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I. Important Notice

The board (the “Board”) of directors of Shandong Chenming Paper Holdings Limited (the “Company”), its supervisory committee (the “Supervisory Committee”), its directors (the “Directors”), its supervisors (the “Supervisors”) and its senior management (the “Senior Management”) hereby warrant that there are no false representations, misleading statements or material omissions contained in this report (the “Report”), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of the Report. The Report has been prepared in both Chinese and English. For any discrepancies, the Chinese version shall prevail.

Chen Hongguo, the chairman of the Company (the “Chairman”), Wang Chunfang, the financial controller of the Company and Liu Jun, head of the financial department, declare that they warrant the truthfulness and completeness of the financial statements in the 2012 interim report.

All Directors were present through means of communication in the thirteen meeting of the sixth session of the Board of the Company at which this interim report was reviewed and approved.

The interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, which was prepared in accordance with Accounting Standards for Business Enterprises, were unaudited.

II. Company Overview

(I) Company information

A share stock code	000488	B share stock code	200488	H share stock code	1812
A share stock abbreviation	晨鸣纸业	B share stock abbreviation	晨鸣 B	H share stock abbreviation	Chenming Paper
Stock exchanges of listed shares	Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited				
Legal name in Chinese of the Company	山东晨鸣纸业集团股份有限公司				
Legal short name in Chinese of the Company	晨鸣纸业				
Legal name in English of the Company	SHANDONG CHENMING PAPER HOLDINGS LIMITED				
Legal short name in English of the Company	SCPH				
Legal representative of the Company	Chen Hongguo				
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China				
Postal code of registered address	262700				
Office address	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China				
Postal code of office address	262700				
International website of the Company	http://www.chenmingpaper.com				
Email address	chenmmingpaper@163.com				

(II) Contact person and contact method

	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
Name	Hao Yun	Fan Yingjie	Poon Shiu Cheong
Correspondence Address	No. 595 Shengcheng Road, Shouguang City, Shandong Province, PRC	No. 595 Shengcheng Road, Shouguang City, Shandong Province, PRC	22nd Floor, World Wide House, Central, Hong Kong
Telephone	0536-2158011.0536-2156488	0536-2158011.0536-2156488	852-2501 0088
Facsimile	0536-2158640	0536-2158640	852-2501 0028
Email address	chenmmingpaper@163.com	chenmmingpaper@163.com	kentpoon_1009@yahoo.com.hk

(III) Information disclosure and places for inspection

Designated Newspapers for Information Disclosure	China Securities Journal and Hong Kong Commercial Daily
Designated Websites for the Publication of the Interim Report as approved by China Securities Regulatory Commission	http://www.cninfo.com.cn and http://www.hkex.com.hk
Places for Inspection of the Company's Interim Report	Capital operation department of the Company

III. Summary of major accounting data and operation data

(I) Major accounting data and financial indicators

Retrospective adjustments to the financial statements of prior reporting periods

☐ Yes ☒ No ☐ Not applicable

Major accounting data

Major accounting data	The reporting period (January to June)	The same period of the prior year	Increase/decrease for the reporting period compared to the same period of the prior year (%)
Total revenue (RMB)	9,964,451,535.04	8,917,455,355.14	11.74%
Operating profit (RMB)	-208,643,946.44	473,928,647.41	-144.02%
Total profit (RMB)	12,518,767.02	593,538,893.05	-97.89%
Net profit attributable to shareholders of the Company (RMB)	94,244,962.85	483,549,691.40	-80.51%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	-103,989,811.77	382,038,739.41	-127.22%
Net cash flows from operating activities (RMB)	661,084,701.87	737,643,905.04	-10.38%
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period compared to the end of the prior year (%)
Total assets (RMB)	46,856,345,791.89	45,630,828,967.03	2.69%
Equity attributable to shareholders of the Company (RMB)	13,313,408,004.75	13,528,622,319.91	-1.59%
Share capital (shares)	2,062,045,941.00	2,062,045,941.00	0%

III. Summary of major accounting data and operation data

(I) Major accounting data and financial indicators (Cont'd)

Major financial indicators

Major financial indicators	The reporting period (January to June)	The same period of the prior year	Increase/decrease for the reporting period compared to the same period of the prior year
Basic earnings per share (RMB/share)	0.05	0.23	-78.26%
Diluted earnings per share (RMB/share)	0.05	0.23	-78.26%
Basic earnings per share after extraordinary gains or losses (RMB/share)	-0.05	0.19	-126.32%
Fully diluted return on net assets (%)	0.71%	3.61%	-2.9%
Weighted average return on net assets (%)	0.7%	3.51%	-2.81%
Fully diluted return on net assets after extraordinary gains or losses (%)	-0.78%	2.85%	-3.63%
Weighted average return on net assets after extraordinary gains or losses (%)	-0.77%	2.78%	-3.55%
Net cash flows per share from operating activities (RMB/share))	0.32	0.36	-11.11%
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period compared to the end of the prior year (%)
Net assets per share attributable to shareholders of the Company (RMB/share)	6.46	6.56	-1.52%
Gearing ratio (%)	68.68%	67.15%	1.53%

(II) Differences in accounting data under domestic and overseas accounting standards

- Differences between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report
☐ Applicable ☒ Not applicable
- Differences between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report
☐ Applicable ☒ Not applicable
- Breakdown of items with substantial differences
 Nil
- Explanation of differences in accounting data under domestic and overseas accounting standards
 Nil

III. Summary of major accounting data and operation data

(III) Items and amounts after extraordinary gains or losses

√ Applicable □ Not applicable

Item	Amount (RMB)	Explanation
Profit or loss from disposal of non-current assets	1,931,468.26	
Tax rebate or tax concessions with ultra vires approval or without official approval documents		
Government grants accounted for in profit and loss account of the current period (except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State)	175,517,398.94	
Fees charged to profit or loss for the current period received from non-financial institutions for utilisation of funds		
Profit or loss arising from investment costs for acquisition of subsidiaries, associates and joint-ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition		
Gain or loss on non-monetary assets swap		
Gain or loss on assets invested or managed under entrustment		
Impairment provisions for various assets due to force majeure such as natural disasters		
Net gains and losses from debt restructuring	10,000,000.00	
Corporate restructuring fees such as expenses for severance payments for staff and consolidation fees		
Profit or loss in excess of the fair value portion arising from transactions with obvious unfair transaction prices		
Net profit or loss arising from subsidiaries formed from business combination under common control from the beginning of the year to the combination date		
Profit or loss arising from contingent items unrelated to the normal course of business of the Company		
Except for effective hedging business conducted over the course of ordinary operation of the Company, profit or loss arising from fair value change in financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading and financial liabilities held for trading and available-for-sale financial assets		
Reversal of impairment provision on receivables tested for impairment on individual basis		
Gain or loss on externally entrusted loans		
Gains or losses from changes in fair value of investment property adopting fair value method for subsequent measurement		
Effect on profit or loss for the current period from one-off adjustments to profit or loss for the current period made pursuant to taxation and accounting laws and regulations, etc.		
Entrustment fees received from entrusted business		
Non-operating gains and losses other than the above items	29,518,387.76	
Other profit or loss items within the definition of non-recurrent profit or loss	15,457,198.72	
Effect of minority interests	-992,841.11	
Effect of income tax	-33,196,837.95	
Total	198,234,774.62	

III. Summary of major accounting data and operation data

(III) Items and amounts after extraordinary gains or losses (Cont'd)

The Company's explanation of "other profit or loss items within the definition of non-recurrent profit or loss" and defining non-recurrent profit or loss items as recurrent profit or loss items based on the nature and characteristics of its own normal business operations

Item	Amount involved (RMB)	Explanation
Gains or losses from changes in fair value of biological assets adopting fair value method for subsequent measurements	15,457,198.72	The Company adopted fair value method for subsequent measurement of timber resources

IV. Changes in share capital and shareholders

(I) Changes in share capital

1. Tabel illustrating changes in shares

√ Applicable □ Not applicable

	Opening balance		Change during the reporting period (Increase/decrease)					Closing balance	
	Amounts	Percentage	New issue	Bonus shares	Shares transferred from reserve	Others	Sub-total	Amounts	Percentage
I. Restricted shares	302,211,557	14.66%				-110,025	-110,025	302,101,532	14.65%
1. State-owned shares									
2. State-owned legal person shares	293,003,657	14.21%						293,003,657	14.21%
3. Other domestic shares									
of which: Domestic legal person shares									
Domestic natural person shares									
4. Foreign shares									
of which: Overseas legal person shares									
Overseas natural person shares									
5. Shares held by the Senior Management	9,207,900	0.45%				-110,025	-110,025	9,097,875	0.44%
II. Non-restricted shares	1,759,834,384	85.34%				110,025	110,025	1,759,944,409	85.35%
1. RMB ordinary shares	811,066,899	39.33%				110,025	110,025	811,176,924	39.34%
2. Domestic listed foreign shares	557,497,485	27.04%						557,497,485	27.04%
3. Overseas listed foreign shares	391,270,000	18.97%						391,270,000	18.97%
4. Others									
III. Total number of shares	2,062,045,941	100%						2,062,045,941	100%

Approval of changes in shareholding (If applicable)

Not applicable

Transfer of shares arising from changes in shareholding

According to the Practice Guidance for the Management of the Company's shares held by the directors, supervisors and senior management of the listed companies of Shenzhen Stock Exchange (《深圳證券交易所上市公司董事、監事和高級管理人員所持本公司股份管理業務操作指南》), all the shares held by a former Senior Management member were due for release during the reporting period, the restricted RMB ordinary shares (A shares) changed to non-restricted shares and amounted to 110,025 shares.

The effects of changes in shareholding on financial indicators such as earnings per share and net assets per share in the latest period (if any): Nil

Other information considered necessary by the Company or required by the securities regulation authorities to be disclosed: Nil

IV. Changes in share capital and shareholders

2. Changes in restricted shares

√ Applicable □ Not applicable

Names of shareholders	Opening balance of restricted shares	Restricted shares released during the period	Restricted shares increased during the period	Closing balance of restricted shares	Reason for restriction	Date of release from restriction
Shouguang Chenming Holdings Company Limited	293,003,657	0	0	293,003,657	Restriction under the Reform of Non-tradable shares	29 March 2010
Shares held by Senior Management of the Company	9,207,900	110,025	0	9,097,875	Lock-up of shares held by Senior Management of the Company	Released under the relevant requirements of Shenzhen Stock Exchange
Total	302,211,557	110,025	0	302,101,532	—	—

(II) Issuance and listing of securities

1. Issuance of securities in the last three years

√ Applicable □ Not applicable

Names of share and its derivative	Issue date	Issue price (RMB/share)	Amount issued	Listing date	Amount approved for listed trading	Termination date for transaction
Shares						
Convertible corporate bonds, bonds with warrants and corporate bonds						
Corporate bonds	6 July 2011	100.00	20,000,000.00	8 August 2011	20,000,000.00	
Warrants						

Explanation of issue of securities in the last three years

In July 2011, the Company issued a total of 20 million corporate bonds totalling RMB2.0 billion with a face value of RMB100 each at an issue price of RMB100 and a coupon rate of 5.95%, raising a total of RMB2.0 billion. After deducting RMB18 million of expenses, the net proceeds raised amounted to RMB1.982 billion. As of 31 December 2011, RMB1.982 billion of the funds raised were used, among which about RMB382 million for providing additional liquidity and about RMB1.6 billion for repaying bank loans, mainly of which were loans from financial institutions.

2. Changes in the total number and structure of shares and the resulting changes in the structure of the assets and liabilities of the Company

□ Applicable √ Not applicable

3. Existing staff shares

□ Applicable √ Not applicable

IV. Changes in share capital and shareholders

(III) Shareholders and actual controllers

1. Total number of shareholders at the end of the reporting period

The total number of shareholders at the end of the reporting period was 162,293.00.

2. Shareholdings of the top ten shareholders

Shareholdings of the top ten shareholders				Shares pledged or locked-up	
Name of shareholders	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Number of restricted shares held	Status of shares Number
HKSCC Nominees Limited	Overseas legal person	18.9%	389,710,500	0	0
Shouguang Chenming Holdings Company Limited	State-owned legal person	14.21%	293,003,657	293,003,657	0
PLATINUM ASIA FUND	Overseas legal person	2.11%	43,480,377	0	0
TAIFOOK SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	Overseas legal person	2.09%	43,173,883	0	0
BILL & MELINDA GATES FOUNDATION TRUST	Domestic non-state-owned legal person	1.36%	28,121,967	0	0
China Life Insurance Company Limited	Domestic non-state-owned legal person	0.86%	17,819,798	0	0
– Dividend – Individual Dividend					
– 005L -FH002 Shenzhen					0
Caisse de dépôt et placement du Québec	Domestic non-state-owned legal person	0.35%	7,308,567	0	0
Chen Hongguo	Domestic natural person	0.31%	6,334,527	4,750,895	0
LSV EMERGING MARKETS EQUITY FUND, L.P.	Overseas legal person	0.3%	6,102,800	0	0
VICTORIAN FUNDS MANAGEMENT CORPORATION ATF VFM EMGMKTS TRT	Overseas legal person	0.3%	6,086,106	0	0
Explanatory note to shareholders					

Shareholdings of the top ten shareholders of non-restricted shares

✓ Applicable □ Not applicable

Class and number of shares			
Name of shareholders	Number of non-restricted shares held as at the end of the period	Class	Number
HKSCC Nominees Limited	389,710,500	H share	389,710,500
PLATINUM ASIA FUND	43,480,377	B share	43,480,377
TAIFOOK SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	43,173,883	B share	43,173,883
BILL & MELINDA GATES FOUNDATION TRUST	28,121,967	A share	28,121,967
China Life Insurance Company Limited			
– Dividend – Individual Dividend			
– 005L -FH002 Shenzhen	17,819,798	A share	17,819,798
Caisse de dépôt et placement du Québec	7,308,567	A share	7,308,567
Chen Hongguo	6,334,527	A share	6,334,527
LSV EMERGING MARKETS EQUITY FUND, L.P.	6,102,800	B share	6,102,800
VICTORIAN FUNDS MANAGEMENT CORPORATION ATF VFM EMGMKTS TRT	6,086,106	B share	6,086,106
GE Asset Management Incorporated			
– GEAM China A Share Trust Fund	5,944,347	A share	5,944,347

Connected relationship or concert-party relationship among the above shareholders

Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected with any of the shareholders above. It is not a person acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. It is not aware whether any other shareholders of outstanding shares are persons acting in concert and is also not aware whether any other shareholders of outstanding shares are connected with each other.

IV. Changes in share capital and shareholders

3 Controlling shareholders and beneficial controllers

(1) Change of controlling shareholders and beneficial controllers

☐ Applicable ☒ Not applicable

(2) Profile of the controlling shareholder and beneficial controller

Whether there is any new beneficial controller

☐ Yes ☒ No ☐ Not applicable

Name of beneficial controller	State-owned Assets Supervision and Administration Commission of Shouguang City
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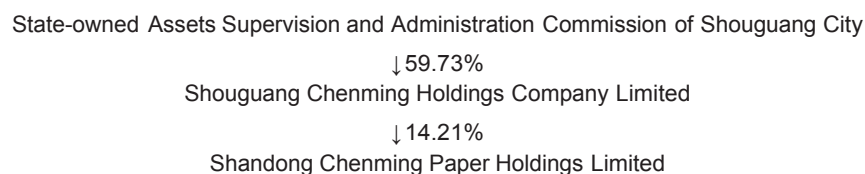
Type of beneficial controller	Local State-owned Assets Supervision and Administration Commission
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Explanation of the situation

The controlling shareholder of the Company, Shouguang Chenming Holdings Company Limited (hereinafter referred to as "Chenming Holdings"), was established on 30 December 2005 with registered capital of RMB1.685 billion. Its legal representative is Chen Hongguo and its scope of business is investment in paper-making, electricity, steam and forestry projects. As at the end of the reporting period, it held 293,003,657 state-owned legal person shares, representing 14.21% of the total share capital of the Company.

State-owned Assets Supervision and Administration Commission of Shouguang City is the controlling shareholder of Chenming Holdings, holding 59.73% equity interests in Chenming Holdings. Person in charge of the unit is Zhang Yuhua. Scope of business is administration and supervision of state-owned assets, properties and titles belonging to Shouguang City.

(3) Chart illustrating the relationship between the Company and the beneficial controllers



(4) Beneficial controller controlling the Company through trust or other asset management method

☐ Applicable ☒ Not applicable

IV. Changes in share capital and shareholders

4. The Company's substantial shareholders' and other persons' interest in shares or debentures

As at 30 June 2012, the following shareholders (other than the directors, supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held	Approximate shareholding as a percentage of (%)	
		Total share capital	Class of shares
Shouguang Chenming Holdings Company Limited	293,003,657 A shares (L)	14.21	26.32
The National Social Security Fund Council	35,570,000 H shares (L)	1.73	9.09
Zhong Hong (HK) Investment Limited	35,388,500 H shares (L)	1.72	9.04
FIL Limited	23,323,500 H shares (L)	1.13	5.96

(L) – Long position (S) – Short position (P) – Lending pool

Save as disclosed above, as at 30 June 2012, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

5. Purchase, sale and redemption of shares

The Group did not purchase, sell or redeem any listed outstanding securities of the Company during the reporting period.

