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

2013
Interim Report

*For identification purposes only

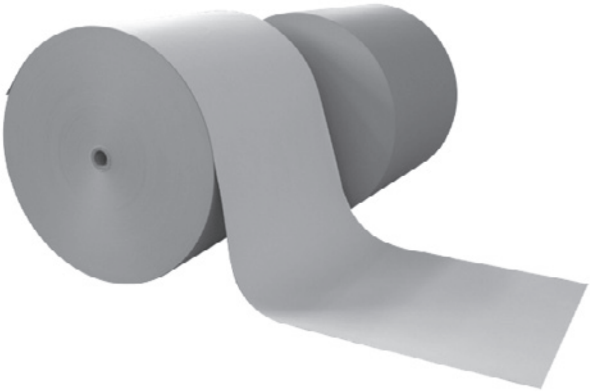
CONTENTS

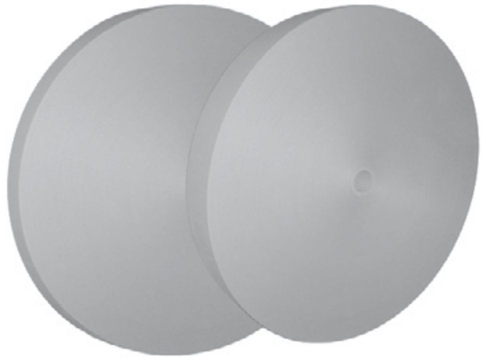
MAIN PRODUCTS

WHITE TOP LINERBOARD

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

MAIN PRODUCTS





LIGHT-COATED LINERBOARD

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

CORE BOARD

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Wang Junfeng
Mr. Zhang Licong (Appointed on 16 July 2013)
Mr. Xu Fang (Resigned on 16 July 2013)

Independent Non-Executive Directors

Mr. Leung Ping Shing
Mr. Wang Zefeng
Mr. Xu Ye

AUDIT COMMITTEE

Mr. Leung Ping Shing *(Chairman)*
Mr. Wang Zefeng
Mr. Xu Ye

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Xu Ye *(Chairman)*
Mr. Wang Dongxing
Mr. Wang Zefeng

AUTHORISED REPRESENTATIVES

Mr. Wang Dongxing
Mr. Ng Cheuk Him (Resigned on 9 August 2013)

COMPANY SECRETARY

Mr. Ng Cheuk Him (Resigned on 9 August 2013)

PRINCIPAL PLACE OF BUSINESS IN CHINA

Changle Economic Development Zone
Weifang 262400
Shandong
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1627, 16/F
Ocean Centre
Harbour City
5 Canton Road
Hong Kong

OPERATION REVIEW

OPERATION REVIEW

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

The following map* shows the geographical location of our Group's eight recovered paper collection points and our Group's sales representative offices as at the date of this report:

* for illustration only

OPERATION REVIEW

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

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

Notes:

(a) Approximate numbers

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

OUTLOOK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL REVENUE

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

SALES OF PAPER PRODUCTS

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

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

SALES OF ELECTRICITY AND STEAM

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

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

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

COST OF SALES

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

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER PROFIT AND LOSS ITEMS

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

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

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

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

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

INCOME TAX EXPENSES

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

PROFIT AND TOTAL COMPREHENSIVE INCOME

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

LIQUIDITY AND FINANCIAL RESOURCES

Working capital

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

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

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

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

Cash flows

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

* *Excluded restricted bank deposits*

Gearing and financial resources

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

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

Capital expenditure

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

Capital commitments and contingent liabilities

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

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

Events after the end of the interim period

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to achieve high standard of corporate governance. Our Directors believe that sound and reasonable corporate governance practices are essential for our growth and for safeguarding and maximising shareholders' interests. Our Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") during 1H 2013 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the securities transactions by our Directors. Specific enquiries have been made by our Company to confirm that all directors of our Company (the "Directors") have complied with the Model Code during the 1H 2013.

AUDIT COMMITTEE

Our Board has established an audit committee in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise our Company's financial reporting process and internal control system and to provide advice and comments to our Board. The audit committee consists of three independent non executive Directors, namely Mr. Leung Ping Shing, Mr. Wang Zefeng and Mr. Xu Ye. Mr. Leung Ping Shing is the chairman of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the 1H 2013 and discussed the financial matters with management of the Company. The unaudited condensed consolidated financial statements of our Group for the 1H 2013 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Federation of Accountants.

