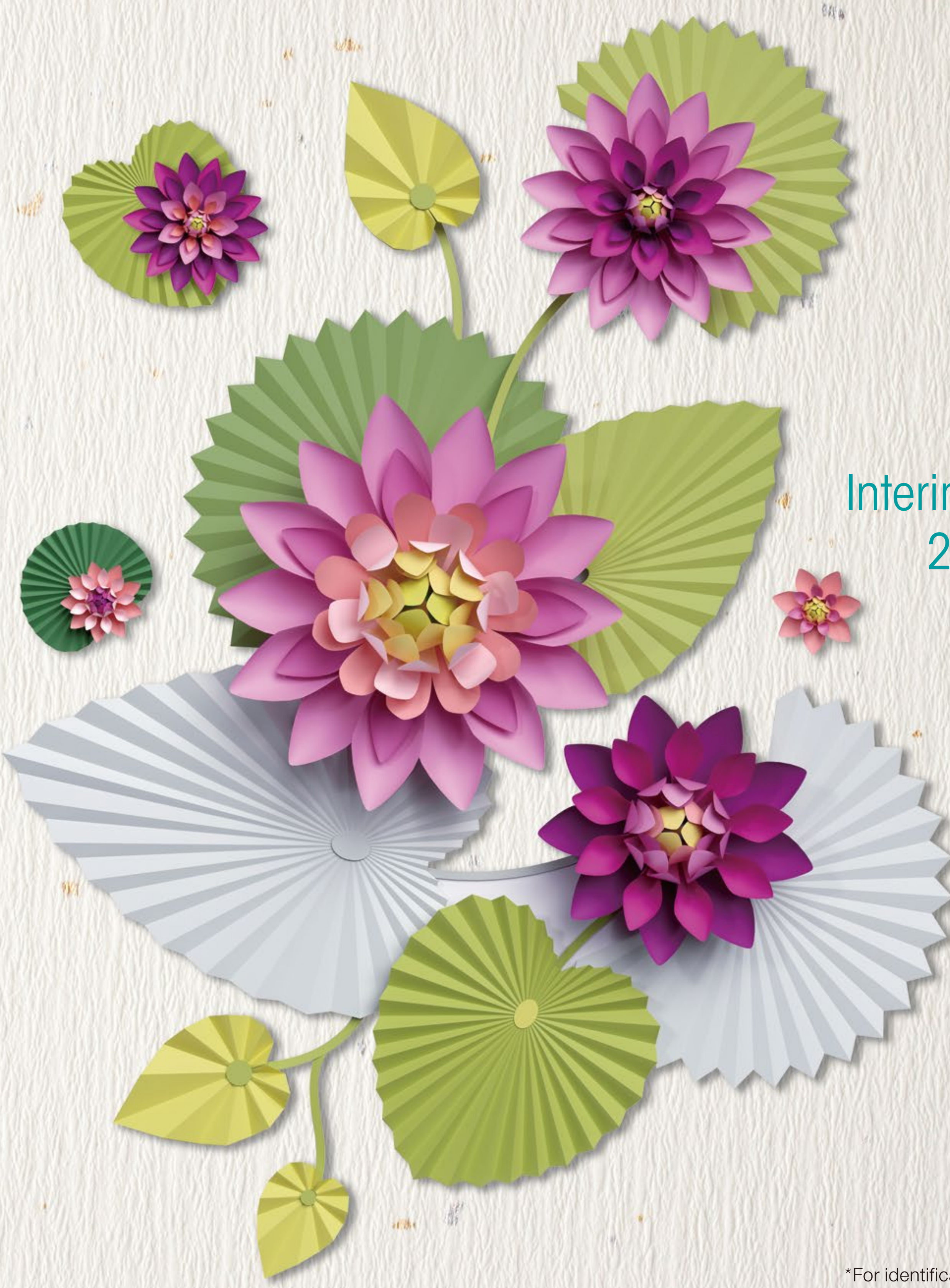
China Sunshine Paper Holdings Company Limited
中國陽光紙業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2002



Interim Report 2019

*For identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Ms. Wu Rong

Independent Non-Executive Directors

Ms. Shan Xueyan
Mr. Wang Zefeng
Ms. Jiao Jie

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

17/F, Winsan Tower
98 Thomson 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

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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 in Association with
Morgan, Lewis & Bockius
Suites 1902–09, 19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

STOCK CODE

2002

WEBSITE

www.sunshinepaper.com.cn

Operation Review and Outlook

BUSINESS REVIEW

During the six months ended 30 June 2019, there were still structural and periodic overcapacity in China's paper manufacturing industry. Due to the rising fluctuations in the market and further increased competition in the paper manufacturing industry, demand in the downstream packaging industry decreased, and the market sentiment has further weakened, resulting in a decline in selling prices of the products. At the same time, affected by China-US trade tensions and continuous implementation of more stringent environmental policies, oversea raw material supply was limited and the prices of domestic raw materials experienced fluctuation, which laid pressure on the production costs of enterprises and reduced the profit-making space. Against complicated and changing external economic conditions, the Group, adhering to the management concept of "Refinement and Innovation", realized its sustained and sound operations by continuously optimizing its product mix to identify new growth drivers and to consolidate its refined management base. As of 30 June 2019, the Group recorded a sales volume from its main products of 632,000 tonnes, which basically remained stable as compared to 635,000 tonnes for the corresponding period last year. Our sales revenue amounted to RMB3.04 billion, representing a decrease of 8.3% as compared to RMB3.32 billion for the period ended 30 June 2018.