6. Other legal person shareholders with more than 10% shareholdings

☐ Applicable ☒ Not applicable

(IV) Convertible bonds

☐ Applicable ☒ Not applicable

V Directors, Supervisors and Senior Management

(I) Changes in shareholdings of the Directors, Supervisors and Senior Management

													Specify whether or not he/she received any remuneration from any shareholder of the Company or any other related parties
Name	Position	Sex	Age	Start date of the term	End date of the term	Shares held as at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Shares held as at the end of the period (shares)	Of which: number of restricted shares held (shares)	Share options held as at the end of the period (shares)	Reason for change	
Chen Hongguo	Chairman and general manager	M	47	12 April 2010	12 April 2013	6,334,527	0	0	6,334,527	4,750,895	0		No
Yin Tongyuan	Vice Chairman	M	54	12 April 2010	12 April 2013	2,423,640	0	0	2,423,640	1,817,730	0		No
Li Feng	Director, deputy general manager and deputy marketing director	M	39	12 April 2010	12 April 2013	471,818	0	0	471,818	353,863	0		No
Geng Guanglin	Director, deputy general manager	M	38	12 April 2010	12 April 2013	437,433	0	0	437,433	328,075	0		No
Tan Daocheng	Director	M	45	12 April 2010	12 April 2013	185,700	0	0	185,700	139,275	0		No
Hou Huancai	Director	M	50	12 April 2010	12 April 2013	628,915	0	0	628,915	471,686	0		No
Zhou Shaohua	Director	M	50	12 April 2010	12 April 2013	123,007	0	0	123,007	92,255	0		No
Cui Youping	Director	M	48	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Wang Xiaoqun	Director	M	56	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Wang Fengrong	Director	F	43	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Zhang Zhiyuan	Independent Director	M	49	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Wang Aiguo	Independent Director	M	48	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Zhang Hong	Independent Director	F	47	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Wang Yumei	Independent Director	F	49	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Wang Xiangfei	Independent Director	M	61	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Gao Junjie	Supervisor	M	41	12 April 2010	12 April 2013	39,606	0	0	39,606	29,704	0		No
Wang Ju	Supervisor	F	46	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Yang Hongqin	Supervisor	F	44	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Yin Qixiang	Supervisor	M	74	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Guo Guangyao	Supervisor	M	69	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Li Xueqin	Deputy general manager	F	46	12 April 2010	12 April 2013	429,348	0	0	429,348	322,011	0		No
Hao Yun	Deputy general manager and secretary to the Board	M	49	12 April 2010	12 April 2013	708,441	0	0	708,441	531,331	0		No
Wang Shihong	Deputy general manager	M	48	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Zhang Yanjun	Deputy general manager	M	46	12 April 2010	12 April 2013	102,393	0	0	102,393	76,795	0		No
Hu Changqing	Deputy general manager	M	46	12 April 2010	12 April 2013	1,238	0	0	1,238	0	0		No
Zhang Chunlin	Deputy general manager	M	43	12 April 2010	12 April 2013	245,674	0	0	245,674	184,255	0		No
Chang Liting	Deputy general manager	M	58	30 March 2011	12 April 2013	0	0	0	0	0	0		No
Xia Jigang	Deputy general manager	M	36	30 March 2011	12 April 2013	0	0	0	0	0	0		No
Li Zhenzhong	Deputy general manager	M	38	30 March 2011	12 April 2013	0	0	0	0	0	0		No
Wang Chunfang	Financial controller	M	36	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Poon Shiu Cheong	Company secretary	M	42	12 April 2010	12 April 2013	0	0	0	0	0	0		No
Total	--	--	--	--	--	12,131,740	0	0	12,131,740	9,097,875	0	--	--

Directors, Supervisors and Senior Management granted share options as incentives during the reporting period

☐ Applicable ☒ Not applicable

V Directors, Supervisors and Senior Management

(II) EQUITY INTERESTS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FILED IN COMPLIANCE WITH SFO

As at 30 June 2012, the interests held by each of the Directors, Supervisors and Chief Executives of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, are set out as follows:

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Executive Director	6,334,527
Yin Tongyuan	Executive Director	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Tan Daocheng	Executive Director	185,700
Hou Huancai	Executive Director	628,915
Zhou Shaohua	Executive Director	123,007
Cui Youping	Non-Executive Director	0
Wang Xiaoqun	Non-Executive Director	0
Wang Fengrong	Non-Executive Director	0
Wang Yumei	Independent Non-Executive Director	0
Zhang Hong	Independent Non-Executive Director	0
Wang Aiguo	Independent Non-Executive Director	0
Wang Xiangfei	Independent Non-Executive Director	0
Zhang Zhiyuan	Independent Non-Executive Director	0
Supervisors		
Gao Junjie	Supervisor representing the shareholders	39,606
Guo Guangyao	Supervisor representing the shareholders	0
Yin Qixiang	Supervisor representing the shareholders	0
Wang Ju	Supervisor representing the employees	0
Yang Hongqin	Supervisor representing the employees	0

V Directors, Supervisors and Senior Management

(II) EQUITY INTERESTS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FILED IN COMPLIANCE WITH SFO (Cont'd)

Associated corporations

Name	Position	Name of associated corporation	Number of shares held as at the beginning of the reporting period (shares)	Change during the reporting period (+/-)	Number of shares held as at the end of the reporting period (shares)
Chen Hongguo (Note 2)	Chairman	Shouguang Chenming Holdings Company Limited	231,000,000	—	231,000,000

Note 1: Save as the 6,334,527 A Shares personally held, Chen Hongguo was also deemed to be interested in the 429,348 A Shares held by Li Xueqin, his spouse.

Note 2: Chen Hongguo and his spouse, Li Xueqin, collectively held 43% equity interests in Shouguang Henglian Enterprise Investment Co. Ltd. (hereinafter referred to as "Shouguang Henglian"). As a result, Shouguang Henglian was deemed to be controlled by Chen Hongguo. As such, the 231,000,000 shares in Chenming Holdings (approximately 13.71% of the total share capital of Chenming Holdings) held by Shouguang Henglian was also deemed to be held by Chen Hongguo.

Save as disclosed above, as at 30 June 2012, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules").

As at 30 June 2012, none of each of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

(III) Employment

Employment at the shareholder of the Company

√ Applicable □ Not applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from shareholder of the Company
Chen Hongguo	Shouguang Chenming Holdings Company Limited	Chairman and General Manager	20 September 2010	20 September 2013	No
Yin Tongyuan	Shouguang Chenming Holdings Company Limited	Director	20 September 2010	20 September 2013	No
Geng Guanglin	Shouguang Chenming Holdings Company Limited	Director	20 September 2010	20 September 2013	No
Tan Daocheng	Shouguang Chenming Holdings Company Limited	Director	20 September 2010	20 September 2013	No
Li Xueqin	Shouguang Chenming Holdings Company Limited	Director	20 September 2010	20 September 2013	No
Gao Junjie	Shouguang Chenming Holdings Company Limited	Supervisor	20 September 2010	20 September 2013	No

Explanation of the employment at the shareholder of the Company

V Directors, Supervisors and Senior Management

(III) Employment (Cont'd)

Employment at other units

√ Applicable □ Not applicable

Name of employee	Name of the other unit	Position at the other unit	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from the other unit
Zhang Hong	Shandong Haihua Company Limited	Independent director	27 April 2011	27 April 2014	Yes
	Zhongtong Bus & Holding Co., Ltd.	Independent director	27 December 2010	27 December 2013	Yes
	Shandong Xinneng Taishan Power Generation Co., Ltd.	Independent director	27 May 2011	27 May 2014	Yes
	Shandong Gettop Acoustic Co., Ltd.	Independent director	5 October 2011	5 October 2014	Yes
Zhang Zhiyuan	Shandong Tyan Home Co., Ltd.	Independent director	26 June 2008	26 June 2014	Yes
Wang Aiguo	Shandong Iron and Steel Co., Ltd.	Independent director	10 April 2012	10 April 2015	Yes
	China Corn Oil Company Limited	Independent director	23 November 2009	23 November 2012	Yes
	Hisense Kelon Electrical Holdings Co. Ltd.	Independent director	20 January 2011	20 January 2014	Yes
	Shangdong Zhanqiu Blower Co., Ltd.	Independent director	12 July 2012	12 July 2015	Yes
Wang Xiangfei	China CITIC Bank Corporation Limited	Independent director	29 June 2009	29 June 2012	Yes
	SEEC Media Group Limited	Independent director	21 June 2010	21 June 2013	Yes
	Nan Nan Resources Enterprise Limited	Executive director	19 March 2011	19 March 2014	Yes
	Shenzhen Rural Commercial Bank	supervisor	31 March 2012	31 March 2015	Yes
Explanation of the employment at the other unit	All the above four persons were independent directors of the Company.				

V Directors, Supervisors and Senior Management

(IV) Remuneration of Directors, Supervisors and Senior Management

Decision process for the remuneration of Directors, Supervisors and Senior Management	The remuneration plans of the Directors, Supervisors and Senior Management of the Company were assessed by the Remuneration Committee of the Board based on the performance of their management responsibilities and performance appraisal as well as the importance of the post, and considered and approved by the Board.
Basis for determining the remuneration of Directors, Supervisors and Senior Management	The remuneration of the Directors, Supervisors and Senior Management of the Company were paid through monthly salary and annual incentive award in accordance with the labour, personnel and salary management systems formulated by the Company.
Actual payment for the remuneration of Directors, Supervisors and Senior Management	Paid on a monthly basis

(V) Change of Directors, Supervisors and Senior Management of the Company

There was no change of Directors, Supervisors and Senior Management of the Company during the reporting period.

(VI) Personnel of the Company

Staff number	17,241.00
Number of ex-employees or retired employees for whom the Company had obligations	10.00
Speciality composition	Number in the speciality composition
Production staff	12,564.00
Sales staff	1,020.00
Technical staff	2,211.00
Financial staff	225.00
Administrative staff	1,221.00
Education level	Number (person)
Type of education level	
Doctor	1.00
Master	22.00
Bachelor	1,145.00
Post-secondary	3,229.00
Senior secondary and below	12,844.00

Explanation of the personnel of the Company: The Company had obligations for 10 retired employees.

VI. Directors' report

(I) Management discussion and analysis

1. General overview during the reporting period

In the first half of 2012, the paper industry was affected by the macroeconomic environment due to the significant slowdown of the national economic growth. Imbalance in supply and demand resulted from a slump in many industries and the market demand was continuously weak with excess new production capacity of some paper products made available. During the reporting period, the paper industry remained in the doldrums, and both the price of raw materials and the price of products fell. Compared to the same period of last year, the profitability of the principal activities declined during the reporting period, and the gross profit margin of paper products was lower than that of the same period of last year.

2. Production and operation

During the reporting period, the Company achieved machine-made paper production of 2.04 million tonnes and sales of 1.92 million tonnes, an increase of 22.42% and 22.41% over the same period of last year respectively. Revenue from operations amounted to RMB9.965 billion, an increase of 11.74% over the same period of last year. Operating profit was RMB-209 million, a decrease of 144.02% over the same period last year. Net profit attributable to shareholders was RMB94 million, a decrease of 80.51% over the same period of last year. It was mainly due to a decline in the gross profit margin during the reporting period over the same period of last year arising from the doldrums in the industry in the first half of 2012.

Analysis of the Company's assets and liabilities during the reporting period

				Unit: RMB
Item	2012.6.30	2011.12.31	Change (%)	Reason for the change
Prepayments	1,045,146,661.71	764,880,237.90	36.64%	(1)
Other receivables	238,050,762.42	325,550,913.72	-26.88%	(2)
Construction in progress	3,491,069,182.47	2,618,039,624.85	33.35%	(3)
Construction materials	83,223,466.14	61,924,581.85	34.39%	(3)
Deferred income tax assets	257,330,993.15	174,026,534.27	47.87%	(4)
Bills payable	1,654,218,054.43	615,327,402.85	168.84%	(5)
Advance receipts	351,160,489.96	231,428,013.45	51.74%	(6)
Staff remuneration payable	196,886,749.84	147,063,891.65	33.88%	(7)
Interest payable	172,073,207.37	106,854,702.74	61.03%	(8)
Dividend payable	309,306,891.20		100.00%	(9)
Non-current liabilities due within one year	1,785,251,433.52	1,203,616,858.22	48.32%	(10)
Other non-current liabilities	3,542,607,521.90	2,444,093,897.14	44.95%	(11)

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

2. Production and operation (Cont'd)

Explanation leading to the major changes:

- (1) Prepayments increased by 36.64% as compared to the beginning of the year mainly due to an increase in the advance payment for materials made by the Company.
- (2) Other receivables decreased by 26.88% as compared to the beginning of the year mainly due to receipt of proceeds from disposal of Chibi Chenming and Xianning Chenming in the year 2011 in accordance with the provisions of the contracts during that reporting period.
- (3) Construction in progress increased by 33.35% as compared to the beginning of the year, and construction materials increased by 34.39% as compared to the beginning of the year mainly due to the investments in the white coated linerboard project and the demolition and relocation of Jilin Chenming by the Company.
- (4) Deferred income tax assets increased by 47.87% as compared to the beginning of the year mainly due to the market downturn at the macroeconomic level and in the paper making industry level, some companies generated deferred income tax, which could be used for offsetting for losses.
- (5) Bills payable increased by 168.84% as compared to the beginning of the year mainly due to an increase in bank acceptance bills issued by the Company for payment for goods during the reporting period.
- (6) Advance receipts increased by 51.74% as compared to the beginning of the year mainly due to an increase in advance receipts for goods resulting from an increase in market development efforts by the Company.
- (7) Staff remuneration payables increased by 33.88% as compared to the beginning of the year mainly due to an increase in unpaid staff remuneration.
- (8) Interest payable increased by 61.03% as compared to the beginning of the year mainly due to the provision of interest on medium-term notes and corporate bonds by the Company.
- (9) The closing balance of dividend payable was RMB309,306,891.20 mainly due to the payment of unpaid dividend declared by the Company.
- (10) Non-current liabilities due within one year increased by 48.32% as compared to the beginning of the year mainly due to an increase in long-term borrowings due within one year by the Company.
- (11) Other non-current liabilities increased by 44.95% mainly due to the issue of medium-term notes of RMB1.1 billion during the reporting period.

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

2. Production and operation (Cont'd)

Analysis and explanation of the major changes in the profit and loss indicators during the reporting period as compared to the same period last year

Unit: RMB

Item	2012.6.30	2011.6.30	Change (%)	Reason for the change
Revenue from operations	9,964,451,535.04	8,917,455,355.14	11.74%	(1)
Operating costs	8,500,512,936.03	7,382,759,124.49	15.14%	(2)
Selling and distribution expenses	535,959,288.53	438,518,128.62	22.22%	(3)
General and administrative expenses	562,794,713.60	471,238,564.30	19.43%	(4)
Finance expenses	541,285,654.45	153,592,178.50	252.42%	(5)
Loss on impairment of assets	13,436,773.17	-21,425,466.16	162.71%	(6)
Gain on change in fair value	15,457,198.72	3,715,429.62	316.03%	(7)
Investment income	-2,716,529.31	9,553,661.98	-128.43%	(8)
Non-operating income	223,467,731.90	145,947,362.89	53.12%	(9)
Non-operating expenses	2,305,018.44	26,337,117.25	-91.25%	(10)
Total profit	12,518,767.02	593,538,893.05	-97.89%	(11)
Income tax	-12,866,933.23	96,723,898.32	-113.30%	(11)
Net profit	25,385,700.25	496,814,994.73	-94.89%	(11)
Net profit attributable to				
shareholders of the Company	94,244,962.85	483,549,691.40	-80.51%	(11)
Minority interests	-68,859,262.60	13,265,303.33	-619.09%	(11)

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

2. Production and operation (Cont'd)

Analysis and explanation of the major changes in the profit and loss indicators during the reporting period as compared to the same period last year (Cont'd)

Explanation leading to the major changes:

- (1) Revenue from operations increased by 11.74% as compared to the same period of last year mainly due to an increase in revenue caused by growth in sales resulting from an expansion in the scale of the Company.
- (2) Operating costs increased by 15.14% as compared to the same period of last year mainly due to an increase in revenue caused by growth in sales resulting from an expansion in the scale of the Company.
- (3) Selling and distribution expenses increased by 22.22% as compared to the same period of last year mainly due to an increase in transportation costs as a result of sales growth.
- (4) General and administrative expenses increased by 19.43% as compared to the same period of last year mainly due to an increase in technology research and development expenses resulting from an increase in investments in research and development by the Company.
- (5) Finance expenses increased by 252.42% as compared to the same period of last year mainly due to the capitalised interest of the original loan being expensed during the reporting period upon completion of the 800,000-tonne coated paper project and the Zhanjiang pulp project of the Company.
- (6) Loss on impairment of assets increased by 162.71% as compared to the same period of last year mainly due to an increase in the bad debt provisions during the reporting period as compared to same period of last year as a result of a change in the accounts receivable.
- (7) Gain on change in fair value increased by 316.03% as compared to the same period of last year mainly due to a change in the fair value of timber assets.
- (8) Investment income decreased by 128.43% as compared to the same period of last year mainly due to the income of RMB13.31 million arising from disposal of Heze Chenming Panels and Lindun Forestry in the prior period.
- (9) Non-operating income increased by 53.12% as compared to the same period of last year mainly due to receipt of more government grants during the reporting period as compared to the prior period.
- (10) Non-operating expenses decreased by 91.25% as compared to the same period of last year mainly due to a debt restructuring loss of RMB19.89 million on disposal of Heze Chenming Panels.
- (11) Total profit, income tax, net profit, net profit attributable to shareholders of the Company, minority interests decreased by 97.89%, 113.3%, 94.89%, 80.51% and 619.09% respectively as compared to the same period of last year mainly due to: an decrease in, among other things, profit and income tax as affected by the lower gross profit margin of paper products as compared to the prior period as a result of the market downturn at the national and macroeconomic, and in the paper making industry level, and a greater decrease in minority shareholders interests as compared to the prior period as a result of the loss of non-wholly-owned subsidiaries of the Company.

