interest expense	**28,351**	19,345

Reconciliation of financial information to the carrying amount of the interest in Sunshine Oji recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of Sunshine Oji	**133,719**	155,527
Proportion of the Group's ownership interest in Sunshine Oji	**80,231**	93,316
Less: Effect of unrealised profit arising from sales of production facilities and equipment from the Group to Sunshine Oji	**(9,384)**	(9,936)
Carrying amount of the Group's interest in Sunshine Oji	**70,847**	83,380

28. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	2015 RMB'000
Assets related to rental business	59,944
Liabilities directly associated with assets classified as held for sale	6,796

The following assets and liabilities related to Kunshan Sunshine Huamai Packaging Co., Ltd. ("Kunshan Sunshine") which held an investment property for rental income, a 100% indirectly owned subsidiary of the Company, have been presented as held for sale following an agreement signed on 18 December 2015 by the Group with an independent third party for the disposal of 100% equity interests in Kunshan Sunshine at a consideration of RMB59,000,000. As at 31 December 2015, the Directors determine the disposal is highly probable and expect the disposal to be completed within 12 months from the date of agreement. Accordingly, the relevant assets and liabilities of Kunshan Sunshine are classified as held for sale respectively at 31 December 2015, as detailed below.

	2015 RMB'000
Investment properties (note 16)	58,757
Deferred tax assets (note 19)	525
Trade receivables	50
Prepayments and other receivables	100
Cash and bank balances	512
Total assets classified as held for sale	59,944
Other payables	608
Payable for construction work	36
Income tax payable	388
Deferred income (note 33)	1,800
Deferred tax liabilities (note 19)	3,964
Total liabilities directly associated with assets classified as held for sale	6,796
	53,148

29. TRADE PAYABLES

An analysis of trade payables is as follows:

	2016 RMB'000	2015 RMB'000
Trade payables to third parties	**936,017**	778,830

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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

	2016 RMB'000	2015 RMB'000
0–90 days	**770,717**	618,197
91–365 days	**154,251**	140,336
Over 1 year	**11,049**	20,297
	936,017	778,830

30. BILLS PAYABLE

The balance represents the amounts payable to banks for bills issued by the banks to suppliers of the Group.

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

	2016 RMB'000	2015 RMB'000
0–90 days	**20,000**	50,000
91–180 days	**175,000**	100,000
Over 180 days	**30,000**	24,000
	225,000	174,000

All the bills payable are of trading nature and will be expired within twelve months (2015: twelve months) from the issue date.

31. OTHER PAYABLES

An analysis of other payables is as follows:

	2016 RMB'000	2015 RMB'000
Other payables due to third parties	**214,240**	135,878

	2016 RMB'000	2015 RMB'000
Other payables	**22,581**	30,054
Advance from customers	**137,470**	69,215
VAT and other tax payable	**30,548**	15,932
Interest payable of corporate bond	**18,399**	18,399
Other interest payable	**2,369**	1,469
Accrued payroll and welfare	**2,873**	809
	214,240	135,878

32. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain machinery for a term of 2 to 5 years under the sales and lease back arrangements resulting in finance leases.

The Group has options to purchase these equipment for a nominal amount at the end of the lease terms. Such transactions were considered as sales and lease back arrangements resulting in a finance lease.

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**88,510**	69,828
Non-current liabilities	**94,774**	72,740
	183,284	142,568

32. OBLIGATIONS UNDER FINANCE LEASES (continued)

Nominal interest rates underlying all obligations under finance leases are at respective contract dates ranging from 6.30% to 7.73% (2015: 6.80% to 7.73%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**97,217**	75,562	**88,510**	69,828
In more than one year but not more than two years	**70,078**	40,400	**66,388**	37,862
In more than two years but not more than five years	**29,213**	36,003	**28,386**	34,878
	196,508	151,965	**183,284**	142,568
Less: future finance charges	**(13,224)**	(9,397)	**—**	—
Present value of lease obligations (note 41(d))	**183,284**	142,568	**183,284**	142,568
Less: Amount due for settlement with 12 months (shown under current liabilities)			**(88,510)**	(69,828)
Amount due for settlement after 12 months			**94,774**	72,740

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets as stated in note 15(ii).