The Group is committed to producing various specifications of high-quality packaging paper, including white top linerboard, coated-white top linerboard and core board, cultivates the market meticulously and devotes to meeting the needs from different clients. The Group insists on the development strategy of differentiation and conducting self-managed research and development of white top linerboard and coated-white top linerboard, which possess a variety of intellectual property rights and contribute to the primary productive energy of the Group. In the first half of 2019, the sales of these two main products amounted to 499,000 tonnes, which still was the source of most of the Group's income.

BUSINESS OUTLOOK

The trend of eliminating outdated production capacity and implementation of more stringent environmental policies in the entire paper manufacturing industry will continue in the future. Medium-sized and small enterprises will continue to reach the full utilization of production capacity and the consolidation of the industry will be further enhanced, which is conducive to the competition of the Group.

In response to the strict environmental protection policy of continuously reducing the import quota for wastepaper and increasing procurement quality, the Group will proactively seek the optimization and adjustment of raw material structure while laying out new alternative raw materials. Adhering to the principle of "customer first", and by adopting the Customer Relationship Management (CRM) system to achieve refined marketing management, we will deliver high quality and efficient services to customers and facilitate sustainable organic growth of the Group. Meanwhile, the Group will also continue to strictly uphold high standards of environmental-friendly operation and the principle of harmonious co-existence with nature by resolutely implementing measures on energy conservation and emission reduction, therefore achieving mutually beneficial relationship between economic development and ecological balance.

With ever-changing innovative development, the Group will continue to promote its refined management of production, procurement, marketing and finance, and make all efforts to reduce costs and increase efficiency to actively respond to the complicated and changing external economic conditions. By applying modern methods such as big data and the Internet, we will strive to innovate in production technology, processes, products, management and business models, to become the leader in the industry in all aspects.

REVENUE

For the first six months ended 30 June 2019, our Group's total revenue was RMB3,044.1 million, representing a decrease of 8.3% as compared to that of RMB3,318.4 million for the first six months ended 30 June 2018.

As a result of the market demand pressure, average selling price of paper products of our Group decreased during 1H 2019, and the sales volume also decreased slightly. Sales of paper products decreased by 8.6% to RMB2,926.7 million for 1H 2019 with sales volume of around 632,000 tonnes, as compared to that of RMB3,202.2 million and around 635,000 tonnes for the corresponding period last year.

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

	1H 2019			1H 2018		
	RMB'000	**GP margin (%)**	**% of total revenue**	RMB'000	GP margin (%)	% of total revenue
White top linerboard	**773,440**	**14.7**	**25.4**	904,863	16.1	27.3
Coated-white top linerboard	**1,207,247**	**22.0**	**39.7**	1,325,397	21.1	39.9
Core board	**343,323**	**21.5**	**11.3**	390,054	27.4	11.8
Specialised paper products	**602,697**	**11.9**	**19.8**	581,860	12.1	17.5
Subtotal of sales of paper products	**2,926,707**	**17.9**	**96.2**	3,202,174	18.8	96.5
Sales of electricity and steam	**117,413**	**13.9**	**3.8**	116,209	13.3	3.5
Total revenue	**3,044,120**	**18.1**	**100.0**	3,318,383	19.1	100.0

COST OF SALES

Cost of sales was RMB2,492.5 million for 1H 2019, representing a decrease of 7.2% as compared to that of RMB2,685.3 million for 1H 2018. The decrease in cost of sales was consistent with the decrease in revenue, but lower than the decrease in revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit of our Group decreased from RMB633.0 million for 1H 2018 to RMB551.6 million for 1H 2019. The profit margin of the Group also decreased during the period as compared to the corresponding period last year, from 19.1% for 1H 2018 to 18.1% for 1H 2019.

OTHER PROFIT AND LOSS ITEMS

Other income of RMB101.5 million for 1H 2019 (1H 2018: RMB105.8 million) mainly consisted of interest income on bank deposits of RMB13.6 million, interest income earned from a joint venture and a third party of RMB6.9 million, government grants of RMB79.8 million and rental income of RMB1.2 million.

Other gains of RMB8.0 million for 1H 2019 (1H 2018: other losses RMB81.3 million) mainly consisted of gain from sale of scrap materials of RMB14.3 million, loss of disposal of property, plant and equipment of RMB3.0 million, net foreign exchange losses of RMB4.5 million, allowance for impairment of trade receivables 0.1 million and other gains of RMB1.3 million.

Distribution and selling expenses was RMB138.7 million for 1H 2019, as compared to RMB140.4 million for the corresponding period last year. As a percentage against revenue, it increased from 4.2% for 1H 2018 to 4.6% for 1H 2019.

Administrative expenses was RMB218.3 million for 1H 2019, representing an increase of 56.3% as compared to RMB139.7 million for the corresponding period last year. As a percentage against revenue, it increased from 4.2% for 1H 2018 to 7.2% for 1H 2019. The increase was mainly due to the increase in research and development expenses.

Finance costs was RMB113.6 million for 1H 2019, representing a decrease of 8.4% as compared to RMB124.0 million for the corresponding period last year. As a percentage against revenue, it remained 3.7% for 1H 2019, which was the same as 1H 2018.

During 1H 2019, there was a share of loss of a joint venture, Sunshine Oji (Shouguang) Specialty Paper Co., Ltd, of RMB11.0 million (1H 2018: share of profit of a joint venture of RMB7.1 million). The profitability of the joint venture is weakened mainly because the new production line market still needs to be further developed.

INCOME TAX EXPENSES

Our income tax expenses decreased from RMB74.8 million for 1H 2018 to RMB55.1 million for 1H 2019. The applicable enterprise income tax rate for our subsidiaries for both 1H 2019 and 1H 2018 were roughly the same. Effective tax rate for 1H 2019 and 1H 2018 was 30.3% and 28.7%, respectively.

