



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

Interim
Report
2015



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Li Hengwen (*Appointed on 5 June 2015*)
Mr. Xu Leihua (*Appointed on 5 June 2015*)
Mr. Wang Junfeng (*Resigned on 5 June 2015*)
Mr. Zhang Licong (*Resigned on 5 June 2015*)

Independent Non-Executive Directors

Mr. Leung Ping Shing
Mr. Wang Zefeng
Ms. Jiao Jie

AUDIT COMMITTEE

Mr. Leung Ping Shing (*Chairman*)
Mr. Wang Zefeng
Ms. Jiao Jie

REMUNERATION COMMITTEE

Mr. Wang Zefeng (*Chairman*)
Mr. Wang Dongxing
Mr. Leung Ping Shing

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

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS AS TO THE LAWS OF HONG KONG

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

STOCK CODE

2002

WEBSITE

www.sunshinepaper.com.cn



OPERATION REVIEW AND OUTLOOK

OPERATION REVIEW

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

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

OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL REVENUE

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

SALES OF PAPER PRODUCTS

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

SALES OF ELECTRICITY AND STEAM

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

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

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

COST OF SALES

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER PROFIT AND LOSS ITEMS

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

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

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

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

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

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

INCOME TAX EXPENSES

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

PROFIT AND TOTAL COMPREHENSIVE INCOME

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

LIQUIDITY AND FINANCIAL RESOURCES

Working capital, gearing and financial resources

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

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

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

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

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

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

Notes to financial ratios

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cash flows

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

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

* Excluded restricted bank deposits

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

Capital expenditure

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

Capital commitments and contingent liabilities

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

There was no contingent liabilities as at 30 June 2015.

Capital structure and pledge of assets

As at 30 June 2015, our Group's interest-bearing bank borrowings amounted to 2,136.2 million, which were all repayable within one year.

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

Significant investments and material acquisitions and disposals of subsidiaries

During 1H 2015, our Group did not have any significant investments or acquisitions or sales of subsidiaries.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

AUDIT COMMITTEE

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

EMPLOYEES AND REMUNERATION POLICIES

Our Group had approximately 3,000 employees as at 30 June 2015. The staff costs for 1H 2015 were RMB78.4 million (1H 2014: RMB70.5 million). The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance-based remuneration which reflects market standards. Employees’ remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our Group’s emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group’s business development, so as to achieve our Group’s operational targets.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SUFFICIENCY PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the public float as required under the Listing Rules throughout 1H 2015.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to our Group's business to which our Company, any of its fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly subsisted at the end of the period or at any time during the period.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2015, 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 share	Approximate percentage of shareholding
Mr. Wang Dongxing	Interest of a party to an agreement to acquire interest in our Company ⁽¹⁾	325,387,052	40.54%
	Beneficial owner	5,663,500	0.71%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement	630,000	0.08%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company ⁽¹⁾	325,387,052	40.54%
	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⁾	325,387,052	40.54%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement ⁽²⁾	6,293,500	0.78%
Mr. Ci Xiaolei	Beneficial owner	1,440,000	0.18%

Notes:

1. A group of 20 individuals comprising Mr. Chen Xiaojun, Mr. Guo Jianlin, Mr. Hu Gang, Ms. Li Hua, Mr. Li Zhongzhu, Mr. Lu Yujie, Mr. Ma Aiping, Mr. Sang Yonghua, 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 and Mr. Zhang Zengguo, is deemed to be interested in the 325,387,052 Shares held by China Sunrise.
2. 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 under section 318 of the SFO.

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 30 June 2015, 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 were as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	325,387,052	40.54%
China Sunshine ⁽¹⁾	Long	Interest of a controlled corporation	325,387,052	40.54%
Controlling Shareholder Group ⁽²⁾	Long	Interest of a party to an agreement to acquire interest in our Company	325,387,052	40.54%
		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 Paper Investments Limited ("China Sunshine") owns the entire interest of China Sunrise Paper Holdings Limited ("China Sunrise"), China Sunshine is deemed to be interested in the 325,387,052 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



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 325,387,052 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 Shareholder 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 30 June 2015.

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 exercise of the options 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 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-year 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 2 years and 3 months.

No option was granted, exercised, cancelled or lapsed during 1H 2015. There was no outstanding option granted under the Share Option Scheme as at 30 June 2015, 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.