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

2. Production and operation (Cont'd)

Cash flow generated from operating activities of the Company during the reporting period

Unit: RMB

Item	2012.6.30	2011.6.30	Change (%)
Net cash flow generated from operating activities	661,084,701.87	737,643,905.04	-10.38%
Net cash generated from investment activities	-850,464,656.26	-2,602,316,539.31	67.32%
Net cash flow generated from financial activities	466,200,304.36	1,787,918,250.48	-73.92%

Explanation leading to the major changes:

- (1) Net cash flow generated from operating activities decreased by 10.38% as compared to the same period of last year mainly due to more outstanding bills being discounted and an increase in staff remuneration payment.
- (2) Net cash flow generated from investment activities increased by 67.32% as compared to the same period of last year mainly due to fewer project investments made during the reporting period upon completion of, among other things, the 800,000-tonne coated paper project and the Zhanjiang pulp project of the Company.
- (3) Net cash flow generated from financial activities decreased by 73.92% as compared to the same period of last year mainly due to a decrease in the net flow of bank borrowings during the reporting period over the same period of last year as a result of project investment.

3. The development trend of the industry and the outlook of the Company's business

The industry to which the Company belongs is the paper making industry, which is a light industry. The paper making industry is an important basic raw material industry which is closely related to the national economy and social development. The paper making industry is characterised as being capital intensive and skill intensive as well as having prominent economies of scale. Its growth rate is strongly and positively correlated to GDP. The government will continue to implement the proactive fiscal policy and solid monetary policy so the national economy will enjoy steady and rapid development. The development conditions of the paper making industry are gradually improved. Recently, the National Development and Reform Commission, Ministry of Industry and Communication and State Forestry Administration have jointly issued the Twelfth Five-Year Plan for the Development of the Paper Making Industry, which clearly states the general direction of "controlling total volume, promoting concentration, optimising raw materials and reducing energy consumption and emission", from which the Company is expected to benefit in the long run.

In recent years, the Company is committed to the integrated development of forestry, pulp and paper with a longer industry chain and a more comprehensive paper product mix. The Company carried out a series of capacity expansion on paper products with better prospects. The Company's direction of development is in line with the requirements of the development plan of the paper making industry as a whole. Although the industry undergo short-term downturn to a certain extent, the Company will have exponential growth in performance once the industry recovers, and the Company's future performance is still much anticipated.

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

4. The work of the Company will focus on the following areas in the second half of 2012:

Adhering to regulated operation, thereby continuing to enhance the standard of corporate governance and promoting the healthy development of Company.

The Company strictly adheres to domestic and international regulatory listing requirements, regulates and perfects the management and operation system of the Company, enhances the standard of regulated operation, avoids operation risks in listing, implements the Basic Criteria for Internal Control, strengthens the internal control systems of the Company and its subsidiaries, enhances the organisational management structure and internal control management system of subsidiaries, regulates operating and management behaviour, strengthens the Company's ability to withstand risk; strengthens information disclosure, endeavours to perfect investor relations management and safeguards the interests of shareholders and investors.

Intensifying capital operation to reduce the operating costs of the Company.

The Company fully takes advantage of its role as a listed company and sets up a finance company as soon as possible, strengthening financial management, increasing efforts in centralised management of funds and managing the use of funds by all subsidiaries and sales companies through a quota system. The company broadens financing sources through methods such as issuance of corporate bonds and non-dedicated debt financing instruments to achieve direct financing at a low cost.

Strengthening the management of production, sales and procurement. Strengthening production management. First, the Company adjusts the product structure. The Company strengthens the development of new products, adjusts the product structure as an important measure to respond to market changes, adheres to the two directions of high end high value-added and low-end low cost to optimise the structure of product varieties and enhance market competitiveness. The Company keeps a close watch of the market, steps up efforts in new product development and explores new market opportunities. Second, the Company strengthens brand building, improves quality management with the utmost efforts, improves product quality with a view to being on an equal footing with world-class enterprises, creates renowned brand names, and enhances enterprise competitiveness and value-added products. Third, the Company improves the level of equipment automation and information management to achieve a staff configuration according to international advanced enterprise standards.

Strengthening sales. First, the Company forms and leads teams to strengthen the execution ability of the sales teams and improve the ability to manage and control the market. Second, the Company changes the sales model, engages large agents, increases the business with manufacturers, merchants and banks, uses social resources to strengthen sales to make up for deficiencies of its own strength. Third, the Company strengthens the overseas market. Through the introduction of talents, the Company speeds up the exploration of the international market and strives to export 800,000 tonnes in the year. Strengthening procurement management. The Company establishes import and export trading companies, implements market-oriented operation and optimises resource allocation. The Company establishes professional companies such as waste paper and coal companies to improve the waste paper recycling system, thereby stabilising the supplies and reducing costs.

Further strengthening enterprise culture. Through creating a "learning, happy and strict management" corporate culture as a goal, the Company enhances the standard of people oriented management. First, the departments perform their departmental functions, and actively carry out the corporate culture work and creative activities, promote the building of an enterprise culture, and make efforts to achieve a high degree of integration of corporate governance and corporate culture. Second, the Company enriches the cultural life of its staff, provides comprehensive ancillary facilities and venues for staff activities, regularly organises sports activities and a variety of cultural and leisure activities so that employees can relax in their spare time, enhance their friendship and strengthen team cohesiveness.

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

5. Future capital requirement, sources of funds and their planned use

The demand for capital of the Company is ever increasing as the Company continuously develops with a bigger operating scale. As the largest paper making company in China and a listed company with three classes of shares, namely A shares, B shares and H shares, the Company has a good reputation in the financial market and extensive financing sources. The Company will adopt the following effective sources of funds based on its growth and future development strategies:

- (1) The Company will reinforce its sales in the market. It will increase its sales revenue and put greater efforts in the recovery of receivables to speed up capital turnover, utilise capital potential and take full advantage of its own funds;
- (2) The Company will apply for the establishment of the Group's finance company to enhance the centralised management of the Group's fund and improve the efficiency of capital use so as to further increase the Group's fund settlement, management, investment and financing ability, thereby reducing the financing costs. The Company also enhances its financial internal control and management to increase the fund utilisation rate;
- (3) The Company will endeavour to lower its finance expenses through financing like the issue of medium-term notes and corporate bonds.

Whether the Company's actual operation results were lower or higher than the publicly disclosed profit forecast for the reporting period or business plan by more than 20%:

☐ Yes ☒ No ☐ Not Applicable

Analysis of the operation and results of major subsidiaries and investees of the Company

1. Zhanjiang Chenming Pulp and Paper Company Limited, a wholly-owned subsidiary of the Company with a registered capital of RMB2,500,000,000, is principally engaged in business such as improvement of plant fostering, forest conservation and soil improvement, and processing and sales of pulp. In the first half of 2012, revenue from operations of RMB1,925,168,000 and a net profit of RMB175,668,400 were achieved.
2. Shandong Chenming Power Supply Holdings Co., Ltd., a 86.71%-owned subsidiary of the Company with a registered capital of RMB99,550,000, is principally engaged in the production and supply of electricity and steam. In the first half of 2012, revenue from operations of RMB244,693,600 and a net profit of RMB7,335,800 were achieved.
3. Wuhan Chenming Hanyang Paper Holdings Co., Ltd, a 50.93%-owned subsidiary of the Company with a registered capital of RMB211,367,000, is principally engaged in the manufacture and sales of paper products, and raw materials and machinery for manufacture of paper. In the first half of 2012, revenue from operations of RMB874,494,700 and a net profit of RMB-63,780,900 were achieved.
4. Shouguang Meilun Paper Company Limited, a wholly-owned subsidiary of the Company with a registered capital of RMB2,200,000,000, is principally engaged in the production and sales of machine-made paper and paperboard. In the first half of 2012, revenue from operations of RMB1,117,391,900 and a net profit of RMB-45,153,200 were achieved.
5. Jilin Chenming Paper Company Limited, a wholly-owned subsidiary of the Company with a registered capital of RMB1,500,000,000, is principally engaged in the processing and sales of machine-made paper, paperboard, paper product, paper pulp, machinery and equipment for manufacture of paper. In the first half of 2012, revenue from operations of RMB440,428,600 and a net profit of RMB-61,596,200 were achieved.
6. Shouguang Chenming Art Paper Company Limited, a 75%-owned subsidiary of the Company with a registered capital of US\$20,000,000, is principally engaged in production and sales of machine-made paper. In the first half of 2012, revenue from operations of RMB319,247,900 and a net profit of RMB-27,864,100 were achieved.
7. Shangdong Chenming Paper Sales Company Limited, a wholly-owned subsidiary of the Company with a registered capital of RMB100,000,000, is principally engaged in the sales of machine-made paper, paperboard and paper making raw materials. In the first half of 2012, revenue from operations of RMB7,610,670,700 and a net profit of RMB-29,618,300 were achieved.

VI. Directors' report

(I) Management discussion and analysis (Cont'd)

5. Future capital requirement, sources of funds and their planned use (Cont'd)

All risk factors which may adversely affect the achievement of the Company's future development strategies and business objectives

During the reporting period, the domestic market competition became more intense due to the downturn of the macroeconomic environment with excess new production capacity in the industry made available. The Company's new projects had commenced operation successively but they were unable to make profit on a timely basis due to market reasons. The company has higher leverage now. Fluctuation of the state deposit and lending interest rates will directly cause fluctuation of interests undertaken by the Company so as to affect the Company's profitability. Therefore, the Company specifies following measures: First, the Company will further improve its international marketing network, improve its organisation structure of its overseas companies, adjust its sales channels and further expand its overseas market, especially for the coated paper products, high-end duplex press paper, electrostatic small paper and other high-end products, devote great efforts to exports and fund collection, and relieve domestic market pressure. Second, the Company will make full use of the financing platform of the Hong Kong market, seek the bonding point of Hong Kong and domestic businesses, increase Hong Kong Chenming's credit line and expand the business of Hong Kong Chenming. Third, the Company will actively apply for the establishment of the Group's finance company to enhance the centralised management of the Group's fund and improve the efficiency of capital use so as to further increase the Group's fund settlement, management, investment and financing ability, thereby reducing the financing cost.

(II) Principal activities of the Company and analysis of its operations

1. Principal activities by industry and by product

Unit: RMB						
				Year-on-year increase/decrease in revenue from operations (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
By industry or by product	Revenue from operations	Operating costs	Gross profit margin (%)			
By industry						
I. Machine-made paper	9,216,139,824.70	7,909,765,293.16	14.17%	12.58%	16.58%	-2.95%
II. Electricity and steam	415,231,784.63	360,583,271.43	13.16%	0.14%	-7.48%	7.15%
III. Construction materials	163,649,151.64	134,290,206.98	17.94%	-15.95%	-7.96%	-7.12%
IV. Paper-making chemical products	40,108,732.97	31,277,925.63	22.02%	1.37%	-2.68%	3.25%
V. Hotel	24,253,681.15	6,367,047.37	73.75%	-4.49%	0.73%	-1.36%
VI. Others	3,326,240.34	2,293,200.11	31.06%	-55.35%	-64.39%	17.51%
By product						
Light weight coated paper	599,263,279.24	546,228,892.26	8.85%	-8.79%	-4.99%	-3.65%
Duplex press paper	1,520,629,992.03	1,325,662,646.62	12.82%	37.8%	37.34%	0.29%
Writing paper	152,926,898.85	146,337,134.17	4.31%	5.6%	10.85%	-4.53%
Coated paper	2,146,633,544.01	2,044,364,500.36	4.76%	4.2%	21.63%	-13.66%
News press paper	878,669,387.09	671,377,990.27	23.59%	13.59%	-0.21%	10.56%
Paperboard	293,356,674.72	283,499,896.76	3.36%	7.39%	10.58%	-2.78%
White paper board	979,292,604.55	801,231,392.96	18.18%	-19.69%	-15.28%	-4.27%
Other machine-made paper	2,645,367,444.21	2,091,062,839.76	20.95%	35.35%	34.31%	0.61%

Explanatory note to principal activities by industry and by product: Nil

Reason for the greater change of gross profit margin as compared to the same period of last year: In the first half of 2012, the gross profit margin during the reporting period was lower as compared to the same period of last year due to the economic environment of the industry.

VI. Directors' report

(II) Principal activities of the Company and analysis of its operations (Cont'd)

2. Principal activities by geographical areas

Unit: RMB

Geographical areas	Revenue from operations	Year-on-year increase/decrease in revenue from operations (%)
PRC	8,429,732,938.38	12.91%
Hong Kong	85,042,051.22	46.02%
United States	74,652,473.46	-51.33%
Japan	99,795,928.67	-0.37%
South East Asia	128,741,768.46	-13.8%
Middle East	203,094,484.24	-25.78%
Europe	129,403,908.38	-22.11%
South Africa	123,402,201.61	196.03%
Other countries and regions	588,843,661.01	28.24%

Explanatory note to principal activities by geographical areas: Nil

Explanatory note to the composition of principal activities: Nil

3. Explanation of material changes in principal activities and their structure

☐ Applicable ☒ Not applicable

4. Explanation of material changes in profitability (gross profit margin) of principal activities as compared year on year

☒ Applicable ☐ Not applicable

The gross profit margin was lower as compared to the same period of last year mainly due to the lower selling price as compared to the same period of last year as a result of the market downturn at the national and macroeconomic and in the paper making industry level.

5. Analysis of reasons for material changes in profit structure as compared year on year

☐ Applicable ☒ Not applicable

6. Business nature, major products or services and net profit of investees which contributed net profit of more than 10%

☐ Applicable ☒ Not applicable

VI. Directors' report

(II) Principal activities of the Company and analysis of its operations (Cont'd)

7. Problems and difficulties experience in operation

The outlook for the second half of the year is characterised as challenging and complicated for the domestic and international economic environment. The uncertainties in the economic development will become greater, thereby exercising pressure on the continuous operations of the Company. However, the development of the Company is on track with opportunities and challenges available. As a result, The Company will change its conceptions and innovate as the operating environment and the market change, and pay its attention to the future. Firstly, the Company will strategically and actively explore the sales of new products. Secondly, the Company will consolidate the foundation of the healthy development of its traditional paper making business through delicate management and strategic union. Thirdly, the Company will strengthen the regulated establishment of internal control and corporate governance to enhance its regulated operation standards and mitigate its market risks and operating risks.

(III) Fair value measurement-related internal control system

☒ Applicable ☐ Not applicable

Items related to fair value measurement

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Closing balance
Financial assets					
Of which: 1. Financial assets measured at fair value with any change in fair value charged to profit or loss for the period					
Of which: derivative financial assets					
2. Available-for-sale financial assets					
Sub-total of financial assets					
Financial liabilities					
Investment property					
Productive biological assets	959,061,500.85	15,457,198.72	142,614,672.01		1,053,117,556.55
Others					
Total	959,061,500.85	15,457,198.72	142,614,672.01		1,053,117,556.55

Whether any significant difference arose in the valuation results while the fair value of same or similar items were determined by valuation technique. If so, please give a description in detail.

☐ Yes ☒ No ☐ Not applicable

VI. Directors' report

(IV) Holdings of financial assets and financial liabilities in foreign currency

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Closing balance
Financial assets					
Of which: 1. Financial assets measured at fair value with any change in fair value charged to profit or loss for the period					
Of which: derivative financial assets					
2. Loans and receivables	1,140,174,770.86				703,703,394.05
3. Available-for-sale financial assets					
4. Held-to-maturity investments					
Sub-total of financial assets	1,140,174,770.86				703,703,394.05
Financial liabilities	6,261,633,933.79				6,188,388,570.25

VI. Directors' report

(V) Investments by the Company

1. Particulars of use of proceeds in general
☐ Applicable ☒ Not applicable
2. Particulars of committed projects financed by the proceeds
☐ Applicable ☒ Not applicable
3. Particulars of change in project financed by the proceeds
☐ Applicable ☒ Not applicable
4. Highlights of the major investments not financed by the proceeds
☒ Applicable ☐ Not applicable

Unit: RMB' 0000

Project name	First disclosure by announcement	Project amount	Project progress	Return of the project
The high-end white coated linerboard project of annual production capacity of 600,000 tonnes	27 July 2009	260,000	100%	Trial production has commenced.
Total		260,000	-	-

Explanation of the major investments not financed by the proceeds

The high-end white coated linerboard project of an annual production capacity of 600,000 tonnes in Shouguang City was considered and approved by the 2009 First Extraordinary General Meeting of the Company. The planned total investment amount for this project was approximately RMB2.6 billion. The construction of the project was to last for 18 months. Upon completion, the project will realise annual production capacity of 600,000 tonnes high-end white coated linerboard paper. Upon operation, the project will increase the percentage of high-end paper products and enhance the comprehensive competitiveness of the Company.