PROFIT AND TOTAL COMPREHENSIVE INCOME

As a result of the above factors, we recorded a profit for the year attributable to the owners of our Company of RMB122.8 million for the first six months ended 30 June 2019 (1H 2018: RMB179.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

Working capital, gearing and financial resources

Our Group has funded our operations principally with cash generated from our operations, bank borrowings and credit facilities provided by commercial banks in China. Our Group possesses sufficient cash and available banking facilities to meet capital commitments and working capital requirements.

As at 30 June 2019, our Group had restricted bank deposits, cash and bank balances of RMB2,565.6 million (31 December 2018: RMB1,918.9 million). The debt of our Group comprised of bank and other borrowings, lease liabilities/obligations under finance leases and corporate bond totaled RMB3,029.8 million as at 30 June 2019 (31 December 2018: RMB2,937.0 million). Net gearing ratio decreased from 39.4% as at 31 December 2018 to 17.3% as at 30 June 2019.

Inventories decreased from RMB756.4 million as at 31 December 2018 to RMB496.1 million as at 30 June 2019. Inventory turnover was 46 days for 1H 2019, as compared to 46 days for 1H 2018.

Trade receivables increased from RMB507.2 million as at 31 December 2018 to RMB537.1 million as at 30 June 2019. Trade receivables turnover was 31 days for 1H 2019, as compared to 29 days for 1H 2018. Our credit period given to customers is around 30–45 days in general.

Trade payables recorded a decrease from RMB1,039.8 million as at 31 December 2018 to RMB997.9 million as at 30 June 2019. Trade payable turnover was 74 days for 1H 2019, as compared to 59 days for 1H 2018.

Current ratio decreased from 0.68 times as at 31 December 2018 to 0.66 times as at 30 June 2019.

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 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.

Capital expenditure

For 1H 2019, our capital expenditure was approximately RMB245.8 million, which mainly involves the purchase of equipment and land for our new corrugated paper production line, as well as the construction of ancillary facilities.

Capital commitments and contingent liabilities

As at 30 June 2019, our Group had capital commitments, which were contracted but not provided for acquisition of property, plant and equipment of RMB478.4 million.

There was no contingent liabilities as at 30 June 2019.

Pledge of assets

As at 30 June 2019, the carrying amount of our assets of RMB2,741.6 million and the fair value of our investment property of RMB145.7 million were pledged as collateral or security for our Group's bank loans, lease liabilities and corporate bond.

Foreign exchange risks

As the functional and reporting currency of our Group is 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 and has immaterial amount of bank balances denominated in foreign currencies, the exchange rate risk at our Group's operational level is not significant.

Nevertheless, our Company continues to monitor the foreign exchange exposure and is prepared to take prudent measures such as hedging when needed.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

Our Company is committed to achieve a high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as 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 2019.

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 2019.

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 our Company's financial reporting process, internal control and risk management system and to provide advice and comments to our Board. The audit committee consists of three independent non-executive Directors, namely Ms. Shan Xueyan, Mr. Wang Zefeng and Ms. Jiao Jie. Ms. Shan Xueyan is the chairlady of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for 1H 2019 and discussed the financial matters with the management of the Company. The unaudited condensed consolidated financial statements of our Group for 1H 2019 have been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited, 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 4,200 employees as at 30 June 2019. The staff costs for 1H 2019 were RMB160.1 million (1H 2018: RMB141.7 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 resolved not to declare an interim dividend for 1H 2019 (1H 2018: nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of 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 2019.

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 period.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, the Directors listed below had the following interests and short positions in 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)]	321,687,052	39.26%
	Beneficial owner	18,425,500	2.25%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[(2)]	3,840,000	0.47%
Mr. Shi Weixin	Interest of a party to an agreement to acquire interest in our Company[(1)]	321,687,052	39.26%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[(2)]	22,265,500	2.72%
Mr. Zhang Zengguo	Interest of a party to an agreement to acquire interest in our Company[(1)]	321,687,052	39.26%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement[(2)]	22,265,500	2.72%

Name of Director	Nature of interest	Number of share	Approximate percentage of shareholding
Mr. Wang Changhai	Interest of a party to an agreement to acquire interests in our Company(1)	321,687,052	39.26%
	Beneficial owner	3,840,000	0.47%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	18,425,500	2.25%
Mr. Ci Xiaolei	Beneficial owner	929,000	0.11%
Ms. Wu Rong	Interest of a party to an agreement to acquire interest in our Company(1)	321,687,052	39.26%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	22,265,500	2.72%

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 Paper Investments Limited ("China Sunshine"), China Sunrise Paper Holdings Limited ("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 22,265,500 Shares held by Mr. Wang Dongxing and Mr. Wang Changhai; Mr. Wang Dongxing is deemed to be interested in the 3,840,000 Shares held by Mr. Wang Changhai; and Mr. Wang Changhai is deemed to be interested in the 18,425,500 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 30 June 2019, 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	321,687,052	39.26%
China Sunshine[(1)]	Long	Interest of a controlled corporation	321,687,052	39.26%
Controlling Shareholders Group[(2)]	Long	Interest of a party to an agreement to acquire interest in our Company	321,687,052	39.26%
		Interest of a party to an agreement to acquire interests in our Company apart from such agreement	22,265,500	2.72%

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 18,425,500 Shares as beneficial owner and Mr. Wang Changhai is interested in 3,840,000 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 2019.

SHARE OPTION SCHEME

The share option scheme (the "2017 Share Option Scheme") adopted by the Company on 12 December 2007 has expired on 12 December 2017. There were no outstanding options granted under the 2017 Share Option Scheme as of the expiry date.