EMPLOYEES AND REMUNERATION POLICIES

Our Group had approximately 2,800 employees as at 30 June 2013. The staff costs for 1H 2013 were RMB71.8 million (1H 2012: RMB60.4 million). The emolument policy of our Group is aimed at attracting, retaining and motivating talented individuals. The principle is to set performance based remuneration which reflects market standards. Employee's remuneration packages are generally determined based on job nature and position with reference to market standards. Employees also receive certain welfare benefits. Our Group's emolument policy will be adjusted depending on a number of factors, including changes in the market and the direction of our Group's business development, so as to achieve our Group's operational targets.

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During 1H 2013, none of our Company and any of its subsidiaries has purchased, sold or redeemed any of our Company's shares.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2013 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 (Chapter 571 of the Laws of Hong Kong) (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%
	Interest of a party to an agreement to acquire interests in our Company apart from such agreement(2)	630,000	0.08%
	Beneficial owner	5,663,500	0.71%
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(3)	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(3)	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"). The members of 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. Wang Dongxing, as party to the Concert Parties Agreement, is deemed to be interested in the 630,000 Shares held by Mr. Wang Changhai as a beneficial owner pursuant to section 318 of the SFO.

3. Mr. Shi Weixin and Mr. Zhang Zengguo, as parties to the Concert Parties Agreement, are deemed to be interested in the 5,663,500 Shares held by Mr. Wang Dongxing and 630,000 Shares held by Mr. Wang Changhai as beneficial owners pursuant to 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 2013, the interests or short positions of substantial shareholders (within the meaning of the Listing Rules) in the shares, underlying shares or debentures of our Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name	Long position/ short position	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
China Sunrise	Long	Beneficial interest	325,387,052	40.54%
China Sunshine[1]	Long	Interest of a controlled corporation	325,387,052	40.54%
Controlling Shareholders Group[2]	Long	Interest of a party to an agreement to acquire interest in our Company	325,387,052	40.54%
Controlling Shareholders Group (other than Wang Dongxing and Wang Changhai)[2]	Long	Interest of a party to an agreement to acquire interests in our Company apart from such agreement	6,293,500	0.78%
Wang Dongxing[3]	Long	Interest of a party to an agreement to acquire interest in our Company apart from such agreement	630,000	0.08%
		Beneficial owner	5,663,500	0.71%
Wang Changhai[4]	Long	Interest of a party to an agreement to acquire interest in our Company apart from such agreement	5,663,500	0.71%
		Beneficial owner	630,000	0.08%
Good Rise Holdings Limited	Long	Beneficial interest	73,547,674	9.16%
LC Fund III, LP[5]	Long	Interest of a controlled corporation	73,547,674	9.16%
LC Fund III GP Limited[6]	Long	Interest of a controlled corporation	73,547,674	9.16%
Right Lane Limited[7]	Long	Interest of a controlled corporation	73,547,674	9.16%
Legend Holdings Limited[8]	Long	Interest of a controlled corporation	73,547,674	9.16%
Wang Nengguang[9]	Long	Interest of a controlled corporation	73,547,674	9.16%
Seabright SOF (I) Paper Limited	Long	Beneficial interest	71,341,244	8.89%
Seabright China Special Opportunities (I) Limited[10]	Long	Interest of a controlled corporation	71,341,244	8.89%
Seabright Asset Management Limited[11]	Long	Interest of a controlled corporation	71,341,244	8.89%
China Everbright Limited[12]	Long	Interest of a controlled corporation	71,341,244	8.89%
Seagate Global Advisors, LLC[12]	Long	Interest of a controlled corporation	71,341,244	8.89%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. As China Sunshine owns the entire interest of 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 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 and Mr. Wang Changhai is interested in 630,000 Shares as beneficial owners. 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.

3. Mr. Wang Dongxing, as party to the Concert Parties Agreement, is deemed to be interested in the 630,000 Shares held by Mr. Wang Changhai as a beneficial owner pursuant to section 318 of the SFO.

4. Mr. Wang Changhai, as party to the Concert Parties Agreement, is deemed to be interested in the 5,663,500 Shares held by Mr. Wang Dongxing as a beneficial owner under section 318 of the SFO.