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INTERIM
REPORT

(VI) Intended amendments to operating plans in the second half of the year by the Board

- ☐ Applicable ☒ Not applicable

(VII) Estimate of the operating results for January to September 2012

Warning of cumulative net profit for the period between the beginning of the year to the end of the next reporting period being projected to be at a loss or expected to have material changes as compared year on year and its explanation

- ☐ Applicable ☒ Not applicable

(VIII) Opinions of the Board of Directors regarding the "modified auditor's report" for the reporting period issued by the accountants

- ☐ Applicable ☒ Not applicable

VI. Directors' report

(IX) Particulars provided by the Company's Board of Directors regarding the changes and handling of the matters involved in the "modified auditor's report" for last year issued by the accountants

☐ Applicable ☒ Not applicable

(X) Representation of the results of the discussion of the reason for and effect of the accounting policies, change in accounting estimates or corrections of significant accounting errors of the Company by the Board

☐ Applicable ☒ Not applicable

(XI) Formulation and implementation of the cash dividend policy of the Company

During the reporting period, the Company further defined its cash dividend policy based on the its actual operations in accordance with the related requirements of China Securities Regulatory Commission, Shenzhen Stock Exchange and Shandong branch of China Securities Regulatory Commission. The dividend decision mechanism and dividend supervision and control mechanism were well defined. The corresponding amendments to the articles relating to profit distribution in the Articles of Association were considered and approved by the Board, and the amendments to the articles relating to profit distribution in the Articles of Association were also considered and approved by the most recently convened general meeting. The 2011 Profit Distribution Plan as considered and approved by the 2011 general meeting was implemented and completed on 18 July 2012. The Company implemented its profit distribution policy in strict compliance with the Articles of Association. Its cash dividend policy was formulated and implemented in compliance with the requirements of the Articles of Association and the resolution of the general meeting with well-defined and clear dividend distribution criteria and proportion. The legal interests of the small shareholders were protected as the related decision making process and mechanism were in place, the duties of independent Directors were well-defined so that they played a role, and the small shareholders were given opportunities to sufficiently voice their opinion and make requests.

(XII) Proposal on profit distribution or transfer of capital reserves into share capital

☐ Applicable ☒ Not applicable

(XIII) Cumulative retained profit of the Company as at the end of 2011 was positive without cash dividend being proposed

☐ Applicable ☒ Not applicable

(XIV) Other disclosures

Nil

(XV) The Company's debt profile, credit change and cash management for debt repayment in the future years (this table is only applicable to the listed company which issued convertible bonds)

☐ Applicable ☒ Not applicable

VII. Material Matters

(I) Overview of corporate governance

1. Corporate Governance

The Company operated in compliance with the requirement of Companies Law (《公司法》), Securities Law (《證券法》), Code of Corporate Governance for Listed Companies(《上市公司治理準則》), Rules Governing Listing of Stocks on Shenzhen Stock Exchange(《深圳證券交易所股票上市規則》), Hong Kong Listing Rules and the related requirements as required by China Securities Regulatory Commission. The Company further improved and optimised its legal person governance structure during the reporting period. The Board considers there is no material deviation of the Company in its corporate governance from the regulatory documentation requirements provided for listed companies in respect of corporate governance.

The cash dividend distribution principle as set out in the Articles of Association, the conditions, form and percentage of the distribution, the intervals of profit distribution, the decision making process of the profit distribution policy and the adjustment to the profit distribution policy were optimized and supplemented based on the its actual operations in accordance with the related requirements of Notice of Reproducing Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies of CSRC (Lu Zheng Jian Fa [2012] No. 18)” issued by Shandong branch of China Securities Regulatory Commission. The amendments had been submitted to the Board of the Company considered and approved and would be implemented upon consideration and approval by the general meeting. The Company strictly implemented its related system of internal control to facilitate its regulated operation and healthy development, thereby protecting the legal interests of investors. The corporate governance of the Company was exactly the same as what was required by the CSRC. The regulated operations and the internal control standards would grow with the development of the Company.

The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value. Saved as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the reporting period, in compliance with the Code on Corporate Governance Practice/Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Hong Kong Listing Rules”).

The chairman and general manager of the Company is Mr. Chen Hongguo.

Mr. Chen Hongguo performs the roles of the chairman and the general manager for the overall management of the Company. This constitutes a deviation from the principles and code provisions under Appendix 14 to Hong Kong Listing Rules. However, the Directors of the Company believe that Mr. Chen Hongguo as the chairman and the general manager will enable the Company to more effectively plan and implement the business strategies so that the Group can effectively and rapidly seize business opportunities. As all major decisions will be made after consultation with other members of the Board, the Company believes that the supervision of the Board and independent non-executive directors will strike a sufficient balance of power and authority.

2. Performance of independent non-executive Directors

In the reporting period, each of the independent non-executive Directors continued to suggest constructive opinion on the material matters relating to operations and management and internal control of the Company. They issued their independent opinion on related matter pursuant to management requirements, thus raising the science and objectiveness of Board decisions. Attendance of independent non-executive Directors at Board meetings during the reporting period is as follows:

Name of independent non-executive Directors	Number of Board meetings requiring attendance	Number of attendance in person	Number of attendance by proxy	Number of absence
Zhang Zhiyuan	2	2	0	0
Wang Aiguo	2	2	0	0
Zhang Hong	2	2	0	0
Wang Yumei	2	2	0	0
Wang Xiangfei	2	2	0	0

Note: During the reporting period, independent non-executive Directors of the Company issued their independent opinions on the connected transactions pursuant to the related laws and regulations. They raised no objection opinion on the proposals of Board meetings or other issues.

VII. Material Matters

(I) Overview of corporate governance (Cont'd)

3. Particulars about the separation of businesses, personnel, assets, organisations, and finance from the controlling shareholder
 1. In terms of business: The Company was completely independent from the controlling shareholder, and had its independent and complete business operation capability.
 2. In terms of personnel: The labour, personnel and salary management were completely separated from the controlling shareholder.
 3. In terms of assets: There was only shareholding relationship between the Company and Shouguang Chenming Holdings Company Limited. The assets of the Company were completely separated from those of the controlling shareholder.
 4. In terms of organisation: The Company had a mature and independent organisation structure, which was established according to the legal processes and the business practice of the Company. It was completely separated from that of the controlling shareholder.
 5. In terms of finance: The Company had its own accounting department, accounting system, financial management system, and bank accounts. The controlling shareholder never interfered in the financial activities of the Company.

4. Assessment and incentive mechanism for the Senior Management in the reporting period

The Senior Management of the Company is assessed monthly and annually. Monthly assessments were conducted in line with the direction of the annual major tasks, and were focused on appraisals of two fixed indicators, namely the completion status of in each month and the evaluation on important performance indicators. It was carried out monthly by way of cross assessment and supervision among the related departments. The annual assessments were carried out by the Remuneration and Assessment Committee with reference to the results of monthly assessments and overall performances over the year, including the integrated quality of Senior Management and internal training of talents.

5. Securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct for Directors' securities transactions, and in response to the specific enquiries to all Directors by the Company, all Directors confirmed that they had complied with the requirements as set out in the Model Code during the six month period ended 30 June 2012.

(II) The Company did not make any profit appropriation which was recommended previously for distribution in the reporting period. No reserves were transferred to increase the share capital and no new shares were issued.

☒ Applicable ☐ Not applicable

The 2011 profit distribution plan was considered and approved by the 2011 annual general meeting of the Company on 29 May 2012. Based on 2,062,045,941 shares in the total share capital of the Company, a cash dividend of RMB1.50 was to be paid to all shareholders for every 10 shares held (tax inclusive). RMB1.35 for every 10 shares held was actually paid to individual shareholders, investment funds and Qualified Foreign Institutional Investors holding A shares after tax deduction; and in respect of other A share shareholders, no income tax was deducted for tax payment. RMB1.35 for every 10 shares held was actually paid to individual shareholders and non-residential enterprises holding B shares. Distribution of cash dividend under such distribution amounted to RMB309 million (RMB309,306,891.15) (tax inclusive).

The 2011 equity distribution announcement was published by the Company on China Securities Journal and Hong Kong Commercial Daily on 11 July 2012. For A Shares, the book closure date was 18 July 2012. For B Shares, the book closure date was 23 July 2012. The ex-rights date was 19 July 2012.

(III) Material litigation and arbitration

☐ Applicable ☒ Not applicable

The Company was not related to any material litigation and arbitration during the reporting period.

VII. Material Matters

(IV) Matter related to bankruptcy reorganisation

☒ Applicable ☒ Not applicable

(V) The Company's holding of equity interest in other listed companies and investments in financial institutions

1. Securities investment

☒ Applicable ☒ Not applicable

2. Holding of equity interest in other listed companies

☒ Applicable ☒ Not applicable

3. Holding of equity interest in unlisted financial institutions

☒ Applicable ☒ Not applicable

4. Trading of shares of other listed companies

☒ Applicable ☒ Not applicable

(VI) Asset transactions

1. Acquisition of assets

☒ Applicable ☒ Not applicable

2. Disposal of assets

☒ Applicable ☒ Not applicable

3. Asset swap

☒ Applicable ☒ Not applicable

4. Business combination

☒ Applicable ☒ Not applicable

5. Progress of asset reorganisation or acquisition and disposal of assets since the publication of their reports or announcements and their effect on the operating results and financial position during the reporting period

☒ Applicable ☒ Not applicable

(VII) Information on increase of shareholding proposed or implemented by the major shareholder of the Company and the persons acting in concert during the reporting period

☒ Applicable ☒ Not applicable

(VIII) Implementation of the equity incentive plan of the Company and its effect

☒ Applicable ☒ Not applicable

VII. Material Matters

(IX) Significant related party transactions

1. Related party transactions associated with day-to-day operation

☒ Applicable ☐ Not applicable

Related party	Related party relationship	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transactions	Price of related party transactions (RMB' 0000)	Amount of related party transactions (RMB' 0000)	Percentage as the amount of similar transactions (%)	Settlement of related party transactions	Effect on profit of the Company	Market price (RMB' 0000)	Reason for the relatively greater difference between transactions price and reference market price
Anhui Shidai Resources Holdings Co. Ltd.	Associate	Sale	Machine-made paper	Market price	0.5	2,437.11	0.24%	Telegraphic Transfer	45.64	0.5	—
Total				—	—	2,437.11	0.24%	—	—	—	—
Description of return of bulk sales in details											
Necessity and continuity of, and the reason for trade with related party instead of other counterparties in the market, related party transactions											
Effect of related party transactions on the independence of the listed company											
How far did the Company rely on the related parties?											
What about the related solution (if any)?											
The actual performance of the estimated total amounts of day-to-day related party transactions to be conducted in the period under review during the reporting period by type											
Description of related party transactions											

Related party transactions associated with day-to-day operation

Related party	Sales of goods to and receipt of services from related parties		Purchase of goods and receipt of services from related parties	
	Transaction amount (RMB' 0000)	Percentage as the amount of similar transactions (%)	Transaction amount (RMB' 0000)	Percentage as the amount of similar transactions (%)
Anhui Shidai Resources Holdings Co. Ltd.	2,437.11	0.24%		
Total	2,437.11	0.24%		

Of which, related party transactions of sales of goods or provision of services to the Company's controlling shareholder and its subsidiaries by the Company amounted to RMB0 during the reporting period.

2. Related party transactions associated with acquisition and disposal of assets

☐ Applicable ☒ Not applicable

3. Significant related party transactions associated with joint investments

☐ Applicable ☒ Not applicable

VII. Material Matters

(IX) Significant related party transactions (Cont'd)

4. Related creditors' rights and liabilities transactions

☒ Applicable ☐ Not applicable

Whether non-operating related creditors' rights and liabilities transactions existed?

☐ Yes ☒ No

Related party	Related party relationship	Financing to related parties (RMB' 0000)					Financing to the Company by related parties (RMB' 0000)						
		Opening balance	Amount during the period	Repayment	Closing balance	Interest income	Interest expenses	Opening balance	Amount during the period	Repayment	Closing balance	Interest income	Interest expenses
Non-operating													
Sub-total													
Operating													
Shouguang Chenming Holdings Company Limited	Controlling shareholder							3,000	2,100	2,700	2,400		
Sub-total								3,000	2,100	2,700	2,400		
Total								3,000	2,100	2,700	2,400		
The Company provided use of capital to the controlling shareholder and its subsidiaries during the reporting period (RMB' 0000)													
Of which: Non-operating amount (RMB' 0000)													
Balance of capital provided by the Company to its controlling shareholder and its subsidiaries (RMB' 0000)													
Of which: Non-operating balance (RMB' 0000)													
Reason giving rise to related creditors' rights and liabilities													
Repayment of related creditors' rights and liabilities													
Undertakings related to related creditors' rights and liabilities													
Effect of related creditors' rights and liabilities on the operating results and financial position of the Company													

Capital appropriation and repayment progress during the reporting period

☐ Applicable ☒ Not applicable

As of the end of the reporting period, the Board had proposed a plan to fix the responsibilities for the unfinished settlement of the non-operating capital appropriation of the Company.

☐ Applicable ☒ Not applicable

5. Other significant related party transactions

Nil

VII. Material Matters

(X) Material contracts and their performance

1. Custody, contracting and lease contributed profit over 10% (including 10%) of the total profit of the Company for the reporting period
- (1) Custody

☐Applicable☒Not applicable
- (2) Contracting

☐Applicable☒Not applicable
- (3) Leases

☐Applicable☒Not applicable
2. Guarantees
- ☒Applicable☐Not applicable

Unit: RMB' 0000

Name of obligor	External guarantees provided by the Company (excluding guarantees provided for subsidiaries)						Guarantee to related parties or not	
	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	
Total amount of external guarantee approved during the reporting period (A1)				Total amount of external guarantee provided during the reporting period (A2)				
Total amount of external guarantee approved as at the end of the reporting period (A3)				Total balance of external guarantee provided as at the end of the reporting period (A4)				

VII. Material Matters

(X) Material contracts and their performance (Cont'd)

2. Guarantees (Cont'd)

Name of obligor	Guarantees provided by the Company for subsidiaries						Guarantee to related parties or not
	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not
Zhanjiang Chenming Paper Pulp Co., Ltd.	27 July 2006	564,020	25 March 2008	354,872.85	Guarantee	15	No
Zhanjiang Chenming Paper Pulp Co., Ltd.	30 March 2011	200,000	19 July 2011	0	Guarantee	1	Yes
Zhanjiang Chenming Paper Pulp Co., Ltd.	28 March 2012	300,000	27 June 2012	53,336.5	Guarantee	1	No
Jiangxi Chenming Paper Co., Ltd.	16 December 2009	45,000	10 December 2009	45,000	Guarantee	3	No
Jiangxi Chenming Paper Co., Ltd.	17 March 2003	103,600	11 December 2003	0	Guarantee	10	Yes
Huanggang Chenming Arboriculture Co., Ltd.	27 May 2009	10,000	2 June 2009	0	Guarantee	3	Yes
Huanggang Chenming Arboriculture Co., Ltd.	25 February 2010	16,000	8 July 2010	2,000	Guarantee	3	No
Huanggang Chenming Arboriculture Co., Ltd.	25 February 2010	16,000	29 April 2010	2,990	Guarantee	3	No
Huanggang Chenming Arboriculture Co., Ltd.	30 March 2011	20,000	19 September 2011	3,000	Guarantee	3	No
Huanggang Chenming Arboriculture Co., Ltd.	28 March 2012	20,000	27 June 2012	2,600	Guarantee		No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	30 March 2011	30,000		0	Guarantee		Yes
Shouguang Meilun Paper Co., Ltd.	24 August 2010	79,473	10 September 2010	75,898.8	Guarantee	5	No
Shouguang Meilun Paper Co., Ltd.	29 October 2010	600,000	14 January 2011	16,324.9	Guarantee	3	No
Shouguang Meilun Paper Co., Ltd.	29 October 2010	600,000	26 March 2012	33,673.25	Guarantee	0.5	No
Shouguang Chenming Art Paper Co., Ltd.	30 March 2011	10,000		0	Guarantee		Yes
Shouguang Chenming Art Paper Co., Ltd.	28 March 2012	10,000		0	Guarantee		No
Jilin Chenming Paper Co., Ltd.	30 March 2011	30,000	25 May 2011	0	Guarantee	1	Yes
Jilin Chenming Paper Co., Ltd.	28 March 2012	100,000		0	Guarantee	1	No
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	30 March 2011	20,000	1 November 2011	0	Guarantee	1	No
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	28 March 2012	20,000		0	Guarantee		No
Chenming (HK) Limited	29 October 2010	50,000	13 April 2011	50,000	Guarantee	3	No
Chenming (HK) Limited	30 March 2011	329,300		0	Guarantee		Yes
Chenming (HK) Limited	28 March 2012	500,000		0	Guarantee		No
Shandong Chenming Paper Sales Company Limited	29 October 2010	200,000	11 August 2011	165,498.34	Guarantee	1	No
Shandong Chenming Paper Sales Company Limited	27 October 2011	200,000	15 March 2012	144,950.75	Guarantee	1	No
Yanbian Chenming Paper Co., Ltd.	29 November 2011	30,000			Guarantee		No
Shouguang Chenming Import and Export Trade Co., Ltd.	28 March 2012	200,000			Guarantee		No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)			1,150,000	Total amount of guarantee provided for subsidiaries during the reporting period (B2)			262,158.93
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)			2,974,493	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)			950,145.39
Total amount of guarantee provided by the Company (the sum of the above two main categories)							
Total amount of guarantee approved during the reporting period (A1+B1)			1,150,000	Total amount of guarantee provided during the reporting period (A2+B2)			262,158.93
Total amount of guarantee approved as at the end of the reporting period (A3+B3)			2,974,493	Total balance of guarantee provided as at the end of the reporting period (A4+B4)			950,145.39
The percentage of total amount of guarantee provided (A4+B4) to the net assets of the Company							71.37%
Of which:							
Amount of guarantee provided for shareholders, beneficial controllers and its related parties (C)							0.00
Amount of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (D)							905,145.39
Total amount of guarantee provided in excess of 50% of net assets (E)							45,000.00
Sum of the above three amount of guarantee (C+D+E)							950,145.39
Explanation of possible joint obligation on outstanding guarantees provided							Nil
Explanation of external guarantees in breach of the specified procedures							Nil

VII. Material Matters

(X) Material contracts and their performance (Cont'd)

3. Particulars of entrusted wealth management
☐ Applicable ☒ Not applicable
4. Performance of material contracts in the ordinary course of business
Nil
5. Other material contracts
☐ Applicable ☒ Not applicable

(XI) Particulars of corporate bond issue

☒ Applicable ☐ Not applicable

The Company was approved to issue corporate bonds of total face value of not more than RMB2.0 billion to the public by the document “Zheng Jian Xu Ke [2011] No. 1019” issued by China Securities Regulatory Commission on 27 June 2011. The bonds are fixed interest corporate bonds with a tenor of 5 years. Their coupon rate is 5.95% and their interest is accrued per annum using simple interest instead of compound interest. The value date was 6 July 2011. 6 July of each of the year 2012 to 2016 is the interest payment date for the previous interest-bearing year. The principal and last interest payment will be paid on these days. The Company disclosed “Announcement on 2012 Interest Payment of 2011 Corporate Bonds” on 30 July 2012 and completed the payment.