On 31 May 2018 (the "Adoption Date"), the Company adopted the 2018 share option scheme (the "2018 Share Option Scheme"). The purpose of the 2018 Share Option Scheme is to give the Eligible Persons (as defined below) an opportunity to have a personal stake in our Company and help motivate Eligible Persons to optimise their future contributions to the 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 the Group, and additionally in the case of Executive, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

For the purpose of the 2018 Share Option Scheme, Eligible Persons include any of the following persons: (a) an Executive or an Employee; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the 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 the Group; (g) an associate of any of the foregoing persons; and (h) any person involved in the business affairs of the Company whom the Board determines to be appropriate to participate in the 2018 Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2018 Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 81,936,200 Shares (representing approximately 10% of the total number of Shares in issue as at the Adoption Date and representing approximately 10% of the total number of Shares in issue as at the date of this interim report) (the "Scheme Mandate Limit") provided that: (a) the Company may at any time as the Board may think fit seek approval from the 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 Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where the Scheme Mandate Limit is refreshed; and (b) the Company may seek separate approval from the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to its shareholders containing the details and information required under the Listing Rules; and (c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2018 Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of the Shares in issue from time to time. No options may be granted under the 2018 Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

No option may be granted to any one 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 the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting.

Subject to the terms of the 2018 Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the 2018 Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof). Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2018 Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option), including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the option shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of this Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

Subject to the terms in the 2018 Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a director, chief executive or a substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of the Company (excluding the independent non-executive Director who or whose associates is the grantee of an option).

Where any grant of options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of the Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the Shareholders. The Company shall send a circular to the shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. Approval from the shareholders of the Company is required for any change in the terms of options granted to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

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 offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the 2018 Share Option Scheme.

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 the Company of HK$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the offer date (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 the 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; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (c) the average closing price of a Share 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 2018 Share Option Scheme, the 2018 Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, being 31 May 2018, after which no further options will be granted or offered but the provisions of the 2018 Share Option Scheme shall remain in full force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the 2018 Share Option Scheme. As at the date of this report, the remaining life of the 2018 Share Option Scheme is approximately 8 years and 9 months.

Further details of the 2018 Share Option Scheme are set out in the Company's circular dated 27 April 2018.

No option was granted, exercised, cancelled or lapsed during 1H 2019.

SHARE AWARD SCHEME

A share award scheme of the Company (the "Share Award Scheme") was adopted by the Board on 27 June 2017 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions of certain persons ("Eligible Participants", as mentioned in the following paragraph) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Board may from time to time at its absolute discretion select any Eligible Participant(s) to participate in the Scheme. Eligible Participants include any Director (whether executive or non-executive), senior management and employees of the Company or its subsidiaries (including but not limited to office managers, regional directors, senior managers, office directors, general managers and chief executive officers), but excluding the following persons: (i) any seconded employee, part-time employee or non-full time employee of the Group; (ii) any employee of the Group who at the relevant time has given or been given notice terminating his office or directorship, as the case may be; and (iii) any other person that the Board may determine from time to time.

Subject to the limit on the size of the Share Award Scheme as set out below, the Board shall determine a number of awarded shares (the "Awarded Shares") which it wishes to be the subject of an Award. The Board shall notify a selected participant (the "Selected Participant") of the terms and conditions of any Award, including any vesting schedule, by a letter of grant, and such Award shall be deemed to be accepted by the Selected Participant when the Company receives a duplicate of the letter of grant signed by such Selected Participant.

The Awarded Shares shall be allotted and issued by the Company at the end of each vesting period at par value or any other higher amount as determined by the Board, by using (i) the general mandate granted to the Board by the shareholders in general meetings of the Company from time to time; or (ii) where required by applicable law, the Listing Rules, the Articles or any rule of the Company, specific mandate(s) to be granted to the Board by the shareholders in general meetings of the Company from time to time.

Any Awarded Shares shall vest in the relevant Selected Participant(s) in accordance with the schedule (the date or each such date on which Awarded Shares are to vest as set out in such schedule being a "Vesting Date") determined by the Board at its sole discretion at the date on which that Selected Participant is selected for participation in the Scheme, provided that both of the following conditions have been and remain satisfied at the relevant dates: (i) such further conditions as the Board at its sole discretion may have stipulated and which have been communicated to the Selected Participant in writing on or before the date on which the Selected Participant is notified of the Award; and (ii) that the Selected Participant remains on the Vesting Date (or, as the case may be, on each relevant Vesting Date) an Eligible Participant of the Group. In addition, no Shares shall be vested in the relevant Selected Participant if the Selected Participant has been terminated, summarily dismissed, convicted for any criminal offence, has become bankrupt or has been charged, convicted or held liable for any offence under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any other similar applicable laws or regulations in force from time to time.

The Board shall not make any further Award which will result in the total number of Shares awarded by the Board under the Scheme representing in excess of 10% of the issued share capital of the Company as at the Adoption Date. Awards lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the 10% limit. The Board may seek approval by the Shareholders in general meeting for "refreshing" the 10% limit under the Scheme. Unless approved by the Shareholders in a general meeting, the maximum number of Awarded Shares which may be subject to Award(s) made to a single Selected Participant in any 12-month period shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date. As at the date of this report, the remaining life of the Share Award Scheme is approximately 7 years and 10 months.

Further details of the Share Award Scheme are set out in the Company's announcement dated 27 June 2017 and the circular dated 1 September 2017.

No Awards were granted during 1H 2019.

Grant Thornton
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To the board of directors of China Sunshine Paper Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of China Sunshine Paper Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 19 to 42, which comprise the condensed consolidated statement of financial position as at 30 June 2019, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion 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.