CONNECTED TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2014

In relation to the disclosure in the paragraph headed “Connected Transactions” on page 47 of the Company’s 2014 Annual Report, the Board hereby provides the following additional information which should be included in the 2014 Annual Report:

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.

The additional information mentioned above did not affect other information contained in the 2014 Annual Report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF CHINA SUNSHINE PAPER HOLDINGS COMPANY LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Sunshine Paper Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to Note 2 to the condensed consolidated financial statements which indicates that the Group had current liabilities exceeded its current assets of approximately RMB2,125,247,000 as at 30 June 2015. The validity of the going concern assumption on which the condensed consolidated financial statements have been prepared is dependent on sufficient bank facilities available for the Group's working capital purposes. The condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realization of assets that may be necessary if the Group is unable to continue as a going concern.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	3,435,023	3,462,148
Investment properties	12	245,468	248,939
Prepaid lease payments	13	257,977	260,737
Goodwill		18,692	18,692
Deferred tax assets		8,862	6,837
Interest in a joint venture		94,796	106,638
Deposits and other receivables		292,307	307,938
		4,353,125	4,411,929
Current assets			
Inventories		254,093	381,476
Trade receivables	14	449,571	390,380
Prepaid lease payments	13	6,734	6,734
Bills receivable	15	491,562	559,934
Prepayments and other receivables		222,168	262,411
Income tax recoverable		4,540	7,758
Derivative financial instruments		35	75
Restricted bank deposits		1,694,374	1,574,633
Bank balances and cash		301,516	302,127
		3,424,593	3,485,528
Current liabilities			
Trade payables	16	606,555	636,294
Bills payable	16	303,000	320,000
Other payables		135,565	144,363
Payable for construction work, machinery and equipment		37,852	29,227
Income tax payable		1,585	1,399
Obligations under finance leases — current portion	17	83,115	91,080
Deferred income — current portion		3,005	3,005
Discounted bill financing	18	2,176,081	2,158,282
Bank borrowings — due within one year	19	2,136,200	1,937,886
Short-term financing notes	20	—	300,000
Other borrowings		66,882	56,500
		5,549,840	5,678,036

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Net current liabilities		(2,125,247)	(2,192,508)
Total assets less current liabilities		2,227,878	2,219,421
Capital and reserves			
Share capital		72,351	72,351
Reserves		1,416,982	1,389,914
Equity attributable to owners of the Company		1,489,333	1,462,265
Non-controlling interests		101,950	100,185
Total equity		1,591,283	1,562,450
Non-current liabilities			
Obligations under finance leases — non-current portion	17	100,610	104,949
Bank borrowings — due after one year	19	—	15,298
Corporate bond	21	493,571	493,156
Deferred income — non-current portion		21,588	22,635
Deferred tax liabilities		20,826	20,933
		636,595	656,971
Total equity and non-current liabilities		2,227,878	2,219,421

The condensed consolidated financial statements on pages 16 to 34 were approved by the board of directors on 27 August 2015 and are signed on its behalf by:

Director

Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company											Total
	Share capital	Capital redemption reserve	Share premium	Merger reserve	Capital reserve	Assets revaluation reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Subtotal	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	72,351	610	695,682	(2,776)	79,992	19,806	75,375	5,429	560,153	1,506,622	93,488	1,600,110
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	11,009	11,009	3,387	14,396
At 30 June 2014 (unaudited)	72,351	610	695,682	(2,776)	79,992	19,806	75,375	5,429	571,162	1,517,631	96,875	1,614,506
At 1 January 2015 (audited)	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
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	27,068	27,068	1,765	28,833
At 30 June 2015 (unaudited)	72,351	610	695,682	(2,776)	79,992	19,806	78,451	5,429	539,788	1,489,333	101,950	1,591,283