5. As LC Fund III, LP owns the entire interest of Good Rise Holdings Limited, LC Fund III, LP is deemed to be interested in the 73,547,674 Shares held by Good Rise Holdings Limited.

6. As LC Fund III GP Limited is the general partner of LC Fund III, LP, LC Fund III GP Limited is deemed to be interested in the 73,547,674 Shares held by Good Rise Holdings Limited.

7. As Right Lane Limited controls more than one third of the voting rights of LC Fund III GP Limited, Right Lane Limited is deemed to be interested in the 73,547,674 Shares held by Good Rise Holdings Limited.

8. As Legend Holdings Limited owns the entire interest of Right Lane Limited, Legend Holdings Limited is deemed to be interested in the 73,547,674 Shares held by Good Rise Holdings Limited.

9. As Mr. Wang Nengguang controls Good Rise Holdings Limited, Mr. Wang Nengguang is deemed to be interested in the 73,547,674 Shares held by Good Rise Holdings Limited.

10. As Seabright China Special Opportunities (I) Limited owns the entire interest in Seabright SOF (I) Paper Limited. Seabright China Special Opportunities (I) Limited is deemed to be interested in the 71,341,244 Shares held by Seabright SOF (I) Paper Limited.

11. As Seabright Asset Management Limited controls more than one third of the voting rights of Seabright China Special Opportunities (I) Limited, Seabright Asset Management Limited is deemed to be interested in the 71,341,244 Shares held by Seabright SOF (I) Paper Limited.

12. Each of China Everbright Limited and Seagate Global Advisors, LLC controls more than one third of the voting rights of Seabright Asset Management Limited. Accordingly, each of China Everbright Limited and Seagate Global Advisors, LLC is deemed to be interested in the 71,341,244 Shares held by Seabright SOF (I) Paper Limited.

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 2013.

SHARE OPTION SCHEME

Movement of the share options granted to the Eligible Persons under the Share Option Scheme

		Number of share options					
Date of Grant (note 1 and 2)	**Eligible Persons**	**As at 1 January 2013**	**Granted during the period**	**Exercised during the period**	**Expired during the period**	**As at 30 June 2013**	**Exercise period**
8 April 2010	An employee	800,000	—	—	—	800,000	(i)
8 April 2010	An employee	800,000	—	—	—	800,000	(ii)

(i) From 1 July 2012 to 31 December 2013

(ii) From 1 July 2013 to 31 December 2014

Note 1. The fair value of the share options are determined by the Block-Scholes Model. The key assumptions of the Block-Scholes Model are:

Grant date share price	*HK$3.00*
Exercise price	*HK$3.01*
Expected life	*0.75 years to 3.75 years*
Expected volatility	*59.456%, 69.93% and 67.87%*
Dividend yield	*0.88%*
Risk-free interest rate	*0.722% to 1.997%*

The assumptions used in computing the fair value of the share options are based on our Directors' best estimates.

Note 2. After the completion of the Bonus Issue, the exercise price and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the share option granted on 8 April 2010 have been adjusted in accordance with the rules as set out in the Share Option Scheme, the requirement of Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 as follows:

Date of grant	***Original exercise price per Share to be issued before the completion the Bonus Issue*** *HK$*	***Original number of Shares to be issued before completion of the Bonus Issue***	***Adjusted exercise price per Share to be issued upon the completion of the Bonus Issue*** *HK$*	***Adjusted number of Shares to be issued upon the completion of the Bonus Issue***
8 April 2010	*3.01*	*1,600,000*	*1.505*	*3,200,000*