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 interim 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 interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

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

29 August 2019

Kwong Kam Wing Kelvin
Practising Certificate No.: P05373

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)
Revenue	4	**3,044,120**	3,318,383
Cost of sales		**(2,492,503)**	(2,685,340)
Gross profit		**551,617**	633,043
Other income	5	**101,451**	105,823
Other gains or losses	6	**7,989**	(81,297)
Distribution and selling expenses		**(138,650)**	(140,371)
Administrative expenses		**(218,304)**	(139,722)
Gain on fair value changes of an investment property		**2,081**	—
Finance costs	7	**(113,570)**	(124,014)
Share of (loss)/profit of a joint venture		**(11,015)**	7,091
Profit before income tax	9	**181,599**	260,553
Income tax expense	8	**(55,068)**	(74,796)
Profit and total comprehensive income for the period		**126,531**	185,757
Profit and total comprehensive income attributable to:			
Owners of the Company		**122,793**	178,976
Non-controlling interests		**3,738**	6,781
		126,531	185,757
Earnings per share for profit attributable to the owners of the Company during the period			
Basic and diluted (RMB)	11	**0.15**	0.22

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**3,955,672**	3,734,877
Investment property	12	**145,653**	120,674
Prepaid lease payments	13	**391,568**	365,364
Goodwill		**30,326**	30,326
Deferred tax assets		**26,895**	28,614
Interest in a joint venture		**197,081**	208,096
Deposits and other receivables		**305,114**	226,076
Deposits for acquisition for property, plant and equipment		**309,736**	292,440
		5,362,045	5,006,467
Current assets			
Prepaid lease payments	13	**—**	8,567
Inventories		**496,129**	756,442
Trade receivables	14	**537,050**	507,154
Bills receivables	15	**411,183**	679,101
Prepayments and other receivables		**233,587**	290,925
Income tax recoverable		**37**	37
Restricted bank deposits		**1,705,566**	1,394,637
Bank balances and cash		**860,050**	524,252
		4,243,602	4,161,115
Current liabilities			
Contract liabilities		**89,421**	57,818
Trade payables	16	**997,919**	1,039,778
Bills payables	16	**230,000**	322,000
Other payables		**244,499**	180,356
Payable for construction work, machinery and equipment		**78,518**	87,577
Income tax payables		**37,142**	12,818
Lease liabilities/Obligation under finance leases	17	**334,703**	308,090
Deferred income		**2,582**	2,405
Discounted bills financing	18	**2,165,907**	1,916,750
Bank borrowings	19	**2,170,875**	2,045,566
Other borrowing		**8,000**	8,000
Corporate bond	20	**100,000**	100,000
		6,459,566	6,081,158
Net current liabilities		**(2,215,964)**	(1,920,043)
Total assets less current liabilities		**3,146,081**	3,086,424

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Capital and reserves			
Share capital		73,779	73,779
Reserves		2,320,076	2,226,115
Equity attributable to owners of the Company		2,393,855	2,299,894
Non-controlling interests		290,736	287,030
Total equity		2,684,591	2,586,924
Non-current liabilities			
Lease liabilities/Obligation under finance leases	17	204,059	229,668
Bank borrowings	19	13,264	47,246
Corporate bond	20	198,903	198,393
Deferred income		39,771	18,788
Deferred tax liabilities		5,493	5,405
		461,490	499,500
Total equity and non-current liabilities		3,146,081	3,086,424

The condensed consolidated interim financial statements on pages 19 to 42 were approved by the board of directors on 29 August 2019 and are signed on its behalf by:

Wang Dongxing
Director

Wang Changhai
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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 31 December 2017 as originally presented (audited)	73,779	610	722,957	(2,776)	86,656	7,015	154,519	1,078	975,752	2,019,590	187,545	2,207,135
Adjustment on initial application of IFRS 9	—	—	—	—	—	—	—	—	(4,291)	(4,291)	—	(4,291)
Adjusted balance at 1 January 2018	73,779	610	722,957	(2,776)	86,656	7,015	154,519	1,078	971,461	2,015,299	187,545	2,202,844
Capital contribution by non-controlling interests of a subsidiary of the Company	—	—	—	—	—	—	—	—	—	—	66,000	66,000
Dividend paid to owners of the Company (note 10)	—	—	—	—	—	—	—	—	(48,361)	(48,361)	—	(48,361)
Dividend paid to non-controlling interests of a subsidiary of the Company	—	—	—	—	—	—	—	—	—	—	(49)	(49)
Transactions with owners	—	—	—	—	—	—	—	—	(48,361)	(48,361)	65,951	17,590
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	178,976	178,976	6,781	185,757
At 30 June 2018 (unaudited)	73,779	610	722,957	(2,776)	86,656	7,015	154,519	1,078	1,102,076	2,145,914	260,277	2,406,191
At 31 December 2018 as originally presented (audited)	**73,779**	**610**	**722,957**	**(2,776)**	**86,656**	**7,015**	**198,541**	**1,078**	**1,212,034**	**2,299,894**	**287,030**	**2,586,924**
Dividend paid to owners of the Company (note 10)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(28,832)**	**(28,832)**	**—**	**(28,832)**
Dividend paid to non-controlling interests of a subsidiary of the Company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(32)**	**(32)**
Transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(28,832)**	**(28,832)**	**(32)**	**(28,864)**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**122,793**	**122,793**	**3,738**	**126,531**
At 30 June 2019 (unaudited)	**73,779**	**610**	**722,957**	**(2,776)**	**86,656**	**7,015**	**198,541**	**1,078**	**1,305,995**	**2,393,855**	**290,736**	**2,684,591**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	**821,522**	654,420
Tax paid	**(28,937)**	(73,090)
Net cash from operating activities	**792,585**	581,330
Investing activities		
Interest received	**13,345**	13,929
Government grants received	**102,161**	—
Proceeds from disposal of property, plant and equipment	**11,082**	139,223
Purchase of property, plant and equipment	**(245,808)**	(359,351)
Decrease in loan to a third party	**—**	20,000
Advance to a joint venture	**(74,096)**	—
Additions of deposits on property, plant and equipment	**(170,116)**	(312,700)
Additions of guarantee deposits on obligations under finance leases	**(14,710)**	(10,765)
Increase in restricted bank deposits	**(310,929)**	(163,223)
Net cash used in investing activities	**(689,071)**	(672,887)
Financing activities		
Interest paid	**(132,150)**	(102,735)
Increase in amount due to a non-controlling shareholder of subsidiaries	**39,747**	—
New bank borrowings raised	**1,497,380**	1,660,807
Repayment of bank borrowings	**(1,406,053)**	(1,666,846)
Increase in discounted bills financing	**249,157**	67,189
Proceeds from sale and finance lease back transactions	**160,000**	345,650
Repayment of lease liabilities/obligations under finance leases	**(146,933)**	(108,268)
Dividend paid to non-controlling interests of a subsidiary of the Company	**(32)**	(49)
Dividend paid to owners of the Company	**(28,832)**	(48,361)
Proceeds from capital contribution of non-controlling interests of the Company	**—**	66,000
Net cash from financing activities	**232,284**	213,387
Net increase in cash and cash equivalents	**335,798**	121,830
Cash and cash equivalents at beginning of the period, represented by bank balances and cash	**524,252**	474,519
Cash and cash equivalents at end of the period	**860,050**	596,349