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June 2015 RMB'000 (unaudited)	Six months ended 30 June 2014 RMB'000 (unaudited)
Net cash from operating activities	374,593	269,852
Investing activities		
Interest received	32,623	16,827
Proceeds on disposal of property, plant and equipment	3,367	1,115
Repayment of the loan receivables	—	—
Additions of property, plant and equipment	(71,503)	(203,166)
Increase in restricted bank deposits	(119,741)	(300,163)
Net cash used in investing activities	(155,254)	(485,387)
Financing activities		
Interest paid	(112,263)	(175,007)
New bank borrowings raised	1,543,760	1,774,452
Repayment of bank borrowings	(1,360,734)	(1,815,668)
New other borrowings raised	53,882	—
Repayment of other borrowings	(43,500)	—
Repayment of short-term financing notes	(300,000)	(300,000)
Net proceeds from issue of short-term financing notes	—	298,800
Increase in discounted bill financing	47,799	204,805
Proceeds from sale and finance lease back transactions	20,000	60,344
Repayment of obligations under finance leases	(68,894)	(53,885)
Net cash used in financing activities	(219,950)	(6,159)
Net decrease in cash and cash equivalents	(611)	(221,694)
Cash and cash equivalents at beginning of the period, represented by bank balances and cash	302,127	466,934
Cash and cash equivalents at end of the period	301,516	245,240

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

4. SEGMENT INFORMATION

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

(a) Segment result

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

Six months ended 30 June 2015

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

4. SEGMENT INFORMATION (continued)**(a) Segment result** (continued)

Six months ended 30 June 2014

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

(b) Reconciliations of segment profit

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. SEGMENT INFORMATION *(continued)*

(b) Reconciliations of segment profit *(continued)*

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

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

5. OTHER INCOME

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

Notes:

- i. During the six months ended 30 June 2015, the Group earned interest income from 陽光王子(壽光)特種紙有限公司 (Sunshine Oji (Shouguang) Specialty Paper Co., Ltd ("Sunshine Oji")), a joint venture of the Group, at 130% of the prevailing bank lending rate announced by the People's Bank of China, with effective interest rate of 7.8% per annum.
- ii. During the six months ended 30 June 2015, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd.) ("Century Sunshine"), a subsidiary of the Company, was granted unconditional government subsidy of approximately RMB4,359,000 from local government (six months ended 30 June 2014: RMB1,400,000).
- iii. During the six months ended 30 June 2014, 昌樂昌東廢紙收購有限責任公司 (Changle Changdong Wastes Paper Recovery Co., Ltd), a subsidiary of the Company, was granted value-added tax refund from local government of approximate RMB5,706,000. For current interim period, no such value-added tax refund was granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. OTHER GAINS OR LOSSES

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

7. FINANCE COSTS

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

Borrowing costs capitalised during the six months ended 30 June 2015 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.6% (six months ended 30 June 2014: 7.20%) per annum to expenditure on construction in progress.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. INCOME TAX EXPENSES

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

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

In 2010, Century Sunshine was recognised as Advanced Technology Enterprise which was approved by the Science Technology Bureau, the Finance Bureau and the State Administration of Taxation in Shandong province. During the year 2013, Century Sunshine obtained the renewed Advanced Technology Enterprise certificate. Pursuant to the relevant laws and regulations in the PRC, Century Sunshine was entitled to enterprise income tax rate of 15% from 2010 to 2015.

In 2013, 昌樂新邁紙業有限公司 (Changle Numat Paper company Industry Co., Ltd.) ("Changle Numat") was recognised as Advanced Technology Enterprise which was approved by the Science Technology Bureau, the Finance Bureau and the State Administration of Taxation in Shandong province. Pursuant to the relevant laws and regulations in the PRC, Changle Numat was entitled to enterprise income tax rate of 15% for three years from 2013 to 2015.

No provision for Hong Kong Profit Tax has been made for the six months ended 30 June 2015 and the year ended 31 December 2014 as the Group did not have any assessable profit arising in Hong Kong during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. PROFIT FOR THE PERIOD

Profit before tax has been arrived at after charging:

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

10. DIVIDENDS

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

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

Subsequent to the end of the prior interim period, the Directors determined that an interim dividend of HK1 cent per share would be paid to the owners of the Company whose name appears in the Register of Members on 16 September 2014.

11. EARNINGS PER SHARE

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	27,068	11,009

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. EARNINGS PER SHARE (continued)

	Six months ended 30 June 2015 '000	Six months ended 30 June 2014 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	802,588	802,588
Effect of dilutive potential ordinary shares: Share options	N/A	N/A
Number of ordinary shares for the purpose of diluted earnings per share	N/A	N/A

No diluted earnings per share is presented for the current and prior interim periods, because there is no outstanding share options to be considered, which were forfeited upon the related employee's resignation in the second half year of 2014.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB5,139,000 (six months ended 30 June 2014: RMB2,193,000) for proceeds of RMB3,367,000 (six months ended 30 June 2014: RMB1,115,000), resulting in a loss on disposal of RMB1,772,000 (six months ended 30 June 2014: RMB1,078,000).