33. DEFERRED INCOME

Deferred income represents the connection fee income not yet recognised in relation to steam transmission services, the value-added tax refund obtained for the purchase of domestically manufactured equipment and the government grants obtained in relation to the acquisition of land use rights and certain equipment.

	Connection fee RMB'000	Value-added tax refund for the purchase of certain equipment RMB'000	Government grant related to land use rights RMB'000	Government grant related to certain equipment RMB'000	Total RMB'000
At 1 January 2015	1,866	17,062	4,212	2,500	25,640
Addition	—	—	—	4,071	4,071
Transfer to assets classified as held for sale (note 28)	—	—	(1,800)	—	(1,800)
Released to income	(505)	(1,513)	(49)	(361)	(2,428)
At 31 December 2015	1,361	15,549	2,363	6,210	25,483
Addition	—	—	—	1,000	1,000
Released to income	(520)	(1,512)	(36)	(612)	(2,680)
At 31 December 2016	**841**	**14,037**	**2,327**	**6,598**	**23,803**

The following is the analysis of the deferred income balances for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Current portion	**2,758**	1,655
Non-current portion	**21,045**	23,828
	23,803	25,483

34. DISCOUNTED BILLS FINANCING

The balance represents borrowings from banks by discounting, with recourse, bills receivable to the Group. At the reporting date, the balance comprised the follows:

	2016 RMB'000	2015 RMB'000
Discounted bills receivable from third party (note 24)	**193,026**	186,000
Discounted bills receivable from subsidiaries of the Company (note b below)	**1,796,866**	1,824,129
Total	**1,989,892**	2,010,129

34. DISCOUNTED BILLS FINANCING (continued)

a. These borrowings arose from discounting, with recourse, of bills receivable from third parties. The Group continues to recognise the carrying amount of the underlying bills receivable, as presented in note 24, since the title of receivables was not transferred to the lending banks.

b. These borrowings arose from discounting, with recourse, of intra-group bills receivable, from one component to another of the Group. The Group continues to recognise the carrying amount of the underlying bills receivable since the title of receivables was not transferred to the lending banks. However, the corresponding intra-group bills receivable were eliminated in consolidation against the original bills payable from the bill issuing component of the Group. The elimination is based on the Directors' judgement that the risk and reward associated with these intra-group bills receivable and bills payable remain within the Group.

   In obtaining the original intra-group bills, bank deposits of RMB1,192,750,000 (2015: RMB1,279,185,000) were pledged to the issuing banks.

35. BANK BORROWINGS

	2016 RMB'000	2015 RMB'000
Secured bank borrowings	1,220,920	1,850,769
Unsecured bank borrowings	613,230	219,561
	1,834,150	2,070,330
The borrowings are repayable as follows:		
Within one year	1,769,150	1,870,430
In the second year	27,000	199,900
In the third to fifth years inclusive	38,000	—
	1,834,150	2,070,330
Less: Amount due for settlement within one year and shown under current liabilities	(1,769,150)	(1,870,430)
Amount due after one year	65,000	199,900
Total borrowings		
— At fixed rates	1,068,168	1,262,560
— At floating rates	765,982	807,770
	1,834,150	2,070,330
Analysis of borrowings by currency:		
— Denominated in RMB	1,834,150	1,980,020
— Denominated in US$	—	90,310
	1,834,150	2,070,330

35. BANK BORROWINGS (continued)

Fixed-rate borrowings are charged at the rates ranging from 3.08% to 7.40% per annum as at 31 December 2016 (2015: 2.50% to 7.80% per annum).

Interests on RMB borrowings at floating rates are charged by reference to the borrowing rates announced by the People's Bank of China. US$ borrowings were fully repaid during the year (2015: interest on US$ borrowings at floating rate was charged at 3.99% over LIBOR).

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2016 was 5.11% per annum (2015: 5.57% per annum).

Details of pledge of assets for the Group's secured bank borrowings are set out in note 42.

36. OTHER BORROWING

	2016 **RMB'000**	2015 RMB'000
Borrowing from		
Weifang City Investment Co., Ltd. (濰坊市投資有限公司) ("Weifang City Investment")	**11,000**	12,500

The borrowing from Weifang City Investment, an unconnected third party, is unsecured and repayable on demand. The weighted average effective interest annual rate for the year ended 31 December 2016 was 6.65% per annum (2015: 6.77% per annum).

37. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bond on 23 July 2014. The final offering size of the seven-year corporate bond was RMB500,000,000 with annual coupon rate of 8.19%. The corporate bond is guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's investment property of RMB181,712,000 (2015: RMB185,522,000) (see note 16), and will be repaid with 20% of offering size annually from the year 2017 to the year 2021.

38. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	2,000,000,000	200,000

38. SHARE CAPITAL (continued)

	Number of shares	Share capital HK$'000	Shown in the consolidated financial statements RMB'000
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 31 December 2016	802,588,000	80,258	72,351

39. RESERVES

Merger reserve

The merger reserve of the Company represents the difference between the consideration of the subsidiary acquired by the Group and the nominal amount of the Company's shares issued under the group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's share on the Stock Exchange.

Capital reserve

Capital reserve includes the contribution from owners of the Company as the result of debts waived by owners of the Company, discount on acquisition of subsidiaries from owners of the Company, debit reserve of acquisition of additional interest in subsidiaries from owners of the Company, and reserve arising from acquisition of additional interest in subsidiaries from non-controlling shareholders of subsidiaries.

The capital reserve, other than those arising from acquisition of subsidiaries from owners and acquisition of additional interests in subsidiaries of the Company from non-controlling shareholders of subsidiaries that were established and operated in PRC (the "PRC Companies"), may be applied for conversion into capital.

Assets revaluation reserve

Included in the balance of assets revaluation reserve at 31 December 2016, amount of RMB4,196,000 is the fair value adjustment in respect of the interests previously held by the Group, arising on acquisition of 昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd) ("Shengshi Thermoelectricity"). The remaining amount of RMB2,819,000 is the fair value adjustment resulted from the revaluation of leasehold properties at the time transferred to investment properties in the year 2012.

Statutory surplus reserve/discretionary surplus reserve

In accordance with relevant PRC Company laws and regulations, the PRC Companies are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under the accounting rules and regulations of PRC (the "PRC GAAP") to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the PRC Companies' registered capital. Allocation to the discretionary surplus reserve shall be approved by the shareholders in general meeting.

39. RESERVES (continued)

Statutory surplus reserve/discretionary surplus reserve (continued)

Both surplus reserves may be used to make up losses or for conversion into capital. The PRC Companies may, upon the approval by a resolution of shareholders' general meeting, convert its surplus reserves into capital in proportion to their then existing shareholdings. However, when converting the PRC Companies' statutory surplus reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the obligations under finance leases, discounted bills financing, bank borrowings, other borrowings and corporate bond disclosed in notes 32, 34, 35, 36 and 37 and equity attributable to owner of the Company, comprising issued share capital and reserves.

The Directors review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables	**3,266,320**	2,939,434
Available-for-sale financial assets	**8,000**	—
	3,274,320	2,939,434
Financial liabilities		
Liabilities at amortised cost	**5,550,705**	5,599,610
Obligations under finance leases	**183,284**	142,568
	5,733,989	5,742,178

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

41. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) Foreign currency risk management

PRC subsidiaries of the Company with functional currency of RMB have certain foreign currency sales, purchases, bank balances and cash and bank borrowings denominated in US$, HK$ and EURO, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and bank borrowings denominated in US$ as disclosed in note 35, at the end of the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Assets		
US$		
Bank balances and cash	22,300	20,340
Trade receivables	11,413	35,796
Prepayment and other receivables	12,016	—
HK$		
Bank balances and cash	428	1,769
Prepayments and other receivables	—	195
EURO		
Bank balances and cash	435	455
Prepayments and other receivables	1,580	787
Liabilities		
US$		
Trade payables	176,900	159,872
Bank borrowings	—	90,307
Other payables	8,897	3,036
HK$		
Other payables	154	—

As disclosed in note 35, the principal amounts and maturity terms of the foreign currency loans are similar, and the net exchange gain or loss arising from these instruments is not significant. Accordingly, the management decided to exclude in its consideration of the currency risk analysis.

41. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) *Foreign currency risk management* (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in US$, HK$, and EURO against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as disclosed above and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit for the year where RMB strengthens against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	Impact of US$		Impact of HK$		Impact of EURO	
	2016 RMB'000 (a)	2015 RMB'000 (a)	**2016 RMB'000 (b)**	2015 RMB'000 (b)	**2016 RMB'000 (c)**	2015 RMB'000 (c)
(Decrease)/increase in post-tax profit for the year	**5,253**	7,390	**(10)**	(74)	**(76)**	(47)

a. This is mainly attributable to the exposure outstanding on receivables, bank balances and cash, payables and bank borrowings denominated in US$ at the end of the reporting period. The bank borrowings denominated in US$ were repaid in full during the year 2016.

b. This is mainly attributable to the exposure outstanding on bank balances and cash and payables denominated in HK$ at the end of the reporting period.

c. This is mainly attributable to the exposure outstanding on bank balances and cash and receivables denominated in EURO at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to its discounted bills financing, fixed-rate bank and other borrowings and corporate bond subject to negotiation on annual basis (see notes 34, 35, 36 and 37 for details). The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 35 for details), obligations under finance leases (see note 32), restricted bank deposits and bank balances (see note 26).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, obligations under finance leases, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2015: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased (decreased) by 25 basis points (2015: 25 basis points) and all other variables were held constant, the Group's post-tax profit would increase (decrease) by approximately RMB2,041,000 for the year ended 31 December 2016 (2015: post-tax profit would increase (decrease) by approximately RMB1,632,000).

41. FINANCIAL INSTRUMENTS (continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bills receivable, other receivables, loan receivables, bank balances and restricted bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorised banks in the PRC and Hong Kong.

(d) Liquidity risk management

The responsibility for liquidity risk management rests with the management, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid cash and banking and loan facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities from time to time.

As at 31 December 2016, the Group had net current liabilities of approximately RMB1,963,570,000 (2015: RMB1,740,238,000). In consideration of the short-term fund requirement, the management has carried out a detailed and careful review of the cash flow projection and cash requirement of the Group for the next twelve months from the date of 31 December 2016. The management considers using bank and other borrowings as a significant source of finance of the Group. Substantial portion of the facility lines will expire during the year 2017. The management believes that they can successfully renew these facility lines based on their experience in the previous years.

Also the management considers that certain banks agreed to extend one year for certain bank borrowings amounting to RMB355,193,000 originally with the expiration dates in the year 2017 (See note 50).

Taking into account the present available borrowing 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 adequate liquid funds to finance the working capital and capital expenditure requirements of the Group in next twelve months.

41. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016									
Non-derivative financial liabilities									
Fixed-rate bank borrowings (*)	5.34	–	874,007	213,813	–	–	–	1,087,820	1,068,168
Variable-rate bank borrowings (*)	4.80	–	168,625	555,454	17,816	52,608	–	794,503	765,982
Other borrowings	6.55	11,721	–	–	–	–	–	11,721	11,000
Bills payables		–	105,000	120,000	–	–	–	225,000	225,000
Trade payables		165,300	770,717	–	–	–	–	936,017	936,017
Other payables		28,859	14,490	–	–	–	–	43,349	43,349
Payable for construction work		15,047	–	–	–	–	–	15,047	15,047
Discounted bills financing		–	1,351,892	638,000	–	–	–	1,989,892	1,989,892
Obligations under finance leases	6.73	–	55,585	41,632	70,078	29,213	–	196,508	183,284
Corporate bond	8.19	–	20,475	120,475	140,950	422,850	–	704,750	496,250
		220,927	3,360,791	1,689,374	228,844	504,671	–	6,004,607	5,733,989
At 31 December 2015									
Non-derivative financial liabilities									
Fixed-rate bank borrowings (*)	5.65	–	615,945	472,939	218,696	–	–	1,307,580	1,262,560
Variable-rate bank borrowings (*)	5.31	–	447,521	383,047	–	–	–	830,568	807,770
Other borrowings	6.77	13,346	–	–	–	–	–	13,346	12,500
Bills payables		–	150,000	24,000	–	–	–	174,000	174,000
Trade payables		160,633	618,197	–	–	–	–	778,830	778,830
Other payables		16,908	7,309	25,722	–	–	–	49,939	49,939
Payable for construction work		8,703	–	–	–	–	–	8,703	8,703
Discounted bills financing		–	1,131,129	879,000	–	–	–	2,010,129	2,010,129
Obligations under finance leases	6.96	–	37,781	37,781	40,400	36,003	–	151,965	142,568
Corporate bond	8.19	–	–	20,475	40,950	398,280	224,570	684,275	495,179
		199,590	3,007,990	1,843,272	299,149	434,283	224,570	6,008,854	5,742,178

* Subsequent to the year ended 31 December 2016, certain PRC banks agreed to extend the Group's RMB355,193,000 bank borrowings' expiration dates (originally to be repaid in year 2017) for one year (See note 50).