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

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 (the "Stock Exchange") since 12 December 2007.

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

2. BASIS OF PREPARATION

The condensed consolidated interim 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 the Rules Governing the Listing of Securities on the Stock Exchange.

The Group has net current liabilities of approximately RMB2,215,964,000 as at 30 June 2019. 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 reporting 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, 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 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 condensed consolidated interim financial statements have been prepared on a going concern basis.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for an investment property which is measured at fair value, as appropriate.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and amended International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019. Other than the impact of the adoption of IFRS 16 as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(a) New or amended IFRSs effective for the annual period beginning 1 January 2019

In the current period, the Group has applied for the first time all amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), which are relevant to the Group's operations and effective for the Group's condensed consolidated interim financial statements for the annual period beginning on 1 January 2019.

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IFRS 16 "Lease"

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC-Int 4 "Determining whether an Arrangement contains a Lease", SIC Int-15 "Operating Leases-Incentives" and SIC Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC-Int 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC-Int 4. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of IFRS 16 does not have impact on these assets except for the whole balance is now presented as "prepaid lease payments" under non-current assets.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) New or amended IFRSs effective for the annual period beginning 1 January 2019 (Continued)

IFRS 16 "Lease" (Continued)

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 were ranging from 4.35% to 4.75%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018	1,404
Recognition exemptions:	
— Leases with remaining lease term of less than 12 months	(751)
Operating leases liabilities before discounting	653
Discounting using incremental borrowing rate as at 1 January 2019	(45)
Operating leases liabilities	608
Finance leases obligation	537,758
Total lease liabilities recognised under IFRS 16 at 1 January 2019	538,366
Classified as:	
Current lease liabilities	308,415
Non-current lease liabilities	229,951
	538,366

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) New or amended IFRSs effective for the annual period beginning 1 January 2019 (Continued)

IFRS 16 "Lease" (Continued)

The following table summarises the impact of transition to IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets presented in property, plant and equipment	608
Increase in lease liabilities	608
Increase in prepaid lease payments (non-current asset)	8,567
Decrease in prepaid lease payments (current asset)	(8,567)

(b) Issued but not yet effective IFRSs

The Group has not early applied any new and amended IFRSs which have been issued by the IASB but are not yet effective for the current accounting period.

The directors anticipate that all of the new and amended IFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the new and amended IFRSs. The Group has commenced an assessment of the impact of these new standards and amendments, but not yet in a position to state whether they would have a significant impact on its results and financial position.

(c) Significant accounting policies

The condensed consolidated interim financial statements has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying IFRS 16.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

Lease

(a) The Group as lessee

Policies applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

Lease (Continued)

(a) The Group as lessee (Continued)

Policies applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment. Right-of-use assets that meet the definition of investment property are presented within investment property. The prepaid lease payments for leasehold land are presented as "prepaid lease payments" under non-current assets.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

Lease (Continued)

(a) The Group as lessee (Continued)

Policies applicable before 1 January 2019

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.

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 obligations under finance leases.

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.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

Lease (Continued)

(b) 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.

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 2019 (unaudited)

	Paper products					
	White top linerboard RMB'000	Coated-white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	Total RMB'000
Revenue from external customers	773,440	1,207,247	343,323	602,697	117,413	3,044,120
Inter-segment revenue	—	—	—	—	237,543	237,543
Segment revenue	773,440	1,207,247	343,323	602,697	354,956	3,281,663
Segment profit	113,801	266,043	73,699	71,694	49,158	574,395

4. SEGMENT INFORMATION (CONTINUED)

(a) Segment result (Continued)

Six months ended 30 June 2018 (unaudited)

	Paper products					
	White top linerboard RMB'000	Coated-white top linerboard RMB'000	Core board RMB'000	Specialised paper products RMB'000	Electricity and steam RMB'000	Total RMB'000
Revenue from external customers	904,863	1,325,397	390,054	581,860	116,209	3,318,383
Inter-segment revenue	—	—	—	—	235,358	235,358
Segment revenue	904,863	1,325,397	390,054	581,860	351,567	3,553,741
Segment profit/(loss)	145,668	279,976	106,996	(18,453)	46,867	561,054
Other segment information:						
Impairment loss on property, plant and equipment	—	—	—	(89,023)	—	(89,023)

(b) Reconciliation of segment profit

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit		
Segment profit	**574,395**	561,054
Unrealised profit on inter-segment sales	**(38,556)**	(37,275)
	535,839	523,779
Other income	**99,437**	105,260
Other gains or losses	**6,289**	5,791
Distribution and selling expenses	**(138,650)**	(140,371)
Administrative expenses	**(210,257)**	(133,794)
Finance costs	**(102,125)**	(107,203)
Gain on fair value changes of an investment property	**2,081**	—
Share of (loss)/profit of a joint venture	**(11,015)**	7,091
Consolidated profit before income tax	**181,599**	260,553

4. SEGMENT INFORMATION (CONTINUED)

(b) Reconciliation of segment profit (Continued)

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 certain other income, certain other gains or losses, distribution and selling expenses, certain administrative expenses, gain on fair value changes of an investment property, certain finance costs, and share of (loss)/profit of a joint venture to paper product segment and does not allocate income tax expense to both the paper product segment and the electricity and steam segment when making decisions about resources to be allocated to the segment and assessing its performance.