(XII) Performance of undertakings

1. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made in the reporting period or subsisting to the reporting period
☐ Applicable ☒ Not applicable
2. The Company's description of whether the performance of the assets or projects of the Company met their original profit estimates and its reasoning when the reporting period was within the term of such profit estimates
☐ Applicable ☒ Not applicable

VII. Material Matters

(XIII) Other comprehensive income items

Unit: RMB

Item	The reporting period	The prior period
1. Gains (losses) from available-for-sale financial assets		
ii Less: Income tax effect from available-for-sale financial assets		
ii Transfer to profit or loss of other comprehensive income recognised previously in the current period, net		
ii Sub-total		
2. Share of the comprehensive income of the investees accounted for using the equity method		
ii Less: Income tax effect from share of the comprehensive income of the investees accounted for using the equity method		
ii Transfer to profit or loss of other comprehensive income recognised previously in the current period, net		
ii Sub-total		
3. Gains or (losses) from cash flow hedging instruments		
ii Less: Income tax effect from cash flow hedging instruments		
ii Transfer to profit or loss of other comprehensive income recognised previously in the current period, net		
ii Adjustment on initial recognition of items transferred to hedged items		
ii Sub-total		
4. Translation difference of financial statements denominated in foreign currency	-152,386.81	-277,876.30
ii Less: Transfer to profit or loss on disposal of foreign operations in the period, net		
ii Sub-total	-152,386.81	-277,876.30
5. Others		
ii Less: Income tax effect from others recognised in other comprehensive income		
ii Transfer to profit or loss of others recognised in other comprehensive income previously in the current period, net		
ii Sub-total		
ii Total	-152,386.81	-277,876.30

VII. Material Matters

(XIV) Registration report on reception of research investigations, communications and interviews during the reporting period

Date of reception	Place of reception	Manner of reception	Class of the parties accommodated	Parties accommodated	Main topics of discussion and information provided
09 January 2012	Shouguang, Shandong	On-site research investigation	Institution	Everbright Securities	Production and operation of the Company
08 February 2012	Shouguang, Shandong	On-site research investigation	Institution	Galaxy AMC, Zheshang Securities and Huatai Securities	Production and operation of the Company
30 March 2012	Shouguang, Shandong	On-site research investigation	Institution	Guotai Junan and Bosera Asset Management	Production and operation of the Company
27 April 2012	Shouguang, Shandong	On-site research investigation	Institution	Atlantis Investment Management (Hong Kong) Limited	Production and operation of the Company
15 May 2012	Shouguang, Shandong	On-site research investigation	Institution	Dongxing Securities Co., Ltd.	Production and operation of the Company
18 May 2012	Shouguang, Shandong	Conference Call	Institution	FIL Investment Management	Production and operation of the Company
21 June 2012	Shouguang, Shandong	On-site research investigation	Institution	Daiwa Securities of Japan	Production and operation of the Company
26 June 2012	Shouguang, Shandong	Conference Call	Institution	Atlantis Investment Management (Hong Kong) Limited	Production and operation of the Company
28 June 2012	Shouguang, Shandong	On-site research investigation	Institution	Bank of America Merrill Lynch and Prime Capital Management	Production and operation of the Company

(XV) Engagement or dismissal of accounting firms

Whether the interim report is audited?

☒ Yes ☒ No ☐ Not applicable

Whether to appoint another accounting firm:

☒ Yes ☐ No ☒ Not applicable

VII. Material Matters

(XVI) The punishment and rectification of the listed company, its directors, its supervisors and its senior management, and shareholders, beneficial controller and acquirer of the Company

☐ Applicable ☒ Not applicable

(XVII) Explanation of other material matters

☒ Applicable ☐ Not applicable

1. Qihe Chenming Panels Co., Ltd. ("Qihe Panels") suspended its production since June 2008. As at the end of June 2012, its net assets amounted to RMB-7,248,484.56. It is held by Qihe Paperboard Co., Ltd. and Shandong Chenming Panels Co., Ltd., controlling subsidiaries of the Company, as to 51% and 49% respectively. Qihe Paperboard Co., Ltd. disposed of and transferred its 51% equity interest in Qihe Panels to Shandong Chenming Panels Co., Ltd. to adjust its strategic positioning and to facilitate the corporate management. Upon completion of the transfer of the equity interests, Qihe Paperboard Co., Ltd. will not hold any equity interest in Qihe Panels and Shandong Chenming Panels Co., Ltd. will hold 100% equity interest in Qihe Panels. The transfer of the equity interest had no effect on the profit of the Company for the two quarters.
2. Huanggang Chenming Arboriculture Co., Ltd. ("Huanggang Chenming") is a wholly-owned subsidiary of the Company. Taking the need for production and operation of Huanggang Chenming into account, the Company made contribution to Huanggang Chenming with its own capital. The registered capital of Huanggang Chenming increased from RMB10.00 million to RMB70.00 million and the increased registered capital would be solely used for the establishment of the production and operation of Huanggang Chenming and would improve its asset and liability structure, thereby laying a solid foundation for further direct financing of Huanggang Chenming.

(XVIII) Significant change of the profitability, assets and credibility of the guarantor of the convertible bonds of the Company

(This table is applicable for a listed company which has issued convertible bonds only)

☐ Applicable ☒ Not applicable

VII. Material Matters

(XIX) Index of Information Disclosure

Subject matter	Name and page number of the publication	Date of announcement	Websites of publication and their path
Indicative announcement in respect of receipt of support and incentive funds	B027 of China Securities Journal A6 of Hong Kong Commercial Daily	5 January 2012	http://www.cninfo.com.cn
Indicative announcement in respect of change in the shareholding structure of the controlling shareholder		5 January 2012	http://www.cninfo.com.cn
Announcement on resolutions of the 2012 first extraordinary general meeting	B023 of China Securities Journal A2 of Hong Kong Commercial Daily	17 January 2012	http://www.cninfo.com.cn
Legal opinion on the 2012 first extraordinary meeting attesting lawyer		17 January 2012	http://www.cninfo.com.cn
Indicative announcement in respect of receipt of support and incentive funds	B016 of China Securities Journal A9 of Hong Kong Commercial Daily	3 March 2012	http://www.cninfo.com.cn
H share announcement		15 March 2012	http://www.cninfo.com.cn
Announcement in respect of resolutions of the tenth meeting of the sixth session of the board of directors	B205 of China Securities Journal A23 of Hong Kong Commercial Daily	29 March 2012	http://www.cninfo.com.cn
2011 independent directors' report		29 March 2012	http://www.cninfo.com.cn
2011 annual report summary		29 March 2012	http://www.cninfo.com.cn
2011 annual audit report		29 March 2012	http://www.cninfo.com.cn
Special audit report on the use of funds of listed companies by related parties of the Company		29 March 2012	http://www.cninfo.com.cn
2011 self assessment report on internal control		29 March 2012	http://www.cninfo.com.cn
2011 annual report		29 March 2012	http://www.cninfo.com.cn
Assurance annual report on the use and deposit of capitals raised by the company		29 March 2012	http://www.cninfo.com.cn
Auditors' report on internal control		29 March 2012	http://www.cninfo.com.cn
Announcement in respect of Resolutions of the ninth meeting of the sixth session of the Supervisory Committee	B205 of China Securities Journal A23 of Hong Kong Commercial Daily	29 March 2012	http://www.cninfo.com.cn
Independent opinion of independent directors on the self assessment report on internal control of the Company		29 March 2012	http://www.cninfo.com.cn
Announcement in respect of provision of financial support to controlling subsidiaries	B205 of China Securities Journal A23 of Hong Kong Commercial Daily	29 March 2012	http://www.cninfo.com.cn
Notice of 2011 annual general meeting (updated)	B023 of China Securities Journal A29 of Hong Kong Commercial Daily	30 March 2012	http://www.cninfo.com.cn
Announcement in respect of provision of guarantee for the general banking facilities of controlling subsidiaries (updated)		30 March 2012	http://www.cninfo.com.cn
Shandong Chenming Paper Holdings Limited: Correction announcement	B023 of China Securities Journal A29 of Hong Kong Commercial Daily	30 March 2012	http://www.cninfo.com.cn
H share announcement		12 April 2012	http://www.cninfo.com.cn
Announcement on estimated results for the first quarter of 2012	B003 of China Securities Journal A16 of Hong Kong Commercial Daily	14 April 2012	http://www.cninfo.com.cn

VII. Material Matters

(XIX) Index of Information Disclosure (Cont'd)

Subject matter	Name and page number of the publication	Date of announcement	Websites of publication and their path
Announcement on the resolutions of the eleven meeting of the sixth session of the Board of Directors	B033 of China Securities Journal A9 of Hong Kong Commercial Daily	26 April 2012	http://www.cninfo.com.cn
2012 first quarter report	B033 of China Securities Journal A9 of Hong Kong Commercial Daily	26 April 2012	http://www.cninfo.com.cn
2012 first quarter report		26 April 2012	http://www.cninfo.com.cn
Insider Registration System (April 2012)		26 April 2012	http://www.cninfo.com.cn
2011 management report on the securities of the Company in custody		4 May 2012	http://www.cninfo.com.cn
Shandong Chenming Paper Holdings Limited: Correction announcement	A37 of China Securities Journal A11 of Hong Kong Commercial Daily	10 May 2012	http://www.cninfo.com.cn
Further notice of 2011 annual general meeting (updated)		10 May 2012	http://www.cninfo.com.cn
Further notice of 2011 annual general meeting	A36 of China Securities Journal A11 of Hong Kong Commercial Daily	24 May 2012	http://www.cninfo.com.cn
Announcement in respect of closing and phasing out the backward production equipment		26 May 2012	http://www.cninfo.com.cn
Announcement on Resolutions of the 2011 Annual General Meeting	B019 of China Securities Journal A14 of Hong Kong Commercial Daily	30 May 2012	http://www.cninfo.com.cn
Legal opinion on the 2011 annual general meeting by the attesting lawyer		30 May 2012	http://www.cninfo.com.cn
Indicative announcement on registration and approval of medium-term note issue		19 June 2012	http://www.cninfo.com.cn
H share announcement		27 June 2012	http://www.cninfo.com.cn
Shandong Chenming Paper Holdings Limited: Announcement on 2012 Interest Payment of 2011 Corporate Bonds	B025 of China Securities Journal A25 of Hong Kong Commercial Daily	30 June 2012	http://www.cninfo.com.cn
Indicative announcement in respect of the result of medium-term note issue		30 June 2012	http://www.cninfo.com.cn

VIII. Financial Report

(I) Auditors' opinions

Whether the interim report is audited or not?

☐ Yes ☒ No ☐ Not applicable

(II) Financial statements

Consolidated financial statements need to be prepared:

☒ Yes ☐ No ☐ Not applicable

Unless otherwise stated, the unit in the financial statements of the financial report is: RMB

The unit in the notes to the financial statements is: RMB

1. Consolidate balance sheet

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

Item	Note	Closing balance	Opening balance
CURRENT ASSETS:			
Monetary funds		3,577,575,965.34	3,529,938,211.47
Balances with clearing companies			
Loans to banks and other financial institutions			
Held-for-trading financial assets		0.00	0.00
Bills receivable		2,300,338,786.78	2,444,508,997.74
Accounts receivable		3,416,046,386.88	2,886,437,754.69
Prepayments		1,045,146,661.71	764,880,237.90
Premium receivable			
Receivables from reinsurers			
Reinsurance contract reserves receivable			
Interest receivable			
Dividend receivable			
Other receivables		238,050,762.42	325,550,913.72
Financial assets purchased under agreements to resell			
Inventory		5,431,835,346.37	5,586,472,121.37
Non-current assets due within one year			
Other current assets		1,825,128,528.24	1,698,362,261.63
Total current assets		17,834,122,437.74	17,236,150,498.52

VIII. Financial Report

(II) Financial statements (Cont'd)

1. Consolidate balance sheet (Cont'd)

Item	Note	Closing balance	Opening balance
NON-CURRENT ASSETS:			
Entrusted loans and advances to customers			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		94,717,476.18	77,434,005.49
Investment properties		22,080,828.01	22,949,956.03
Fixed assets		21,753,715,858.92	22,740,904,031.02
Construction in progress		3,491,069,182.47	2,618,039,624.85
Construction materials		83,223,466.14	61,924,581.85
Disposal of fixed assets		547,643,828.15	0.00
Productive biological assets		1,053,117,556.55	959,061,500.85
Oil and gas assets			
Intangible assets		1,497,565,370.87	1,517,137,201.36
Development expenditure			
Goodwill		20,283,787.17	20,283,787.17
Long-term prepaid expenses		191,475,006.54	192,917,245.62
Deferred income tax assets		257,330,993.15	174,026,534.27
Other non-current assets		10,000,000.00	10,000,000.00
Total non-current assets		29,022,223,354.15	28,394,678,468.51
TOTAL ASSETS		46,856,345,791.89	45,630,828,967.03
CURRENT LIABILITIES:			
Short-term borrowings		11,624,585,358.08	12,086,984,606.69
Borrowings from the central bank			
Customer bank deposits and due to banks and other financial institutions			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Bills payable		1,654,218,054.43	615,327,402.85
Accounts payable		3,669,255,907.28	4,685,585,997.60
Advance receipts		351,160,489.96	231,428,013.45
Assets sold under agreements to repurchase			
Handling charges and commission payable			
Staff remuneration payables		196,886,749.84	147,063,891.65
Taxes payable		63,459,793.15	68,240,005.91
Interest payable		172,073,207.37	106,854,702.74
Dividend payable		309,306,891.20	
Other payables		870,620,863.94	763,621,538.95
Due to reinsurers			
Insurance contract reserves			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Non-current liabilities due within one year		1,785,251,433.52	1,203,616,858.22
Other current liabilities		11,943,381.96	10,227,001.60
Total current liabilities		20,708,762,130.73	19,918,950,019.66

VIII. Financial Report

(II) Financial statements (Cont'd)

1. Consolidate balance sheet (Cont'd)

Item	Note	Closing balance	Opening balance
NON-CURRENT LIABILITIES:			
Long-term borrowings		4,800,684,896.98	5,143,067,496.05
Bonds payable		2,479,860,934.30	2,476,942,694.79
Long-term payables			
Special payables		650,074,924.05	660,000,000.00
Estimated liabilities			
Deferred income tax liabilities			
Other non-current liabilities		3,542,607,521.90	2,444,093,897.14
Total non-current liabilities		11,473,228,277.23	10,724,104,087.98
TOTAL LIABILITIES		32,181,990,407.96	30,643,054,107.64
OWNERS' INTEREST (OR SHAREHOLDERS' INTEREST):			
Paid-up capital (or share capital)		2,062,045,941.00	2,062,045,941.00
Capital reserves		6,098,264,836.00	6,098,264,836.00
Less: Treasury shares			
Special reserves			
Surplus reserves		1,132,116,106.40	1,132,116,106.40
General risk provisions			
Retained profit		4,022,722,068.19	4,237,783,996.54
Foreign currency translation differences		-1,740,946.84	-1,588,560.03
Total equity attributable to shareholders of the Company		13,313,408,004.75	13,528,622,319.91
Minority Shareholders' interests		1,360,947,379.18	1,459,152,539.48
Total owners' interest (or Shareholders' interest)		14,674,355,383.93	14,987,774,859.39
TOTAL LIABILITIES AND OWNERS' INTEREST (OR SHAREHOLDERS' INTEREST)		46,856,345,791.89	45,630,828,967.03