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the 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 2 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2013 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	**At 30 June 2013 RMB'000 (unaudited)**	At 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**3,228,940**	3,252,719
Prepaid lease payments	13	**263,900**	188,798
Investment properties	12	**244,170**	241,728
Goodwill		**18,692**	18,692
Deferred tax assets		**12,190**	10,612
Interest in a joint venture	17	**103,530**	—
Assets held for establishment of a joint venture	17	**—**	103,530
Deposits		**70,375**	122,185
		3,941,797	3,938,264
Current assets			
Inventories		**485,422**	656,496
Loan receivables	14	**—**	50,000
Trade receivables	15	**493,303**	392,456
Prepaid lease payments	13	**5,150**	3,853
Bills receivable	16	**591,387**	528,567
Prepayments and other receivables		**536,820**	323,603
Income tax recoverable		**2,646**	6,000
Restricted bank deposits		**1,074,249**	1,162,368
Bank balances and cash		**268,695**	258,391
		3,457,672	3,381,734
Assets classified as held for sale	17	**—**	157,550
		3,457,672	3,539,284
Current liabilities			
Trade payables	18	**527,236**	408,602
Bills payable	18	**90,000**	90,000
Other payables		**92,509**	111,331
Payable for construction work, machinery and equipment		**24,662**	58,036
Income tax payable		**741**	3,915
Obligations under finance leases — current portion	19	**98,958**	95,372
Deferred income — current portion		**2,068**	2,103
Derivative financial instruments	20	**1,034**	259
Discounted bill financing	21	**1,560,426**	1,870,699
Bank borrowings — due within one year	22	**2,279,512**	2,355,939
Short-term financing notes	23	**300,000**	—
Other borrowings		**14,000**	14,000
		4,991,146	5,010,256

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Net current liabilities		1,533,474	1,470,972
Total assets less current liabilities		2,408,323	2,467,292
Capital and reserves			
Share capital		72,351	72,351
Reserves		1,432,771	1,412,151
Equity attributable to owners of the Company		1,505,122	1,484,502
Non-controlling interests		92,724	85,323
Total equity		1,597,846	1,569,825
Non-current liabilities			
Obligations under finance leases — non-current portion	19	144,896	195,351
Bank borrowings — due after one year	22	620,634	656,469
Deferred income — non-current portion		24,461	25,460
Deferred tax liabilities		20,486	20,187
		810,477	897,467
Total equity and non-current liabilities		2,408,323	2,467,292

The condensed consolidated financial statements on pages 2 to 27 were approved by the board of directors on 27 August 2013 and are signed on its behalf by:

Wang Dongxing
DIRECTOR

Ci Xiaolei
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company												
	Share capital	Capital redemption reserve	Share premium	Merger reserve	Capital reserve	Share option reserve	Assets revaluation reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	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 2012 (audited)	72,351	610	712,536	(2,776)	84,783	999	4,196	62,603	5,429	500,475	1,441,206	73,155	1,514,361
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	—	16,678	16,678	5,146	21,824
Recognition of equity-settled share-based payment (Note 24)	—	—	—	—	—	153	—	—	—	—	153	—	153
Dividends paid to owners of the Company (Note 10)	—	—	(16,854)	—	—	—	—	—	—	—	(16,854)	—	(16,854)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(6)	(6)
At 30 June 2012 (unaudited)	72,351	610	695,682	(2,776)	84,783	1,152	4,196	62,603	5,429	517,153	1,441,183	78,295	1,519,478
At 1 January 2013(audited)	**72,351**	**610**	**695,682**	**(2,776)**	**85,121**	**362**	**19,806**	**72,050**	**5,429**	**535,867**	**1,484,502**	**85,323**	**1,569,825**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**20,555**	**20,555**	**4,701**	**25,256**
Recognition of equity-settled share-based payment (Note 24)	**—**	**—**	**—**	**—**	**—**	**65**	**—**	**—**	**—**	**—**	**65**	**—**	**65**
Capital contribution by non-controlling shareholders for the establishment of a new subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,700**	**2,700**
At 30 June 2013 (unaudited)	**72,351**	**610**	**695,682**	**(2,776)**	**85,121**	**427**	**19,806**	**72,050**	**5,429**	**556,422**	**1,505,122**	**92,724**	**1,597,846**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June 2013 RMB'000 (unaudited)	Six months ended 30 June 2012 RMB'000 (unaudited)
Net cash from operating activities	**277,020**	290,793
Investing activities		
Interest received	**17,651**	15,214
Proceeds on disposal of property, plant and equipment	**7,949**	866
Repayment of the loan receivables	**50,000**	—
Government grants received	**—**	300
Additions of property, plant and equipment	**(119,108)**	(415,429)
Addition of prepaid lease payments	**—**	(18,859)
Decrease in restricted bank deposits	**88,119**	55,242
Increase in loan receivables	**—**	(50,000)
Net cash from (used in) investing activities	**44,611**	(412,666)
Financing activities		
Interest paid	**(144,481)**	(189,287)
Repayment of borrowings	**(1,436,180)**	(1,351,507)
Repayment of obligations under finance leases	**(46,869)**	(31,993)
Net proceeds from issue of short-term financing notes	**298,800**	—
New borrowings raised	**1,324,976**	1,456,895
Proceeds from sale and finance lease back transactions	**—**	53,000
(Decrease) increase in discounted bill financing	**(310,273)**	212,305
Dividends paid to owners of the Company	**—**	(16,854)
Repayment from related parties	**—**	(8,364)
Capital contribution by non-controlling shareholders of a subsidiary	**2,700**	—
Dividends paid to non-controlling shareholders of a subsidiary	**—**	(6)
Net cash (used in) from financing activities	**(311,327)**	124,189
Net increase in cash and cash equivalents	**10,304**	2,316
Cash and cash equivalents at beginning of the period	**258,391**	248,278
Cash and cash equivalents at end of the period	**268,695**	250,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation — Special Purpose Entities. IFRS10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