Note: The contractual payments in respect of variable-rate bank borrowings and obligations under finance leases are calculated based on the outstanding market rates as at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk management (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Included in above, discounted bills financing with carrying amount of approximately RMB193,026,000 (2015: RMB186,000,000) will be offset with corresponding bills receivable upon maturity.

(e) Fair value measurements

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at 31 December 2016 and 2015 in the consolidated financial statements approximate their fair values.

42. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities (including bank borrowings, discounted bills financing and bills payable) granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
Buildings	592,719	554,256
Plant, machinery and equipment	518,675	317,459
Prepaid lease payments	219,158	208,388
Inventories	15,010	39,875
Trade receivables	—	162,975
Bills receivable	3,481	189,355
Restricted bank deposits	1,445,592	1,506,512
	2,794,635	2,978,820

Besides the pledge of assets to secure banking facilities disclosed above, certain assets are pledged under counter guarantee arrangement and in respect of assets held under finance leases (See notes 15 and 16 for details).

43. CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	33,004	79,190

44. OPERATING LEASES

The Group as lessee

	2016 RMB'000	2015 RMB'000
Minimum lease payments paid for rented premises under operating leases during the year	**3,609**	3,103

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**3,707**	2,825
In the second to fifth year inclusive	**6,898**	2,942
	10,605	5,767

The Group as lessor

Property rental income earned during the year was RMB1,695,000 (2015: RMB6,336,000). All of the properties held have committed tenants for the next 1 to 7 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**1,269**	1,722
In the second to fifth year inclusive	**4,300**	3,339
After five years	**1,621**	1,760
	7,190	6,821

45. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with its related parties during the year:

	2016 RMB'000	2015 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary (note i)	95,660	114,541
Interest income earned from a joint venture (note 8(i))	22,969	21,773

Notes:

(i) The transaction fell under the definition of continuing connected transactions (as defined in the Listing Rules), details of which are disclosed in the Report of the Directors.

(ii) Besides the transactions disclosed above, the Group purchased certain wood pulp on behalf of Sunshine Oji as an agent and then sold it for RMB5,750,000 to Sunshine Oji for its business activities in 2016 (2015: RMB16,239,000).

(b) Balances with related parties

	2016 RMB'000	2015 RMB'000
Loan to a related company (note 21) (note i)	36,916	—
Trade receivable from a non-controlling shareholder of a subsidiary (note 23) (note ii)	15,133	10,134
Other receivables from a joint venture (note 21) (note iii)		
Receivables from the disposal of buildings, equipment and land used right	76,480	76,480
Receivables from the trial run operation financing	146,828	146,828
Interest and other receivables	74,262	6,517
	297,570	229,825
Loan to a joint venture (note 25)	—	50,000
Balances due from a joint venture	297,570	279,825

Notes:

(i) The balance will be collected after 12 months from the end of the reporting period, see note 21 for more details.

(ii) The balance will be collected within 12 months from the end of the reporting period.

(iii) The balance will be collected after 12 months from the end of the reporting period, see note 8(i) for more details.

45. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2016 RMB'000	2015 RMB'000
Short term employee benefit	6,249	3,935
Retirement benefit scheme contributions	46	44
	6,295	3,979

46. DISPOSAL OF A SUBSIDIARY

On 18 December 2015, the Group entered into an agreement with an independent third party for the disposal of 100% equity interests in Kunshan Sunshine Huamai Packaging Co., Ltd ("Kunshan Sunshine"), a 100% indirectly owned subsidiary of the Company, at a consideration of RMB59,000,000. As at 31 December 2015, the Directors determine the disposal is highly probable and expect the disposal to be completed within 12 months from the date of agreement. Accordingly, the relevant assets and liabilities of Kunshan Sunshine are classified as held for sale respectively at 31 December 2015. On 3 June 2016, a supplement agreement was signed to increase the consideration to RMB60,500,000. The disposal was completed on 23 June 2016, on which date the control of Kunshan Sunshine was transferred to this third party. The net assets of Kunshan Sunshine at the date of disposal were as follows:

	RMB'000
Cash consideration	60,500

	As at 23 June 2016 RMB'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	58,757
Deferred tax assets	525
Trade and other receivables	65
Other payables	(659)
Income tax payables	(486)
Deferred income	(1,800)
Deferred tax liabilities	(3,964)
Net assets disposed of	52,438

46. DISPOSAL OF A SUBSIDIARY (continued)

	RMB'000
Gain on disposal of a subsidiary:	
Consideration received and receivable	60,500
Net assets disposed of	(52,438)
Non-controlling interests at disposal date	5
Gain on disposal	8,067
Net cash inflow arising on disposal:	
Cash consideration received	60,500

47. BUSINESS COMBINATION

Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred RMB'000
2016				
Liaoning Sunshine Tianze Packaging Co., Ltd. (遼寧陽光天澤包裝有限公司) ("Sunshine Tianze")	Manufacture of paper products	14 November 2016	60%	22,000

Sunshine Tianze was acquired so as to continue the expansion of the Group's paper products operations.

Consideration transferred

	RMB'000
Cash	22,000

47. BUSINESS COMBINATION (continued)

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Cash and cash equivalents	14
Property, plant and equipment	110,493
Prepaid lease payments	29,578
Inventories	10,856
Trade and other receivables	9,305
Trade and other payables	(41,427)
Bank borrowing	(82,000)
	36,819

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of RMB9,305,000 had gross contractual amounts of RMB9,305,000.

Non-controlling interests

The non-controlling interests (40%) in Sunshine Tianze recognised at the acquisition date was measured by reference to the proportionate share of the fair value of identifiable net assets of the entity and amounted to RMB14,728,000.

Gain on bargain purchase arising on acquisition

	RMB'000
Consideration transferred	22,000
Non-controlling interest (40% in Sunshine Tianze)	14,728
Fair value of identifiable net assets acquired	(36,819)
Gain on bargain purchase arising on acquisition	(91)

Gain on bargain purchase represents the excess of fair value of consideration transferred at acquisition over the fair value of the identifiable assets acquired and liabilities assumed for this acquisition.

47. BUSINESS COMBINATION (continued)

Net cash outflow on acquisition of a subsidiary

	2016 RMB'000
Consideration paid in cash	**22,000**
Cash and cash equivalent acquired	**(14)**
	21,986

Impact of acquisition on the results of the Group

Included in the profit for the year is loss of RMB2,654,000 attributable to the additional business generated by Sunshine Tianze. Revenue for the year includes RMB21,770,000 in respect of Sunshine Tianze.

If the acquisition had occurred on 1 January 2016, the Group's revenue would have been RMB4,228,728,000 and profit for the year from continuing operations would have been RMB117,252,000 for the year ended 31 December 2016. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

48. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme which are calculated based on 18% to 20% of the employee's basic salaries during the year.

There are no employees attending the retirement benefit scheme in the subsidiaries out of PRC.