Legal Representative: Chen Hongguo

Financial controller: Wang Chunfang

Head of the financial department: Liu Jun

VIII. Financial Report

(II) Financial statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	Note	Closing balance	Opening balance
CURRENT ASSETS:			
Monetary funds		1,762,696,493.00	1,747,384,563.57
Held-for-trading financial assets			
Bills receivable		1,511,259,019.35	1,432,408,267.82
Accounts receivable		546,208,077.45	1,743,034,281.97
Prepayments		1,466,547,462.67	664,693,619.26
Interest receivable			
Dividend receivable		10,487,270.13	
Other receivables		8,070,165,092.64	6,928,079,845.18
Inventory		1,326,792,835.07	1,173,839,484.91
Non-current assets due within one year		200,000,000.00	50,000,000.00
Other current assets		86,300,706.02	15,216,230.82
Total current assets		14,980,456,956.33	13,754,656,293.53
NON-CURRENT ASSETS:			
Available-for-sale financial assets			
Held-to-maturity investments		300,000,000.00	500,000,000.00
Long-term receivables			
Long-term equity investments		8,835,293,283.52	8,748,703,461.63
Investment properties		22,080,828.01	22,949,956.03
Fixed assets		5,167,336,101.19	5,264,187,852.03
Construction in progress		401,841,093.49	422,232,622.40
Construction materials		2,627,319.91	3,589,906.68
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		318,210,213.09	322,623,412.83
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets		41,271,213.90	41,388,325.93
Other non-current assets		10,000,000.00	10,000,000.00
Total non-current assets		15,098,660,053.11	15,335,675,537.53
TOTAL ASSETS		30,079,117,009.44	29,090,331,831.06

VIII. Financial Report

(II) Financial statements (Cont'd)

2. Balance sheet of the Company (Cont'd)

Item	Note	Closing balance	Opening balance
CURRENT LIABILITIES:			
Short-term borrowings		6,096,366,224.70	8,080,716,020.88
Held-for-trading financial liabilities			
Bills payable		1,506,586,112.66	346,418,281.23
Accounts payable		1,059,169,091.98	1,698,958,458.63
Advance receipts		1,001,660,468.78	119,723,590.83
Staff remuneration payables		105,350,758.91	79,433,205.74
Taxes payable		6,079,255.16	21,270,847.19
Interest payable		168,915,277.78	103,910,194.44
Dividend payable		309,306,891.20	
Other payables		198,473,547.86	211,491,763.93
Non-current liabilities due within one year		775,938,740.00	543,009,000.00
Other current liabilities		1,813,538.40	1,345,288.40
Total current liabilities		11,229,659,907.43	11,206,276,651.27
NON-CURRENT LIABILITIES:			
Long-term borrowings		659,813,195.94	648,055,935.94
Bonds payable		1,985,081,805.64	1,983,425,123.62
Long-term payables			
Special payables			
Estimated liabilities			
Deferred income tax liabilities			
Other non-current liabilities		3,400,467,117.98	2,314,615,977.46
Total non-current liabilities		6,045,362,119.56	4,946,097,037.02
TOTAL LIABILITIES		17,275,022,026.99	16,152,373,688.29
OWNERS' INTEREST (OR SHAREHOLDERS' INTEREST):			
Paid-up capital (or share capital)		2,062,045,941.00	2,062,045,941.00
Capital reserves		6,184,215,988.77	6,184,215,988.77
Less: Treasury shares			
Special reserves			
Surplus reserves		1,119,926,524.49	1,119,926,524.49
General risk provisions			
Retained profit		3,437,906,528.19	3,571,769,688.51
Foreign currency translation differences			
Total owners' interest (or Shareholders' interest)		12,804,094,982.45	12,937,958,142.77
TOTAL LIABILITIES AND OWNERS' INTEREST (OR SHAREHOLDERS' INTEREST)		30,079,117,009.44	29,090,331,831.06

VIII. Financial Report

(II) Financial statements (Cont'd)

3. Consolidated Income Statement

Unit: RMB

Item	Note	Amounts for the reporting period	Amounts for the prior period
I. Total revenue		9,964,451,535.04	8,917,455,355.14
Including: Revenue		9,964,451,535.04	8,917,455,355.14
Interest income			
Earned premium			
Handling charges and commission income			
II. Total operating costs		10,185,836,150.89	8,456,795,799.33
Including: Operating costs		8,500,512,936.03	7,382,759,124.49
Interest expenses			
Handling charges and commission expenses			
Surrenders			
Net claims paid			
Net change in insurance contract reserves			
Policyholder dividend expenses			
Expenses for reinsurance accepted			
Business taxes and surcharges		31,846,785.11	32,113,269.58
Selling and distribution expenses		535,959,288.53	438,518,128.62
General and administrative expenses		562,794,713.60	471,238,564.30
Finance expenses		541,285,654.45	153,592,178.50
Loss on impairment of assets		13,436,773.17	-21,425,466.16
Plus: Gain on change in fair value ("-" denotes loss)		15,457,198.72	3,715,429.62
Investment income ("-" denotes loss)		-2,716,529.31	9,553,661.98
Including: Investment income from associates and joint ventures		-2,716,529.31	-3,755,501.39
Foreign exchange gains ("-" denotes loss)			
III. Operating profit ("-" denotes loss)		-208,643,946.44	473,928,647.41
Plus: Non-operating income		223,467,731.90	145,947,362.89
Less: Non-operating expenses		2,305,018.44	26,337,117.25
Including: Loss on disposal of non-current assets		909,346.99	923,387.79
IV. Total profit ("-" denotes total loss)		12,518,767.02	593,538,893.05
Less: Income tax expenses		-12,866,933.23	96,723,898.32

VIII. Financial Report

(II) Financial statements (Cont'd)

3. Consolidated Income Statement (Cont'd)

Item	Note	Amounts for the reporting period	Amounts for the prior period
V. Net profit ("—" denotes net loss)		25,385,700.25	496,814,994.73
Including: Net profit achieved by the acquiree before business combination			
Net profit attributable to shareholders of the Company		94,244,962.85	483,549,691.40
Minority interests		-68,859,262.60	13,265,303.33
VI. Earnings per share:		—	—
(I) Basic earnings per share		0.05	0.23
(II) Diluted earnings per share		0.05	0.23
VII. Other comprehensive income		-152,386.81	-277,876.30
VIII. Total comprehensive income		25,233,313.44	496,537,118.43
Total comprehensive income attributable to shareholders of the Company		94,092,576.04	483,271,815.10
Total comprehensive income attributable to minority interests		-68,859,262.60	13,265,303.33

For the business combination under common control during the current period, the net profit achieved by the acquiree before business combination was RMB0.00.

VIII. Financial Report

(II) Financial statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	Note	Amounts for the reporting period	Amounts for the prior period
I. Revenue		4,087,223,643.12	4,110,859,712.15
Less: Operating costs		3,448,243,509.14	3,325,675,097.46
Business taxes and surcharges		16,665,654.21	13,912,091.01
Selling and distribution expenses		125,030,947.56	135,529,408.44
General and administrative expenses		264,784,924.40	211,532,488.08
Finance expenses		244,992,432.75	125,413,016.82
Loss on impairment of assets		-7,044,869.23	-38,465,504.04
Plus: Gain on change in fair value ("-" denotes loss)			
Investment income ("-" denotes loss)		42,792,407.91	140,407,977.15
Including: Investment income from associates and joint ventures		-2,716,529.31	-3,755,501.39
II. Operating profit ("-" denotes loss)		37,343,452.20	477,671,091.53
Plus: Non-operating income		152,611,810.82	100,848,267.10
Less: Non-operating expenses		151,132.48	22,727,730.47
Including: Loss on disposal of non-current assets		126,486.38	443,271.23
III. Total profit ("-" denotes total loss)		189,804,130.54	555,791,628.16
Less: Income tax expenses		14,360,399.66	58,452,362.47
IV. Net profit ("-" denotes net loss)		175,443,730.88	497,339,265.69
V. Earnings per share:		—	—
(I) Basic earnings per share		0.09	0.24
(II) Diluted earnings per share			
VI. Other comprehensive income			
VII. Total comprehensive income		175,443,730.88	497,339,265.69

VIII. Financial Report

(II) Financial statements (Cont'd)

5. Consolidated cash flow statement

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	8,768,879,634.98	7,854,858,051.86
Net increase in customer bank deposits and due to banks and other financial institutions		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums under original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders		
Net increase from disposal of held-for-trading financial assets		
Cash received from interest, handling charges and commissions		
Net increase in placements from banks and other financial institutions		
Net capital increase of repurchase business		
Tax rebates received	4,195,458.50	15,888,429.59
Cash received relating to other operating activities	282,265,076.77	895,946,310.86
Subtotal of cash inflows from operating activities	9,055,340,170.25	8,766,692,792.31
Cash paid for goods and services	6,789,505,489.23	5,917,115,598.43
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other financial institutions		
Cash paid for claims under original insurance contracts		
Cash paid for interest, handling charges and commission		
Cash paid for policyholder dividend		
Cash paid to and for employees	477,021,702.85	426,234,308.06
Payments of taxes and surcharges	677,026,381.95	846,940,819.17
Cash paid relating to other operating activities	450,701,894.35	838,758,161.61
Subtotal of cash outflows from operating activities	8,394,255,468.38	8,029,048,887.27
Net cash flows from operating activities	661,084,701.87	737,643,905.04
II. Cash flows from investing activities:		
Cash received from investments		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	278,250.65	21,052,642.46
Net cash received from disposal of subsidiaries and other business units		3,467,152.31
Cash received relating to other investing activities	23,142,607.18	5,834,492.06
Subtotal of cash inflows from investing activities	23,420,857.83	30,354,286.83
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	853,885,514.09	2,632,670,826.14
Cash paid on investments	20,000,000.00	
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	873,885,514.09	2,632,670,826.14
Net cash flows from investing activities	-850,464,656.26	-2,602,316,539.31

VIII. Financial Report

(II) Financial statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities: Cash received from capital contribution Including: cash received from minority interest contribution to subsidiaries		
Cash received from borrowings	10,931,730,380.78	7,669,027,263.45
Cash received from bond issue		
Cash received relating to other financing activities	1,308,110,040.62	491,750,000.00
Subtotal of cash inflows from financing activities	12,239,840,421.40	8,160,777,263.45
Cash repayments of amounts borrowed	11,154,877,653.16	3,811,506,924.57
Cash paid for dividend and profit distribution or interest payment Including: dividend and profit paid to minority interests by subsidiaries	618,762,463.88 11,577,192.00	780,814,563.65
Cash paid relating to other financing activities		1,780,537,524.75
Subtotal of cash outflows from financing activities	11,773,640,117.04	6,372,859,012.97
Net cash flows from financing activities	466,200,304.36	1,787,918,250.48
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-4,572,555.48	-13,615,852.06
V. Net increase in cash and cash equivalents	272,247,794.49	-90,370,235.85
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,317,048,619.53	1,855,235,979.80
VI. Balance of cash and cash equivalents as at the end of the period	2,589,296,414.02	1,764,865,743.95

VIII. Financial Report

(II) Financial statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	4,945,717,360.44	3,651,680,690.25
Tax rebates received		
Cash received relating to other operating activities	149,176,538.97	127,620,327.96
Subtotal of cash inflows from operating activities	5,094,893,899.41	3,779,301,018.21
Cash paid for goods and services	2,646,840,470.86	1,804,333,442.64
Cash paid to and for employees	187,446,352.99	152,867,010.05
Payments of taxes and surcharges	327,460,414.34	391,818,527.42
Cash paid relating to other operating activities	932,284,647.01	-452,537,261.41
Subtotal of cash outflows from operating activities	4,094,031,885.20	1,896,481,718.70
Net cash flows from operating activities	1,000,862,014.21	1,882,819,299.51
II. Cash flows from investing activities:		
Cash received from investments	50,000,000.00	240,022,705.39
Cash received from investment income	35,021,667.09	176,215,492.04
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	49,702.28	59,083.56
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	85,071,369.37	416,297,280.99
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	58,643,789.68	276,561,700.64
Cash paid on investments	69,465,450.00	1,719,533,425.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	128,109,239.68	1,996,095,125.64
Net cash flows from investing activities	-43,037,870.31	-1,579,797,844.65

VIII. Financial Report

(II) Financial statements (Cont'd)

6. Cash flow statement of the Company (Cont'd)

Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from capital contribution		
Cash received from borrowings	5,960,484,091.71	4,197,471,624.39
Cash received from bond issue		
Cash received relating to other financing activities	1,083,500,000.00	
Subtotal of cash inflows from financing activities	7,043,984,091.71	4,197,471,624.39
Cash repayments of amounts borrowed	7,700,146,887.89	2,188,125,261.03
Cash paid for dividend and profit distribution or interest payment	285,015,256.06	652,004,766.37
Cash paid relating to other financing activities	490,664,036.03	1,708,401,563.04
Subtotal of cash outflows from financing activities	8,475,826,179.98	4,548,531,590.44
Net cash flows from financing activities	-1,431,842,088.27	-351,059,966.05
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,334,162.23	-1,249,163.22
V. Net increase in cash and cash equivalents	-475,352,106.60	-49,287,674.41
Plus: Balance of cash and cash equivalents as at the beginning of the period	1,290,039,078.57	662,209,607.29
VI. Balance of cash and cash equivalents as at the end of the period	814,686,971.97	612,921,932.88

VIII. Financial Report

(II) Financial statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amounts for the reporting period

Unit: RMB

Item	Amounts for the reporting period									
	Equity attributable to shareholders of the Company								Total owners' equity	
	Paid-up capital (or share capital)	Capital reserves	Less: treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others		
I. Balance as at the end of the prior year	2,062,045,941	6,098,264,836			1,132,116,106.4		4,237,783,996.54	-1,588,560.03	1,459,152,539.48	14,987,774,859.39
Plus: accounting policy change										
Corrections of prior period errors										
Others										
II. Balance as at the beginning of the year	2,062,045,941	6,098,264,836			1,132,116,106.4		4,237,783,996.54	-1,588,560.03	1,459,152,539.48	14,987,774,859.39
III. Changes in the period ("–" denotes decrease)							-215,061,928.35	-152,386.81	-98,205,160.3	-313,419,475.46 (I)
Net profit							94,244,962.85		-68,859,262.6	25,385,700.25 (II)
Other comprehensive income								-152,386.81		-152,386.81
Sub-total of (I) and (II) above							94,244,962.85	-152,386.81	-68,859,262.6	25,233,313.44
(III) Capital paid in and reduced by owners										
1. Capital paid in by owners										
2. Amounts of share-based payments recognised in owners' equity										
3. Others										
(IV) Profit distribution							-309,306,891.2		-29,345,897.7	-338,652,788.9
1. Transfer to surplus reserves										
2. Transfer to general risk provision										
3. Distribution to owners (shareholders)							-309,306,891.2		-29,345,897.7	-338,652,788.9
4. Others										
(V) Transfer within owners' equity										
1. Transfer from capital reserves to capital (or share capital)										
2. Transfer from surplus reserves to capital (or share capital)										
3. Transfer from surplus reserves to make up for losses										
4. Others										
(VI) Special reserves										
1. Appropriated in the period										
2. Used in the period										
(VII) Others										
IV. Balance as at the end of the period	2,062,045,941	6,098,264,836			1,132,116,106.4		4,022,722,068.19	-1,740,946.84	1,360,947,379.18	14,674,355,383.93

VIII. Financial Report

(II) Financial statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amounts for the prior year

Unit: RMB

Item	Amounts for the prior year									
	Equity attributable to shareholders of the Company									
	Paid-up capital (or share capital)	Capital reserves	Less: treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Minority interests	Total owners' equity
I. Balance as at the beginning of the prior year	2,062,045,941	6,093,493,004.71			1,046,510,680.99		4,333,731,947.96	4,219.88	1,724,413,211.96	15,260,199,006.5
Plus: Retrospective adjustments arising from business combination under common control										
Plus: accounting policy changes										
Corrections of prior period errors										
Others										
II. Balance as at the beginning of the year	2,062,045,941	6,093,493,004.71			1,046,510,680.99		4,333,731,947.96	4,219.88	1,724,413,211.96	15,260,199,006.5
III. Changes in the period ("-" denotes decrease)		4,771,831.29			85,605,425.41		-95,947,951.42	-1,592,779.91	-265,260,672.48	-272,424,147.11 (I)
Net profit							608,271,256.29		-19,544,473.47	588,726,782.82 (II)
Other comprehensive income								-1,592,779.91		-1,592,779.91
Sub-total of (I) and (II)							608,271,256.29	-1,592,779.91	-19,544,473.47	587,134,002.91
(III) Capital paid in and reduced by owners		4,771,831.29							-216,438,980.57	-211,667,149.28
1. Capital paid in by owners									5,000,000	5,000,000
2. Amounts of share-based payments recognised in owners' equity										
3. Others		4,771,831.29							-221,438,980.57	-216,667,149.28
(IV) Profit distribution					85,605,425.41		-704,219,207.71		-29,277,218.44	-647,891,000.74
1. Transfer to surplus reserves					85,605,425.41		-85,605,425.41			
2. Transfer to general risk provision										
3. Distribution to owners (shareholders)							-618,613,782.3		-29,277,218.44	-647,891,000.74
4. Others										
(V) Transfer with owners' equity										
1. Transfer from capital reserves to capital (or share capital)										
2. Transfer from surplus reserves to capital (or share capital)										
3. Transfer from surplus reserves to make up for losses										
4. Others										
(VI) Special reserves										
1. Appropriated in the period										
2. Used in the period										
(VII) Other										
IV. Balance as at the end of the period	2,062,045,941	6,098,264,836			1,132,116,106.4		4,237,783,996.54	-1,588,560.03	1,459,152,539.48	14,987,774,859.39