IFRS 11 Joint Arrangements

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

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

IFRS 13 Fair Value Measurement

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

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

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 26.

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

4. SEGMENT INFORMATION

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

(a) Segment result

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

Six months ended 30 June 2013

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

Six months ended 30 June 2012

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

4. SEGMENT INFORMATION *(continued)*

(b) Reconciliations of segment profit

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

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

(c) There is no material change in respect of the Group's segment assets and segment liabilities from the amounts reported in the Group's annual financial statements for the year ended 31 December 2012.

5. OTHER INCOME

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

Note: During the six months ended 30 June 2013, 山東世紀陽光紙業集團有限公司 (Shandong Century Sunshine Paper Group Co., Ltd.) ("Century Sunshine"), a subsidiary of the Company, was granted unconditional government subsidy of approximately RMB19,898,000 from local government (six months ended 30 June 2012:RMB 31,147,000). During the six months ended 30 June 2013, 昌樂昌東廢紙收購有限責任公司 (Changle Changdong Wastes Paper Recovery Co., Ltd), a subsidiary of the Company, was entitled to value-added tax refund of approximately RMB14,549,000 from local government (six months ended 30 June 2012: RMB16,119,000)

6. OTHER GAINS OR LOSSES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

7. FINANCE COSTS

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

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

8. INCOME TAX EXPENSES

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

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

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

8. INCOME TAX EXPENSES *(continued)*

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

No provision for Hong Kong Profit Tax has been made for the six months ended 30 June 2013 and 2012 as the Group did not have any assessable profit arising in Hong Kong during both periods.

9. PROFIT FOR THE PERIOD

Profit before tax has been arrived at after charging:

	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Wages and salaries	**64,943**	54,309
Retirement benefits schemes contributions	**6,753**	5,964
Equity-settled share-based payment	**65**	153
Total staff costs (including directors' emoluments)	**71,761**	60,426
Cost of inventories recognised as an expense	**1,508,990**	1,510,100
Depreciation of property, plant and equipment	**98,464**	95,251
Allowance for inventory	**—**	167
Release of prepaid lease payments	**2,441**	2,043
Auditor's remuneration	**1,161**	1,963

10. DIVIDENDS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

11. EARNINGS PER SHARE

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

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

	Six months ended 30 June 2013 '000	Six months ended 30 June 2012 '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	**—**	—
Number of ordinary shares for the purpose of diluted earnings per share	**802,588**	802,588

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

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

During the current interim period, other than the disposal of assets to Sunshine Oji set out in Note 17, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB 12,976,000 (six months ended 30 June 2012: RMB1,979,000) for proceeds of RMB7,949,000 (six months ended 30 June 2012: RMB866,000), resulting in a loss on disposal of RMB5,027,000 (six months ended 30 June 2012: RMB1,099,000).

In addition, during the current interim period, the Group incurred approximately RMB40,577,000 (six months ended 30 June 2012: RMB60,140,000) on the acquisition of property, plant and equipment and approximately RMB47,084,000 (six months ended 30 June 2012: RMB325,697,000) on construction in progress in order to maintain its manufacturing capabilities including interest capitalisation of approximately RMB1,927,000 (six months ended 30 June 2012: RMB12,341,000).

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

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 valuers 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 increase in fair value of investment properties of RMB 2,442,000 has been recognised directly in profit or loss for the six months ended 30 June 2013(six months ended 30 June 2012: nil).