49. PARTICULARS OF SUBSIDIARIES

49.1 General information of subsidiaries

The particulars of subsidiaries of the Company as at the end of the reporting period are set out as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid-in capital	Attributable equity interest and voting right held by the Company 2016	2015	Principal activity
Directly held						
China Sunshine Paper Group Limited 中國陽光紙業集團有限公司	Private limited company	British Virgin Islands	US$1	100.00%	100.00%	Investment holding
China Ramble Paper Company Limited 中國遠博紙業集團有限公司	Private limited company	Hong Kong	HK$1	100.00%	100.00%	Investment holding
Hong Kong Hao Mai Trading Co., Ltd. 香港豪邁貿易有限公司	Private limited company	Hong Kong	HK$1,000	100.00%	100.00%	Trading
Century Sunshine Paper (USA) Inc. 世紀陽光紙業美國公司	Private limited company	United States of America	US$50,000	100.00%	100.00%	Trading
Sunshine Concept Packaging Inc. 美國陽光概念包裝服務有限公司	Private limited company	United States of America	US$200,000	100.00%	100.00%	Trading
山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd.) (note i)	Sino-foreign equity joint venture	PRC	US$111,732,800	99.90%	99.90%	Manufacture of paper products
昌樂新邁紙業有限公司 (Changle Numat Paper Industry Co., Ltd.) (note i)	Private limited company	PRC	RMB500,000,000	100.00%	100.00%	Manufacture of paper products
山東陽光概念包裝有限公司 (Shandong Sunshine Concept Packaging Co., Ltd.) (note i & iv)	Private limited company	PRC	RMB430,000,000	100.00%	100.00%	Manufacture of paper products
昌樂昌東廢紙收購有限責任公司 (Changle Changdong Waste Paper Recovery Co., Ltd.) (note i)	Private limited company	PRC	RMB46,500,000	100.00%	100.00%	Trading of packaging products
濰坊申易物流有限公司 (Weifang Shenyi Logistic Co.,Ltd.) (note i)	Private limited company	PRC	RMB23,320,000	100.00%	100.00%	Provision for transportation services
昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.) (note i)	Private limited company	PRC	RMB239,250,000	80.00%	80.00%	Generation and supply of electricity and steam
昆山陽光華邁包裝製品有限公司 (Kunshan Sunshine Huamai Packaging Co., Ltd.) (note i & iii)	Private limited company	PRC	US$10,274,990	–	100.00%	Manufacture of paper products
濰坊大環再生資源有限公司 (Weifang Dahuan Waste Recovery Co., Ltd.)	Private limited company	PRC	RMB70,000,000	100.00%	100.00%	Waste materials trading
華紙時代(北京)傳媒有限公司 (Beijing Huazhi Times Media Co., Ltd.) (note i & ii)	Private limited company	PRC	RMB6,000,000	–	55.00%	Advertising
上海王的實業有限公司 (Shanghai Wangreat Industrial Co., Ltd.) (note i & v)	Private limited company	PRC	RMB563,000,000	100.00%	100.00%	Package design
上海王的網絡科技有限公司 (Shanghai Wangreat Network Technology Co., Ltd.) (note i & iv)	Private limited company	PRC	RMB50,000,000	100.00%	–	Trading of paper products
遼寧陽光天澤包裝有限公司 (Liaoning Sunshine Tianze Packaging Co., Ltd.) (note i & vi)	Private limited company	PRC	RMB75,000,000	60.00%	–	Manufacture of paper products

49. PARTICULARS OF SUBSIDIARIES (continued)

49.1 General information of subsidiaries (continued)

Notes:

(i) The English names of these companies are for reference only and have not been registered.

(ii) This company was deregistered during the year ended 31 December 2016.

(iii) During the year, the Group fully disposed of its interest in Kunshan Sunshine (see note 46 for more details).

(iv) Newly established during the year ended 31 December 2016.

(v) Originally known as 陽光概念包裝有限公司 "Sunshine Concept Packing Co., Ltd.".

(vi) Newly acquired during the year 31 December 2016.

None of the subsidiaries had issued any debt securities at the end of the reporting period except for Century Sunshine which has issued RMB500,000,000 of corporate bond (see note 37), in which the Group has no interest.

49.2 Details of a non-wholly owned subsidiary that has material non-controlling interest

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2016 %	31.12.2015 %	**31.12.2016 RMB'000**	31.12.2015 RMB'000	**31.12.2016 RMB'000**	31.12.2015 RMB'000
昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.)	PRC	**20**	20	**5,541**	5,466	**107,477**	101,936
Individually immaterial subsidiaries with non-controlling interests						**46,801**	3,161
						151,898	105,097

昌樂盛世熱電有限責任公司 (Changle Shengshi Thermoelectricity Co., Ltd.) ("Changle Shengshi") is a private limited company established and located in the PRC. The Group has 80% ownership interest in Changle Shengshi, which gives the Group the same percentage of voting rights in Changle Shengshi.

49. PARTICULARS OF SUBSIDIARIES (continued)

49.2 Details of a non-wholly owned subsidiary that has material non-controlling interest (continued)

Financial information in respect of Changle Shengshi is set out below.