VIII. Financial Report

(II) Financial statements (Cont'd)

8. Statement of changes in owners' equity of the Company

Amounts for the reporting period

Unit: RMB

Item			Amounts for the reporting period			General risk provisions	Retained profit	Total owners' equity
	Paid-up capital (or share capital)	Capital reserves	Less: treasury shares	Special reserves	Surplus reserves			
I. Balance as at the end of the prior year	2,062,045,941.00	6,184,215,988.77			1,119,926,524.49		3,571,769,688.51	12,937,958,142.77
Plus: accounting policy change								
Corrections of prior period errors								
Others								
II. Balance as at the beginning of the year	2,062,045,941.00	6,184,215,988.77			1,119,926,524.49		3,571,769,688.51	12,937,958,142.77
III. Changes in the period ("-" denotes decrease)							-133,863,160.32	-133,863,160.32 (I)
Net profit							175,443,730.88	175,443,730.88 (II)
Other comprehensive income								
Sub-total of (I) and (II) above							175,443,730.88	175,443,730.88
(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments recognised in owners' equity								
3. Others								
(IV) Profit distribution							-309,306,891.20	-309,306,891.20
1. Transfer to surplus reserves								
2. Transfer to general risk provision								
3. Distribution to owners (shareholders)							-309,306,891.20	-309,306,891.20
4. Others								
(V) Transfer within owners' equity								
1. Transfer from capital reserves to capital (or share capital)								
2. Transfer from surplus reserves to capital (or share capital)								
3. Transfer from surplus reserves to make up for losses								
4. Others								
(VI) Special reserves								
1. Appropriated in the period								
2. Used in the period								
(VII) Others								
IV. Balance as at the end of the period	2,062,045,941.00	6,184,215,988.77			1,119,926,524.49		3,437,906,528.19	12,804,094,982.45

VIII. Financial Report

(II) Financial statements (Cont'd)

8. Statement of changes in owners' equity of the Company

Amounts for the prior year

Unit: RMB

Item	Paid-up capital (or share capital)	Capital reserves	Less: treasury shares	Amounts for the reporting period Special reserves	Surplus reserves	General risk provisions	Retained profit	Total owners' equity
I. Balance as at the beginning of the prior year	2,062,045,941.00	6,184,215,988.77			1,034,321,099.08		3,419,934,642.10	12,700,517,670.95
Plus: accounting policy changes								
Corrections of prior period errors								
Others								
II. Balance as at the beginning of the year	2,062,045,941.00	6,184,215,988.77			1,034,321,099.08		3,419,934,642.10	12,700,517,670.95
III. Changes in the period ("-" denotes decrease)					85,605,425.41		151,835,046.41	237,440,471.82 (I)
Net profit							856,054,254.12	856,054,254.12 (II)
Other comprehensive income								
Sub-total of (I) and (II)							856,054,254.12	856,054,254.12
(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments recognised in owners' equity								
3. Others								
(IV) Profit distribution					85,605,425.41		-704,219,207.71	-618,613,782.30
1. Transfer to surplus reserves					85,605,425.41		-85,605,425.41	
2. Transfer to general risk provision								
3. Distribution to owners (shareholders)							-618,613,782.30	-618,613,782.30
4. Others								
(V) Transfer with owners' equity								
1. Transfer from capital reserves to capital (or share capital)								
2. Transfer from surplus reserves to capital (or share capital)								
3. Transfer from surplus reserves to make up for losses								
4. Others								
(VI) Special reserves								
1. Appropriated in the period								
2. Used in the period								
(VII) Other								
IV. Balance as at the end of the period	2,062,045,941.00	6,184,215,988.77			1,119,926,524.49		3,571,769,688.51	12,937,958,142.77

VIII. Financial Report

III. General Information of the Company

Shandong Chenming Paper Holdings Limited (hereinafter referred to as the “Company”), whose predecessor was Shandong Shouguang Paper Mill Corporation, was reorganised to become a joint stock limited company by way of private placement in May 1993. In December 1996, with the approval issued by the Shandong Provincial Government (Lu Gai Zi [1996] Document No. 270) and by the Securities Committee of the State Council (Zheng Wei [1996] Document No.59), the Company was reorganised to become a joint stock limited company by way of public subscription.

In May 1997, with the approval issued by the Securities Committee of the State Council ([1997] Document No. 26), the Company issued 115 million B Shares in connection with its international offering. B-shares from this issuance were listed on Shenzhen Stock Exchange since 26 May 1997.

In September 2000, with the approval issued by China Securities Regulatory Committee (hereinafter referred to as the “CSRC”) (Zheng Jian Gong Si Zi [2000] Document No. 151), the Company issued 70 million A Shares. A-shares from this issuance were listed on Shenzhen Stock Exchange on 20 November 2000.

In June 2008, with the approval issued by the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”), the Company issued 355,700,000 H shares. Meanwhile, the relevant state shareholders of the Company performed the reduction of state-owned shares, by way of transferring to the Social Security Fund Council (the “NSSF Council”) such number of shares held by it, representing 35,570,000 shares, which were to be converted into overseas listed foreign shares (H shares). H-shares under the new issue were listed on the Hong Kong Stock Exchange on 18 June 2008.

As of 31 December 2011, the cumulatively issued total share capital of the Company was 2,062,045,941 shares. Please see Note VII. 47 for details.

The business scope of the Company and its subsidiaries (hereinafter referred as the (“Group”) covers: processing and sale of paper products (including machine made paper and paper board), paper making raw materials and machinery; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products; and manufacturing and sale of laminated boards and fortified wooden floorboards.

Shouguang Chenming Holdings Co., Ltd is the parent company of the Group.

Shouguang Chenming Holdings Co., Ltd (hereinafter referred to as “Shouguang Chenming Holdings”) was established on 30 December 2005 by State-owned Assets Supervision and Administration Commission of Shouguang City which contributed its state-owned shares to set up the Company. The China Securities Regulatory Commission finally approved the change in the holder of state-owned Shares of Chenming Paper and the change in nature of its equity interests arising from the establishment of Shouguang Chenming Holdings on 14 August 2006 (Guo Zi Chan Quan [2005] No. 1539) . Since then, the largest shareholder of the Company was changed from State-owned Assets Supervision and Administration Commission of Shouguang City to Shouguang Chenming Holdings

The Company’s financial statements were approved for publication by the Board on 21 August 2012.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period

1. Basis of Preparation of the Financial Statements

The Company's financial statements have been prepared based on the going concern assumption. The financial statements have been prepared based on actual transactions and events, in accordance with the accounting standards for business enterprises promulgated by the Ministry of Finance of PRC in 15 February 2006 and 38 specific accounting standards, the subsequently promulgated application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2010) of China Securities Regulatory Commission.

The Group's financial statements have been prepared on an accrual basis in accordance with the ASBEs. Except for certain financial instruments and consumable biological assets, the financial statements are prepared under the historical cost convention. In the event that depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

2. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial positions of the Company and the Group for the six months period ended 30 June 2012 and relevant information such as the operating results and cash flows of the Company and the Group of the first six months of 2012. In addition, the financial statements of the Company also comply with, in all material respects, the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2010 and the notes thereto.

3. Accounting period

Accounting periods of the Company are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full fiscal year. The fiscal year of the Company is from 1 January to 31 December of each calendar year.

4. Reporting currency

The Company and its domestic subsidiaries recognise RMB as their reporting currency according to the primary economic environment in which they operate. The reporting currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Overseas subsidiaries of the Company recognise U.S. dollar as their reporting currency according to the primary economic environment in which these subsidiaries operate. The Group prepares its financial statements in RMB.

Reporting currency for overseas subsidiaries: Nil

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

5. Accounting treatment of business combination under common control and not under common control

(1) Business combination under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. The party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being merged. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred.

(2) Business combination not under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. As equity or bond securities are issued by the acquirer as consideration, any attributable transaction cost is included their initial costs. Involved contingent consideration charged to the combination cost according to its fair value on the acquisition date, the combined goodwill be will be adjusted if new or addition evidence existed about the condition in the acquisition date within twelve months after the acquisition date, which is required to adjust the contingent consideration.

The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

6. Basis for preparation of consolidated financial statements

(1) Basis for preparation of consolidated financial statements

(1) Principle of determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The term “control” means that the Company has the power to decide an investee’s financial and operating policy. The scope of consolidation includes the Company and all of its subsidiaries. A subsidiary is a business or entity controlled by the Company.

(2) Basis for preparation of the consolidated financial statements

Subsidiaries are consolidated from the date on which the Group obtains net assets and the effective control of decision making of production and operation and are deconsolidated from the date that such control ceases. For disposal of subsidiaries, the operating results and cash flows of such subsidiaries before the date of disposal are properly included into the consolidated income statement and consolidated cash flow statements; for disposal of subsidiaries during the reporting period, no adjustment shall be made to the opening balance of the consolidated balance sheet. For those subsidiaries acquired through business combination not under common control, the operating results and cash flows after the acquisition date have been properly included in the consolidated income statements and consolidated cash flow statements. No adjustments shall be made to the opening balance of the consolidated balance sheet and the comparative consolidated financial statements amount. For those subsidiaries acquired through business combination under common control, the operating results and cash flows from the beginning of the consolidation period to the consolidation date are also presented in the consolidated income statement and the consolidated cash flow statements. The comparative amounts presented in the consolidated financial statements are also adjusted accordingly.

The financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company in the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and the subsidiaries. For acquisition of subsidiaries arising from merger of entities not under same control, the financial statements of the subsidiaries will be adjusted according to the fair value of the identifiable net assets.

All intra-group significant balances, transactions and unrealised profit are eliminated in the consolidated financial statements.

The shareholder s’ equity and the portion of the profit or loss for the period that is not attributable to the Company are presented separately under shareholders’ equity and net profit in the consolidated financial statements. The portion of net profit or loss of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement under the “net profit” line item as “minority interests”. When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders’ portion of the opening balance of owners’ equity of the subsidiary, the excess amount shall be allocated against minority interests.

If the Company losses control over a subsidiary due to partial disposal of equity investment or other reasons, the remaining equity is measured at fair value on the date when the control lost. The difference between the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the Company calculated continuously since the purchase date based on shareholding percentage before disposal are recognised in gains on investment in the period when the control lost. Other comprehensive income related to equity investment in the subsidiary is transferred to gains on investment at the time control lost. The remaining equity interest is measured subsequently according to the related requirements of “Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment” or “Accounting Standards for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”. Please see Note IV. 10 “Long-term equity investments” for details or Note IV. 7 “Financial Instruments”.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

6. Basis for preparation of consolidated financial statements (Cont'd)

- (2) Relevant accounting treatment of disclosure of acquisition and disposal of or disposal and acquisition of equity of the same subsidiary in two consecutive accounting years

Not applicable

7. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Company which are readily convertible into known amounts of cash and which are subject to insignificant risk of value change.

8. Foreign currency operations and translation of statements denominated in foreign currency

(1) Foreign currency operations

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Company, when initially recognised, are translated into functional currency at the prevailing spot exchange rate on the date of exchange while the Company's foreign currency exchange operations and transactions in connection with foreign currency exchange shall be translated into functional currency at the exchange rate actually adopted.

(2) Basis for translation of foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. All differences are included in the consolidated income statement, except for: ① the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets which are qualified for capitalisation; ② and except for other carrying amounts of the amortisation costs, the differences arising from changes of the foreign currency items available for sale.

The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of reporting currency before and after the translation will be treated as changes in fair value (including changes in foreign exchange rates) and recognised in profit or loss for the period or recognised as other consolidated income and included in the capital reserves.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

8. Foreign currency operations and translation of statements denominated in foreign currency (Cont'd)

(2) Basis for translation of foreign currency financial statements

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to overseas operation and foreign currency monetary items materially constitute net investment in overseas operation shall be recorded into "translation reserve" in the shareholders' equity; disposal of overseas operation shall be included into profits and losses on disposal in the current period.

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in comply with the following requirement: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner's equity items except for "retained profit" are translated at the spot exchange rates at the dates on which such items arose; income and expenses items in the income statement are translated at the average spot exchange rate at the date of transaction. The retained profit brought forward are reported at the prior year's closing balance; the retained profit as at the end of the year are presented after translated the profit appropriation items; differences between the aggregate of asset and liability items and owners' equity items are recognised as "translation differences arising on the translation of financial statements denominated in foreign currencies" in other consolidated income, and presented separately as under owners' equity items in the balance sheet. On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operation which has been included in owners' equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the spot exchange rate when it incurs. Effects arising from changes of exchange rate of cash shall be presented separately in the cash flow statements.

The opening balance and the prior year's figures are presented according to the translated amounts of the prior year.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

9. Financial instruments

(1) Classification of financial instruments

By way of buying and selling the financial assets in a regular way, recognition and derecognition are carried out according to the accounts on the transaction day. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets when they are initially recognised.

Financial liabilities are classified at fair value at initial recognition and changes are carried through profit and loss as financial liabilities and other financial liabilities for the current period.

(2) Basis of recognition and method of measurement of financial assets

Financial assets are initially recognised at fair value. For financial assets measured at fair value and whose changes are carried through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For financial assets classified as other categories, relevant transaction costs are included in the amount initially recognised.

① Financial assets carried at fair value through profit or loss for the current period

They include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period.

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: A. the financial assets is acquired or incurred principally for the purpose of selling it in the near term; B. the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or C. the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

A financial asset may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or B. The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

A financial asset at fair value through profit or loss is subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial asset are recognised in profit or loss in the current period.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

9. Financial instruments (Cont'd)

(2) Basis of recognition and method of measurement of financial assets (Cont'd)

② Held-to-maturity investments

They are non-derivative financial assets with fixed maturity dates and fixed or determinable payments that the Group has positive intent and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss on derecognition, impairment or amortisation is recognised through profit or loss for the current period.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income or expense over each period based on the effective interest of a financial asset or a financial liability (including a group of financial assets or financial liabilities). The effective interest is the rate that discounts future cash flows from the financial asset or financial liability over its expected life or (where appropriate) a shorter period to the carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Group will estimate the future cash flows (excluding future credit losses) by taking into account all contract terms relating to the financial assets or financial liabilities whilst considering various fees, transaction costs and discounts or premiums which are part of the effective interest rate paid or received between the parties to the financial assets or financial liabilities contracts.

③ Loans and receivables

They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables and entrusted loans are classified as loans and receivables by the Group.

Loans and receivables are measured subsequently at the amortised cost by using the effective interest rate method. Gains or losses incurred at the time of derecognition, impairment or amortization are charged to profit or loss in the current period.

④ Available-for-sale financial assets

They include non-derivative financial assets that are designated in this category on initial recognition, and the financial assets other than the financial assets at fair value through profit and loss, loans and receivables and held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value. The gain or loss on change in fair value are recognised as other comprehensive income and charged to capital reserves, except for impairment loss and exchange differences arising from foreign monetary financial assets and amortised cost which are accounted for through profit or loss for the current period. The financial assets will be transferred out of the financial assets on derecognition and accounted for through profit or loss for the current period.

Interests received from available-for-sale financial assets held and the cash dividends declared by the investee are recognised as investment income.

Financial liabilities are initially recognised at fair value. For financial liabilities measured at fair value and whose changes are carried through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognised.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

9. Financial instruments (Cont'd)

(2) Basis of recognition and method of measurement of financial assets (Cont'd)

- ① Financial liabilities measured at fair value and whose changes are carried through profit or loss for the period

The criteria for a financial liability to be classified as held for trading and designated as at financial liabilities at fair value through profit or loss are the same as those for a financial asset to be classified as held for trading and designated as at financial assets at fair value through profit or loss.

Financial liabilities at fair value through profit or loss for the period are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial liabilities are included into the current profit or loss.

- ② Other financial liabilities

Derivative financial liabilities which are linked to equity instruments that are not quoted in an active market and the fair value of which cannot be measured reliably measured, and which shall be settled by delivery of equity instruments are subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from derecognition or amortisation is recognised in profit or loss for the current period.

- ③ Financial Guarantee Contracts

Financial guarantee contracts other than those designated as financial liabilities at fair value through profit or loss are initially recognised at fair value, and shall be subsequently measured at the higher of the following: the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 “Contingencies” and the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 “Revenue”.

(3) Recognition and measurement of transfers of financial asset

Financial asset that satisfied any of the following criteria shall be derecognised: ① the contract right to recover the cash flows of the financial asset has terminated; ② the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and ③ the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not assign maintain substantially all the risk and return arising from the ownership of the financial asset.

When the entity does not either assign or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognises it as a related financial asset and recognises the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

On derecognition of a financial asset, the difference between the following amounts is recognised in profit or loss for the current period: the carrying amount and the sum of the consideration received and any accumulated gain or loss that had been recognised directly in equity.

If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognised and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognised in profit or loss for the period: the sum of the consideration received and the carrying amount of the part that qualifies for derecognition and the aforementioned carrying amount.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

9. Financial instruments (Cont'd)

(4) Derecognition of financial liabilities

Financial liabilities are derecognised in full or in part only when the present obligation is discharged in full or in part. An agreement is entered between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognise the original financial liabilities as well as recognise the new financial liabilities.