As at 30 June 2013, the Group is in the process of obtaining the building certificates for two investment properties. In the opinion of the Directors, the Group is entitled to lawfully and validly occupy and use the above-mentioned properties without incurring significant additional cost in obtaining the building certificate.

13. PREPAID LEASE PAYMENTS

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 RMB92,947,000 (31 December 2012: RMB50,700,000) 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. LOAN RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Loan receivables	—	50,000

The amount bearing interest at a rate of 7.87% per annum was fully collected in the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

15. TRADE RECEIVABLES

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

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

16. BILLS RECEIVABLE

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
0–90 days	**289,871**	248,803
91–180 days	**301,516**	279,764
	591,387	528,567

As at 30 June 2013, the Group has discounted bills receivable of RMB251,426,000 (31 December 2012: RMB255,199,000) to banks with full recourse. The Group continues to recognise the full carrying amount of the bills receivable and has recognised the cash received upon the discounting as discounted bill financing (see Note 21).

17. INTEREST IN A JOINT VENTURE/ASSETS HELD FOR ESTABLISHMENT OF A JOINT VENTURE/ASSETS CLASSIFIED AS HELD FOR SALE

On 3 July 2012, Century Sunshine has entered into a joint venture agreement (the "First JV Agreement") with Dragon Chariot and Oji Paper, two independent third parties, for the establishment of Sunshine Oji. The principal activities of Sunshine Oji include the manufacture and sales of specialty paper, in particular, decorative paper, medical wrapping paper and cheque paper in the PRC. Pursuant to the First JV Agreement, upon establishment, Sunshine Oji will be owned as to 51% by Century Sunshine, 29% and 20% by the other two investors respectively. Sunshine Oji is jointly controlled by the Group and the other two investors by virtue of contractual arrangements among shareholders. Therefore, Sunshine Oji is classified as a joint venture of the Group. The registered capital of Sunshine Oji of RMB203 million will be contributed by Century Sunshine and the other two investors based on their respective interests in Sunshine Oji by either cash or non-cash assets. According to the First JV Agreement, Century Sunshine made its capital contribution by way of non-cash assets of RMB103,530,000, including land use rights amounting to RMB42,240,000 and buildings amounting to RMB61,290,000 which were acquired by Century Sunshine through an open auction on 8 December 2011.

As stated in the First JV Agreement, production facilities and equipment amounting to RMB99,470,000 acquired from an open auction by Century Sunshine will be sold by Century Sunshine to Sunshine Oji. In addition, additional equipment amounting to RMB58,080,000 was acquired by Century Sunshine on behalf of Sunshine Oji and was still being assembled and tested as at 31 December 2012. Accordingly, those assets have been classified as assets held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2012. Such equipment was sold to Sunshine Oji during the current interim period. No gain or loss arising from the disposal.

As at 30 June 2013, Sunshine Oji was still under trial-run stage operation, and as such, no profit or losses was recognised during the current interim period.

18. TRADE AND BILLS PAYABLES

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

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

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

19. 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 3 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 2013 RMB'000	At 31 December 2012 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**98,958**	95,372
Non-current liabilities	**144,896**	195,351
	243,854	290,723

Interest rates underlying all obligations under finance leases are floating rates based on the borrowing rates announced by the People's Bank of China.

19. OBLIGATIONS UNDER FINANCE LEASE *(continued)*

	Minimum lease payments		Present value of minimum lease payments	
	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Amounts payable under finance leases				
Within one year	**113,749**	113,749	**98,958**	95,372
In more than one year but not more than two years	**106,377**	113,749	**99,082**	102,680
In more than two years but not more than five years	**47,617**	97,182	**45,814**	92,671
	267,743	324,680	**243,854**	290,723
Less: future finance charges	**(23,889)**	(33,957)	**N/A**	N/A
Present value of lease obligations	**243,854**	290,723	**243,854**	290,723
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(98,958)**	(95,372)
Amount due for settlement after 12 months			**144,896**	195,351

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

20. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Derivative financial instruments is analysed as:		
Foreign currency forward contracts (note)	**1,034**	259

Note:

The Group entered into arrangements with various commercial banks in the PRC that the Group borrowed one year US dollar loans from these banks for settlement of its US dollar payable to suppliers denominated in US dollar. At the same time, the Group (a) placed one year Renminbi fixed deposits (amounted to the Renminbi equivalent of the respective amounts of US dollar loans plus interests thereon) to the banks as security against the US dollar loans, and (b) entered into non-delivery forward contracts with the banks to notional purchase US dollars (amounted to the US dollar loans plus interests thereon) by notionally selling Renminbi at predetermined forward rates (the "Arrangements").