The Group does not allocate depreciation of property, plant and equipment and amortisation of prepaid lease payments, finance costs 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.

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
Bank deposits	**13,648**	13,929
The balance with a joint venture (note i) (note 22(a))	**6,861**	7,399
Loans to a third party	**—**	1,599
Total interest income	**20,509**	22,927
Government grants (note ii)	**79,799**	81,731
Rental income from an investment property and other properties	**1,143**	1,165
	101,451	105,823

Notes:

i. During the six months ended 30 June 2019, 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 a weighted average effective interest rate of 6.18% per annum (six months ended 30 June 2018: 6.18% per annum).

ii. During the six months ended 30 June 2019, the Company's subsidiaries, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd ("Century Sunshine")) was granted and received unconditional government subsidy from local government of approximately RMB72,103,000, the amounts of which were determined by reference to the amount of value-added tax paid (six months ended 30 June 2018: RMB80,406,000).

6. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain from sale of scrap materials, net	**14,278**	9,376
Impairment loss on property, plant and equipment	**—**	(89,023)
Loss on disposal of property, plant and equipment	**(3,045)**	(3,842)
Net foreign exchange losses	**(4,516)**	(1,885)
(Allowance for)/Reversal of allowance for impairment of trade and other receivables	**(98)**	940
Others	**1,370**	3,137
	7,989	(81,297)

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
Discounted bills financing	**41,804**	32,957
Bank and other borrowings	**60,201**	61,652
Lease liabilities/Obligation under finance leases	**12,766**	13,764
Corporate bond	**13,063**	16,960
	127,834	125,333
Less: Interest capitalised in construction in progress	**(14,264)**	(1,319)
	113,570	124,014

Borrowing costs capitalised during the six months ended 30 June 2019 arose on the general borrowing pool and were calculated by applying a capitalisation rate ranging from 5.02% to 5.22% (six months ended 30 June 2018: 5.22%) per annum to expenditure on construction in progress.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
People's Republic of China ("PRC") Enterprise Income Tax	**53,261**	98,496
Deferred tax expense/(credit)	**1,807**	(23,700)
Charge for the period	**55,068**	74,796

Under the Law of the People's Republic of China on Enterprise Income Tax 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.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Hong Kong profits tax has not been provided for the six months ended 30 June 2019 and 2018 as the Group has no assessable profits for the period.

9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages and salaries	**137,857**	122,479
Retirement benefits schemes contributions	**22,272**	19,225
Total staff costs (including directors' emoluments)	**160,129**	141,704
Cost of inventories recognised as an expense	**2,244,705**	2,540,222
Depreciation of property, plant and equipment		
— right-of-use assets	**193**	—
— owned	**126,066**	184,968
Impairment of property, plant and equipment	**—**	89,023
Amortisation of prepaid lease payments	**2,807**	5,205
Research and development expenses	**211,601**	73,410

10. DIVIDENDS

During the current interim period, a final dividend of HK$0.04 (six months ended 30 June 2018: HK$0.07) per share in respect of the year ended 31 December 2018 amounting to a total of HK$32,774,000 (equivalent to approximately RMB28,832,000) (six months ended 30 June 2018: HK$57,355,000 (equivalent to approximately RMB48,356,000)) was approved and paid to the equity shareholders of the Company whose names appear in the register of members on 4 June 2019.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2019 was based on the profit of RMB122,793,000 (six months ended 30 June 2018 (unaudited): RMB178,976,000) for the period attributable to owners of the Company, and the weighted average number of 819,362,000 (six months ended 30 June 2018 (unaudited): 819,362,000) ordinary shares in issue during the six months ended 30 June 2019.

There are no dilutive potential ordinary shares in issue for the six months ended 30 June 2019 and 2018. The basic earnings per share equals to the diluted earnings per share.

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

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB14,127,000 (six months ended 30 June 2018: RMB143,065,000) for proceeds of RMB11,082,000 (six months ended 30 June 2018: RMB139,223,000), resulting in a loss on disposal of RMB3,045,000 (six months ended 30 June 2018: RMB3,842,000). Construction in progress of approximately RMB22,415,000 (six months ended 30 June 2018: RMB48,982,000) has transferred to prepaid land lease after the constructions has completed and title certificates of land use right have obtained.

In addition, during the current interim period, the Group acquired approximately RMB39,686,000 (six months ended 30 June 2018: RMB215,593,000) of property, plant and equipment and approximately RMB366,118,000 (six months ended 30 June 2018: RMB148,020,000) on construction in progress in order to maintain its manufacturing capabilities, which included interest capitalisation of approximately RMB14,264,000 (six months ended 30 June 2018: RMB1,319,000).

The Group's investment property as at the end of the current interim period was remeasured to fair value by reference to a valuation performed by Asia-Pacific Consulting and Appraisal Limited, an 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. During the current interim period, increase in fair value of investment property of RMB2,081,000 has been recognised directly in profit or loss for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

The investment property located in Weifang, Shandong, the PRC and certain construction in progress were pledged for counter guarantee under the guarantee agreement of the corporate bond (note 20) 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") (note 20).