In addition, during the current interim period, the Group incurred approximately RMB13,989,000 (six months ended 30 June 2014: RMB24,683,000) on the acquisition of property, plant and equipment and approximately RMB72,498,000 (six months ended 30 June 2014: RMB209,440,000) on construction in progress in order to maintain its manufacturing capabilities, which included interest capitalisation of approximately RMB6,359,000 (six months ended 30 June 2014: RMB7,494,000).

The Group's investment properties as at the end of the current interim period were remeasured to fair value by reference to a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuer not connected with the Group. 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 resulting decrease in fair value of investment properties of RMB3,471,000 has been recognised directly in profit or loss for the six months ended 30 June 2015 (six months ended 30 June 2014: increase in fair value of investment properties of RMB2,245,000).

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES *(continued)*

The investment property located in Weifang, Shandong, the PRC with a fair value of RMB188,449,000 as at 30 June 2015 (31 December 2014: RMB191,859,000) is pledged for counter guarantee under the guarantee agreement of the corporate bonds 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) (the "SME Guarantee").

13. PREPAID LEASE PAYMENTS

As at 30 June 2015, the Group is in the process of applying for the title certificates for certain of its land use rights with an aggregate carrying amount of RMB48,787,000 (31 December 2014: RMB49,288,000) which are located in the People's Republic of China. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

14. TRADE RECEIVABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. BILLS RECEIVABLE

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

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

As at 30 June 2015, the Group has discounted bills receivable of RMB134,246,000 (31 December 2014: RMB192,540,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivable and has recognised the cash received upon the discounting as discounted bill financing (see Note 18).

16. TRADE AND BILLS PAYABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. OBLIGATIONS UNDER FINANCE LEASE

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. DISCOUNTED BILL FINANCING

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

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

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

19. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,543,760,000 (six months ended 30 June 2014: RMB1,774,452,000), and repaid loans amounting to RMB1,360,734,000 (six months ended 30 June 2014: RMB1,815,668,000). The newly raised loans bear interest from 1.95 % to 8.5 % per annum (six months ended 30 June 2014: 1.43% to 8.5% per annum).

20. SHORT-TERM FINANCING NOTES

On 16 January 2014, Century Sunshine has issued another RMB300,000,000 one-year term short term financing note and replaced the first tranche of RMB300,000,000 which expired in January 2014. The short-term financing notes bear interest at a fixed coupon rate of 8.3% per annum and with an effective interest rate of 8.7% per annum. The short term financing note has matured and been repaid on 20 January 2015.

21. CORPORATE BOND

Century Sunshine completed the issuance of the corporate bonds on 23 July 2014. The final offering size of the seven-year corporate bonds was RMB500,000,000 with annual coupon rate of 8.19% per annum. The corporate bonds are guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's one piece of investment property of RMB188,449,000 (see Note 12), and will be repaid with 20% of offering size annually from the year 2017 to year 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

22. CAPITAL COMMITMENTS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	62,982	53,685

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary	63,491	53,224
Interest income earned from a joint venture (Note 5)	12,044	8,955

Besides the transaction disclosed above, the Company purchased certain wood pulp on behalf of Sunshine Oji as an agent and then sold it for RMB124,938,000 to Sunshine Oji for its business activities in the six months ended 30 June 2014. There were no such transaction taken place in current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. RELATED PARTY TRANSACTIONS *(continued)*

(b) Balance with related parties

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade receivables from (*) a non-controlling shareholder of a subsidiary	10,348	11,216
Other receivables from a joint venture (**) Receivables from the disposal of buildings, equipment and land used right	76,480	76,480
Receivables from the trial run operation financing	150,629	146,828
Interest receivable	28,185	31,015
	255,294	254,323

* The trade receivables from a non-controlling shareholder of a subsidiary are aged within 30 days, with credit term of 30 days granted by the Group.

** The balance will be collected after 12 months from the end of the reporting period. Other than the interest receivable, the receivables carrying interest at 130% of the prevailing bank lending rate announced by the People's Bank of China, with effective interest rate of 7.8% per annum.

(c) Compensation of key management personnel

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Short term employee benefit	2,066	2,034
Retirement benefit scheme contributions	22	21
	2,088	2,055