At 30 June 2013, the US dollar loans of RMB36,933,000 (31 December 2012: RMB9,074,000) and fixed deposits denominated in Renminbi of RMB39,590,000 (31 December 2012: RMB9,560,000) under such Arrangements were included in bank borrowings and restricted bank deposits respectively.

During the period ended 30 June 2013, interest income on the fixed deposits of RMB370,000 (six months ended 30 June 2012: RMB522,000), exchange gain on US dollar loans of RMB269,000 (six months ended 30 June 2012: exchange loss of RMB47,000) are included in other gains and losses, while the interest expenses on US dollar loans of RMB201,000 (six months ended 30 June 2012: RMB558,000) are included in finance cost.

Major terms of foreign currency forward contracts as at the end of the reporting period are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
At 30 June 2013		
US$5,977,497.59	From July 2013 to April 2014	Buy US$/sell RMB at 6.2830 to 6.4753
At 31 December 2012		
US$1,443,638.39	From July 2012 to July 2013	Buy US$/sell RMB at 6.3918 to 6.4753

At 30 June 2013, the fair value of the Group's foreign currency forward contracts was estimated to be a financial liability of RMB1,034,000 (31 December 2012: RMB259,000). The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts, which were provided by the counterparty financial institutions at the end of the reporting period. The loss on change in fair value of the foreign currency forward contracts amounting to RMB1,058,000 (six months ended 30 June 2012: gain on change in fair value of RMB161,000) has been recognised in the profit or loss for the period.

The US dollar loans are of fixed interest rates at 3.25% per annum as at 30 June 2013 (31 December 2012: 3.25%).

21. DISCOUNTED BILL FINANCING

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

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

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

22. BANK BORROWINGS

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

23. SHORT-TERM FINANCING NOTES

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

24. SHARE-BASED PAYMENTS

The detailed information of share options adopted by the Group was the same as those disclosed in the Group's consolidated financial statements for the year ended 31 December 2012.

During the current interim period, there is no exercise of existing outstanding share options, of which 800,000 share options were lapsed and no new share options are granted by the Group. As at 30 June 2013, the outstanding number of share options is 1,600,000 (31 December 2012: 2,400,000).

The Group recognised an expense of RMB65,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB153,000) in relation to share options granted by the Group.

25. CAPITAL COMMITMENTS

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**121,109**	142,064

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis are set out below.

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	30/6/2013	31/12/2012		
Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	**Foreign currency forward contracts: RMB1,034,000.**	Foreign currency forward contracts: RMB259,000.	Level 2	Discounted cash flow. Key inputs are quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts, which were provided by the counterparty financial institutions at the end of the reporting period.

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

27. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Sales of electricity and steam to a non-controlling shareholder of a subsidiary	**50,764**	57,008

During the current interim period, the Company purchased certain wood pulp on behalf of Sunshine Oji as an agent and then sold it for RMB16,445,000 to Sunshine Oji for its trial-run activities in 2013, with the resulting net gain amounting to RMB329,000.

As disclosed in Note 17, Century Sunshine contributed land use rights amounting to RMB42,240,000 and buildings amounting to RMB61,290,000 to Sunshine Oji, and disposed production facilities and equipment amounting to RMB157,750,000 to Sunshine Oji during the current interim period. No gain or loss arising from the disposal.

(b) Balance with related parties

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables from		
a joint venture	**19,240**	—
a non-controlling shareholder of a subsidiary	**5,741**	9,699
	24,981	—
Other receivable from		
a joint venture (note)	**255,774**	—

Note: Included in this balance, there was an outstanding balance of RMB157,550,000 arising from the disposal of the production facilities and equipment as disclosed in Note 17. The remaining balance represented the amount paid by the Group on behalf of the joint venture for the trial-run activities of the joint venture. The amount due from a joint venture will be repayable within12 months from the end of the reporting period.

27. 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 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Short term employee benefit	**1,958**	1,090
Retirement benefit scheme contributions	**11**	10
Equity-settled share-based payments	**65**	153
	2,034	1,253

28. EVENT AFTER THE END OF THE INTERIM PERIOD

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