	2016 RMB'000	2015 RMB'000
Current assets	1,107,983	877,276
Non-current assets	381,516	421,552
Current liabilities	(914,865)	(765,148)
Non-current liabilities	(59,226)	(23,998)
Equity attributable to owners of the Company	412,326	407,746
Non-controlling interests	103,082	101,936

	2016 RMB'000	2015 RMB'000
Revenue	493,621	473,575
Expenses	465,916	446,246
Profit for the year	27,705	27,329
Profit attributable to owners of the Company	22,164	21,863
Profit attributable to the non-controlling interests	5,541	5,466
Profit for the year	27,705	27,329
Other comprehensive income attributable to owners of the Company	–	–
Other comprehensive income attributable to the non-controlling interests	–	–
Other comprehensive income for the year	–	–
Total comprehensive income attributable to owners of the Company	22,164	21,863
Total comprehensive income attributable to the non-controlling interests	5,541	5,466
Total comprehensive income for the year	27,705	27,329

49. PARTICULARS OF SUBSIDIARIES (continued)

49.2 Details of a non-wholly owned subsidiary that has material non-controlling interest (continued)

	2016 RMB'000	2015 RMB'000
Net cash outflow from operating activities	**64,400**	(184,183)
Net cash (outflow)/inflow from investing activities	**(62,560)**	35,836
Net cash inflow from financing activities	**43,487**	94,375
Net cash inflow/(outflow)	**45,327**	(53,972)

50. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the year ended 31 December 2016, certain PRC banks agreed to extend the due dates of the Group's bank borrowings of approximately RMB355,193,000 for one year when they fall due in year 2017.

51. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investments in subsidiaries	462,824	462,824
Amounts due from subsidiaries	660,684	643,642
	1,123,508	1,106,466
Current assets		
Prepayments and other receivables	2	195
Amounts due from subsidiaries	9,436	8,165
Bank balances and cash	430	1,758
	9,868	10,118
Current liabilities		
Amounts due to subsidiaries	18,891	16,580
Other payables	154	—
	19,045	16,580
Net current liabilities	(9,177)	(6,462)
Total assets less current liabilities	1,114,331	1,100,004
Capital and reserves		
Share capital	72,351	72,351
Reserves (note)	1,041,980	1,027,653
Total equity	1,114,331	1,100,004

51. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Movement in equity

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	72,351	695,682	283,277	33,040	1,084,350
Profit and total comprehensive income for the year	—	—	—	15,654	15,654
At 31 December 2015	72,351	695,682	283,277	48,694	1,100,004
Profit and total comprehensive income for the year	—	—	—	34,906	34,906
Dividend paid	—	—	—	(20,579)	(20,579)
At 31 December 2016	**72,351**	**695,682**	**283,277**	**63,021**	**1,114,331**

Financial Summary

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Revenue	**4,223,298**	3,725,808	3,447,617	3,657,671	3,704,180
Profit/(loss) before income tax	**185,315**	70,798	(16,921)	38,945	71,495
Taxation	**(58,756)**	(14,624)	(14,348)	(11,425)	(16,929)
Non-controlling interests	**(3,448)**	(4,916)	(6,697)	(5,465)	(10,583)
Profit/(loss) attributable to owners of the Company	**123,111**	51,258	(37,966)	22,055	43,983
Assets					
Non-current assets	**4,321,581**	4,164,843	4,411,929	4,280,860	3,938,264
Current assets	**3,410,091**	3,330,645	3,485,528	3,325,826	3,539,284
Total assets	**7,731,672**	7,495,488	7,897,457	7,606,686	7,477,548
Liabilities					
Non-current liabilities	**590,058**	805,985	656,971	310,937	897,467
Current liabilities	**5,373,661**	5,070,883	5,678,036	5,695,639	5,010,256
Total liabilities	**5,963,719**	5,876,868	6,335,007	6,006,576	5,907,723
Equity and reserves					
Total equity	**1,767,953**	1,618,620	1,562,450	1,600,110	1,569,825
Non-controlling interests	**(151,898)**	(105,097)	(100,185)	(93,488)	(85,323)
Equity attributable to owners of the Company	**1,616,055**	1,513,523	1,462,265	1,506,622	1,484,502