13. PREPAID LEASE PAYMENTS

Upon initial application of IFRS 16, the prepaid lease payments represent right-of-use assets in relation to leases of land in PRC.

14. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 45 days to its trade customers. The following is an aging analysis of trade receivables net of expected credit loss allowance presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–30 days	**480,671**	431,060
31–90 days	**44,080**	64,235
91–365 days	**11,361**	11,307
Over 1 year	**938**	552
	537,050	507,154

The following are the movements of expected credit loss allowance of trade receivables during the period:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
At the beginning of the period/year	**9,040**	9,530
Adoption of IFRS 9	**—**	319
Adjusted balance	**9,040**	9,849
Written off during the year	**(617)**	—
Allowance/(Reversal) during the period/year	**971**	(809)
At the end of the period/year	**9,394**	9,040

15. BILLS RECEIVABLES

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–90 days	208,016	265,417
91–180 days	57,745	219,858
181–365 days	145,422	193,826
	411,183	679,101

As at 30 June 2019, the Group has discounted bills receivables of RMB18,793,000 (31 December 2018: RMB189,619,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivables and has recognised the cash received upon the discounting as discounted bills financing (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:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–90 days	964,546	896,641
91–365 days	253,846	453,169
Over 1 year	9,527	11,968
	1,227,919	1,361,778

All the bills payables as at 30 June 2019 and 31 December 2018 are trading nature and will mature within twelve months respectively. At the end of the reporting period, certain of the Group's bank deposits were pledged to secure bills payable granted to the Group.

17. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Within one year	**360,813**	334,339	**334,703**	308,090
In more than one year but not more than two years	**163,868**	204,872	**154,734**	196,252
In more than two years but not more than five years	**51,260**	34,244	**49,325**	33,416
	575,941	573,455	**538,762**	537,758
Future finance charges on lease liabilities (2018: obligations under finance leases)	**(37,179)**	(35,697)	**—**	—
Present value of lease liabilities (2018: obligation under finance leases)	**538,762**	537,758	**538,762**	537,758
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(334,703)**	(308,090)
Amount due for settlement after 12 months			**204,059**	229,668

The Group's lease liabilities (2018: obligations under finance leases) are secured by the lessor's charge over certain property, plant and equipment amounting to RMB818,694,000 (31 December 2018 (audited): RMB823,238,000).

During the current interim period, the Group entered into several sales and leaseback agreements with leasing companies for machinery and equipment ("Secured Assets") amounting to RMB160,000,000 (31 December 2018: RMB374,000,000) for a period of 2–3 years (31 December 2018: 2–3 years). Upon maturity, the Group will be entitled to purchase the Secured Assets.

During the current interim period, the total cash outflows for the lease are RMB146,933,000.

18. DISCOUNTED BILLS FINANCING

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Discounted bills receivables from third parties (note a)	**18,793**	189,619
Discounted bills receivables from subsidiaries of the Company (note b)	**2,147,114**	1,727,131
Total	**2,165,907**	1,916,750

Notes:

a. These borrowings arose from discounting, with recourse, of bills receivables from third parties. The Group continues to recognise the carrying amount of the underlying bills receivables, as presented in note 15, since the title of receivables was not transferred to the lending banks.

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

At the end of the reporting period, certain of the Group's bank deposits were pledged to secure discounted bills financing granted to the Group.

19. BANK BORROWINGS

During the current interim period, the Group obtained new loans amounting to RMB1,497,380,000 (six months ended 30 June 2018: RMB1,660,807,000), and repaid loans amounting to RMB1,406,053,000 (six months ended 30 June 2018: RMB1,666,846,000). The newly raised loans bear interest from 3.50% to 7.13% per annum (six months ended 30 June 2018: 4.34% to 7.40%). At the end of the reporting period, property, plant and equipment and land use rights of RMB1,123,861,000 (31 December 2018 (audited): RMB1,399,474,000) were pledged to secure bank borrowings granted to the Group.

20. 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% per annum. The corporate bond is guaranteed by SME Guarantee, and is with counter-guarantee arrangement with the Group's investment property and construction in progress of RMB145,653,000 and RMB19,892,000 respectively (31 December 2018 (audited): investment property and construction in progress of RMB120,674,000 and RMB42,790,000 respectively) (note 12), and the remaining balance will be repaid with 20% of offering size annually from the year 2019 to year 2021.

21. CAPITAL COMMITMENTS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated interim financial statements in respect of:		
— acquisition of property, plant and equipment	**478,382**	371,016

22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales of electricity and steam to a non-controlling shareholder of a subsidiary	**60,224**	61,507
Interest income earned from a joint venture (note 5)	**6,861**	7,399

(b) Balance with related parties

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables from a non-controlling shareholder of a subsidiary (note i)	**8,961**	13,929
Balance due from a joint venture (note ii)	**262,950**	183,136

Notes:

(i) 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 within 12 months from the end of the reporting period.

(ii) The balance is unsecured, carries interest at 6.18% per annum (31 December 2018: 6.18% per annum) and will be collected after 12 months from the end of the reporting period.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short term employee benefit	**1,774**	3,027
Retirement benefit scheme contributions	**60**	28
	1,834	3,055

23. LEASE COMMITMENTS

The Group as lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within one year	**1,130**	1,068
In the second to fifth years	**—**	336
	1,130	1,404

The Group as lessor

Property rental income earned during the period was RMB1,333,000 (2018: RMB1,165,000). All of the properties held have committed tenants for the next 1 to 4 years.

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within one year	**1,056**	1,104
In the second to fifth years	**3,469**	3,303
After five years	**—**	4
	4,525	4,411