When financial liabilities is derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

(5) Method of determination of the fair value for financial assets and financial liabilities

The fair value refers to the amount, at which both willing parties to a fair transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organisations and price-fixing service organisations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

(6) Impairment provision for financial assets (excluding accounts receivables)

Not applicable

(7) For unmatured held-to-maturity investments reclassified as available-for-sale financial assets, please state the intention for holding and the basis for change in capability

Not applicable

10. Basis for recognition and measurement of bad debt provision for accounts receivables

The Group carries out an overall inspection on the carrying amount of accounts receivable on the balance sheet date. Where there arises any of the following objective evidences indicating that accounts receivable have been impaired, an impairment provision will be made: ① a serious financial difficulty occurs to the debtor; ② the debtor breaches any of the contractual stipulations (such as he fails to pay or delays the payment of interests or the principal); ③ the debtor will probably go bankrupt or carry out other financial reorganisations; ④ other objective evidences show that the accounts receivable are impaired.

(1) Bad debt provision for a single significant item of accounts receivable

Basis of determination or criterion of amount for single significant items

Accounts receivable of more than RMB1 million is recognised as individually significant accounts receivable by the Group.

Method for making bad debt provision individually for single significant items

For accounts receivable that is individually significant, the Group assesses such accounts receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognised are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

10. Basis for recognition and measurement of bad debt provision for accounts receivables (Cont'd)

(2) Accounts receivable making bad debt provision by portfolio

Name of portfolio	Method for making bad debt provision by portfolio	Basis for determining the portfolio
No-risk portfolio	Other methods	Accounts receivable which are individually significant or have certain specific risk features and are determined by the management to be not impaired as at the balance sheet date upon subject to impairment tests separately.
General-risk portfolio	Aging analysis	Accounts receivable for which bad debts are provided under credit risk portfolio as they are not qualified to be subject to impairment tests separately (individually significant or have certain specific risk features) and are classified into some portfolios based on the credit risk features such as age and the percentage of bad debt provision of each portfolio is determined against the common risk features of each portfolio by the management.

Use of aging analysis for making bad debt provision in the portfolio:

☒ Applicable ☐ Not applicable

Age	Ratio of accounts receivable provision (%)	Ratio of other accounts receivable provision (%)
Within 1 year (including 1 year)	5%	5%
1-2 years	10%	10%
2-3 years	20%	20%
Over 3 years	100%	100%
3-4 years	100%	100%
4-5 years	100%	100%
Over 5 years	100%	100%

Use of percentage of amount outstanding for making bad debt provision in the portfolio:

☐ Applicable ☒ Not applicable

Use of other methods for making bad debt provision in the portfolio:

☐ Applicable ☒ Not applicable

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

10. Basis for recognition and measurement of bad debt provision for accounts receivables (Cont'd)

(3) Accounts receivable insignificant but making bad debt provisions individually

Reasons for making bad debt provisions individually

The Group conducts impairment tests for the single item with insignificant account receivables but with following features. If there is objective evidence indicating that the accounts receivable is impaired, then impairment loss will be recognised and provision for bad debts according to the difference when the present value of future cash flow is fewer than its carrying amounts: accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the accounts receivable indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

Method for making bad debt provisions:

Bad debt provisions are made based on the difference between the present value of the future cash flow and the book value in determining the impairment loss.

11. Inventory

(1) Classification of inventories

Inventories mainly include raw materials, work in progress and finished products, etc.

(2) Pricing of inventory dispatched

☐ First-in-first-out ☒ Weighted average ☐ Determined individually ☐ Others

(3) Recognition of net realisable value of inventory and provision for inventory impairment

At the balance sheet date, inventories are calculated at the lower of cost and net realisable value. Provision for inventory impairment is made when the net realisable value is lower than the cost. Provisions for impairment of inventory shall be made according to the amount by which the cost of a single item exceeds its net realisable value.

After making the provision for inventory impairment, in case the factors causing inventory impairment no longer exists, and the net realisable value of an inventory is higher than its book-value, the original provision for inventory impairment shall be transferred back and incorporated into the profit or loss for the current period.

Net realisable value refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and other amounts after tax and levies in daily operation. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

(4) Inventory taking system

☐ Continuous inventory system ☒ Periodic inventory system ☐ Others

The inventory taking system is continuous inventory system/periodic inventory system.

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

11. Inventory (Cont'd)

(5) Amortisation of low-value consumables and packaging materials

Low-value consumables

Amortisation method : Lump-sum

Packaging materials

Amortisation method : Lump-sum

12. Long-term equity investments

(1) Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the business combination cost is the aggregate of assets paid, liabilities incurred or undertook and fair value of equity securities issued by the acquirer. Agent fees incurred by the acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred. Transaction cost incurred for issuing equity securities or debt securities, which are used as consideration for the combination, are included in the initial recognition amount of the equity securities or debt securities.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognised based on the purchase cost actually paid by the Group in cash, the fair value of equity securities issued by the Group, the agreed value of investment contract or agreement, the fair value or original carrying amounts of the non-monetary asset exchange transaction which the asset will be transferred out of the Group, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost

(2) Method for subsequent measurement and profit or loss recognition

Cost method is used to account for a long-term equity investment where the investor does not have joint control or significant influence over the investee, and the investment is not quoted in an active market and its fair value cannot be reliably measured. Long-term equity investments with joint control or significant influence on the investee are accounted for using equity method. Long-term equity investment without control or joint control or significant influence with a fair value which can be reliably measured is accounted for as available-for-sale financial assets.

In addition, long-term equity investments with control on the investee are accounted for using cost method and record in the Company's financial statements.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognised as the cash dividends or profits declared by the investee.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

12. Long-term equity investments (Cont'd)

(2) Method for subsequent measurement and profit or loss recognition (Cont'd)

② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. The unrealised gain or loss from internal transactions entered into between the Group and its associated enterprises and joint ventures is set off according to the shareholding attributable to the Group and accounted for as investment income and loss based such basis. However, the unrealised gain or loss from internal transactions entered into between the Group and its investee is not set up if belonging to impairment loss from assets transferred according to regulations such as "Accounting Standards for Business Enterprises No. 8 "Assets impairment". In respect of the other consolidated income of investees, the carrying amount of long-term equity investments is accordingly adjusted and recognised as other consolidated income and included in the capital reserves.

The Group's share of net losses of the investee shall be recognised to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognising its share of profits after setting off against the share of unrecognised losses.

If there is debit variation in relation to the long-term equity investments in associates and joint venture held prior to first adoption of the Accounting Standards for Business Enterprises by the Group on 1 January 2007, the amounts amortised over the original residual term using the straight-line method is included in the profit or loss for the period.

③ Acquisition of minority interests

Upon the preparation of the consolidated financial statements, since acquisition of minority interests increased of long-term equity investment which was compared to fair value of identifiable net assets recognised which are measured based on the continuous measurement since the acquisition date (or combination date) of subsidiaries attributable to the Group calculated according to the proportion of newly acquired shares, the difference of which recognised as adjusted capital surplus, capital surplus insufficient to set off impairment and adjusted retained earnings.

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

12. Long-term equity investments (Cont'd)

(2) Method for subsequent measurement and profit or loss recognition (Cont'd)

④ Disposal of long-term equity investments

In these consolidated financial statements, where the parent company disposes of a portion of the long-term equity investments in a subsidiary without a change in control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a change in control, it shall be treated in accordance with the relevant accounting policies as described in Note IV. 4. (2) "Preparation Method of the Consolidated Financial Statements".

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognised through profit or loss in the current period. Where the equity method is adopted, other comprehensive income attributable to the long-term equity investments previously included in shareholders' equity shall be transferred to through profit or loss in the current period on a pro-rata basis. The remaining equity shall be recognised as the long-term equity investments or other relevant financial assets based on the carrying amount and subsequently measured in accordance with the accounting policies of the foresaid long-term equity investments or financial assets. The retrospective adjustment shall be made in accordance with the relevant provisions if the remaining equity is accounted for using the equity method instead of the cost method.

(3) Recognition of having joint control or significant influence over the investee

Control means that the Group has the power to decide an enterprise's financial and operating policy, pursuant to which, the Group can get the power to obtain benefits from its operating activities. Joint control is the contractually agreed sharing of control over an economic activity, which only exists when relevant and important financial affairs and management decisions related to such economic activity require sharing of control by investors who unanimously agree upon. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, but to fail to control or joint control the formulation of such policies together with other parties. In determining whether there is control or significance influence over the investee, potential voting right factors (such as the convertible corporate bonds for the period and the exercisable stock warrants for the period of the investee and other invested units held) were taken into account.

(4) Impairment test method and impairment provision

The Group assesses at each balance sheet date whether there is any indication that any long-term equity investments may be impaired. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If the recoverable amount of an asset is less than its carrying amount, the reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly.

An impairment loss recognised on long-term equity investments shall not be reversed in a subsequent period.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

13. Investment Property

Investment property refer to real estate held to earn rentals or for capital appreciation, or both including the land use right that have been leased out; the land use right that held and will be transferred after appreciation; and the building that have been leased out.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortised using the same policy as that for buildings and land use rights.

The method for impaired test of investment property and measurement of impairment provision are detailed in Note IV. 18 "Impairment of non-current non-monetary financial asset".

In the event that an owner-occupied property or inventories is converted to an investment property (or vice versa), upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

14. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year.

(2) Recognition basis and measurement method of fixed assets under finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Title may or may not eventually be transferred. The fixed asset leased by the finance lease is used the policy consistent with that of proprietary fixed assets for provision of depreciated leased asset. If it can be reasonably determined that the ownership of the leased asset can be obtained upon expiration of the lease term, the leased asset shall be depreciated over its useful life. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, the leased asset shall be depreciated over the shorter of the lease term or its useful life.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

14. Fixed assets (Cont'd)

(3) Method for depreciation of different fixed assets

A fixed asset shall be initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use. Depreciation is provided over its estimated useful life from the next month after it has been brought to its working condition for its intended use using the straight-line method. The useful life, estimated residual value and annual depreciation rate of each category of a fixed asset are as follows:

Category	Useful lives of depreciation (year)	Estimated residual value(%)	Annual depreciation rate(%)
Buildings and structures	20-40	5-10	2.25-4.75
Machinery equipment	8-20	5-10	4.5-11.88
Electronic equipment	5	5-10	18.00-19.00
Transportation equipment	5-8	5-10	11.25-19.00
Other equipment			
Fixed assets under finance lease:	—	—	—
Of which:			
Buildings and structures	20-40	5-10	2.25-4.75
Machinery equipment	8-20	5-10	4.5-11.88
Electronic equipment	5	5-10	18.00-19.00
Transportation equipment	5-8	5-10	11.25-19.00
Other equipment			

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

(4) Impairment test methods and provision for impairment methods on fixed assets

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of fixed assets.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

(5) Explanation on other matters

Subsequent expenditures incurred for a fixed asset shall be included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Company and the relevant cost can be measured reliably; meanwhile the carrying amount of the replaced part shall be derecognised. Other subsequent expenditures shall be charged to profit or loss when incurred.

When a fixed asset is sold, transferred, retired or damaged, the Group shall recognise the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

15. Construction in progress

(1) Types of construction in progress

Construction in progress means project expenses for uncompleted addition, alteration, expansion or technological improvement, equipment upgrading and major overhaul of the fixed assets of the enterprise.

(2) Criteria and time for transferring construction in progress to fixed assets

Construction in progress is recognised based on the actual construction cost, including all expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

(3) Impairment test method and impairment provision method for construction in progress

For construction in progress, the Group will judge if there is any indication of impairment as at the balance sheet date. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

16. Borrowing costs

(1) Principles for recognising capitalisation of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the costs of the relevant assets when all the following conditions are satisfied:

- ① when expenditures for the asset have been incurred;
- ② when borrowing costs have been incurred;
- ③ activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use have commenced,.

Other differences in borrowing interest, discounts or premiums and exchange rate will be carried through profit and loss in the period in which they are incurred.

(2) Period for capitalisation of borrowing costs

For borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset, capitalisation will begin when expenditures for the asset have been incurred, borrowing costs have been incurred, and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced; capitalisation will stop when the acquisition, construction or production of the qualifying asset have reached the expected status of the intended use or sale.

(3) Period for suspension of capitalisation

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

(4) Calculation of the amount of capitalisation of borrowing costs

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

17. Biological assets

Consumable biological assets refer to biological assets held for sale or to be harvested as agricultural produce in the future, which include growing commercial forests. Consumable biological assets are stated at cost at initial recognition. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to canopy closure, including borrowing costs eligible for capitalisation. Subsequent expenses incurred after canopy closure shall be included in profit or loss for the current period.

The cost of consumable biological assets shall, at the time of harvest or disposal, be carried forward at carrying value using the rotation age method.

All the consumable biological assets of the Company are subsequently measured at fair value as they are quoted in an active market where the Company can obtain a quoted market price and other information of the same or similar consumable biological assets and thus their fair values can be reliably estimated. Changes in fair values shall be recognised as profit or loss in the current period.

18. Petroleum assets

Not applicable

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

19. Intangible assets

(1) Measurement of intangible assets

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognised as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other expenditures on an item asset shall be charged to profit or loss when incurred.

Land use right acquired shall normally be recognised as an intangible asset. Self-constructed buildings (e.g. plants), related land use right and the buildings shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use right and the buildings on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration shall be recognised in full as fixed assets.

An intangible asset with an infinite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortised using the straight-line method//units of production method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Group shall review the useful life of intangible asset with an infinite useful life and the amortisation method applied at least at each financial year-end. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Company shall estimate the useful life of that asset and apply the accounting policies accordingly

(2) Estimated useful life of intangible assets with a finite useful life

Item	Estimated useful life	Basis
Land use right	50	Statutory right of use
Computer software	5-10 years	Estimated period of gains

(3) Basis for deciding an intangible asset as having an indefinite useful life

Not applicable

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

19. Intangible assets (Cont'd)

(4) Impairment provision for intangible assets

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of intangible assets with a finite useful life. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

(5) Specific criteria for classifying internal research and development projects of the Company into the research phase and development phase

Expenditure on internal research and development activities of the Group is categorised into expenditure arising from the research phase and expenditure arising from the development phase.

Expenditure arising from the research phase is recognised as profit or loss in the current period.

Expenses incurred during the development stage that satisfy the following conditions are recognised as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development stage of the intangible asset can be measured reliably.

(6) Accounting for internal research and development project expenditure

Expenditure on internal research and development activities of the Group is categorised into expenditure arising from the research phase and expenditure arising from the development phase.

Expenditure arising from the research phase is recognised as profit or loss in the current period.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

19. Intangible assets (Cont'd)

- (5) Specific criteria for classifying internal research and development projects of the Company into the research phase and development phase (Cont'd)

Expenses incurred during the development stage that satisfy the following conditions are recognised as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development stage of the intangible asset can be measured reliably.

Research and development expenditure incurred which cannot be differentiated as expended during the research phase or development phase are recognised through profit and loss.

20. Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have incurred but that shall be amortised over the current period and subsequent periods of more than one year. Long-term prepaid expenses are amortised over the estimated benefit period using the straight-line method.

21. Asset transfer with repurchase conditions

Not applicable

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

22. Accrued liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognised as accrued liabilities: (1) The obligation is a current obligation borne by the Group; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or some expenses incurred for settlement of accrued liabilities are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of accrued liabilities.

(1) Criteria for recognition of accrued liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognised as accrued liabilities:

(1) The obligation is a current obligation borne by the Group; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

(2) Method for measuring accrued liabilities

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or some expenses incurred for settlement of accrued liabilities are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of accrued liabilities.

23. Share-based payments and equity instruments

Not applicable

24. Repurchase of the Company's shares

Not applicable

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

25. Revenue

- (1) The specific criteria for recognition of revenue from sales of goods

Revenue is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

- (2) Basis for recognition of revenue from the use right of assigned assets

Revenue is recognised on accrual basis according to the related contracts or agreements.

- (3) Basis and method for determination of completion schedule when revenue from the rendering of services and construction contracts is recognised based on the percentage-of-completion method

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognise the revenue from the rendering of services employing the percentage-of-completion method. The completion schedule of transaction concerning the rendering of services shall be ascertained according to the proportion of service costs incurred to the estimated total costs.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the enterprise; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognise the revenue from the rendering of services based on the cost of rendering services already incurred and expected to be compensated, and the cost of rendering services incurred shall be recognised as an expense for the current period. If the cost of rendering services is expected not to be compensated, it shall be recognised as an expense.

When a contract or agreement signed by the Group includes sales of goods and rendering of services, if sales of goods and rendering of services can be differentiated and separately measured, they will be recognised respectively. If sales of goods and rendering of services cannot be differentiated or cannot be separately measured, they will be recognised as sales of goods in full.

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

26. Government grant

(1) Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are classified into government grants related to assets and government grants related to income.

(2) Accounting treatment

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognised immediately in profit or loss for the current period.

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant shall be recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; if there is no related deferred income, the repayment shall be recognised immediately in profit or loss for the current period.

27. Deferred income tax assets and deferred income tax liabilities

(1) Basis for recognition of deferred income tax assets

Deferred income tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: it is not probable that the temporary difference will reverse in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

The Company recognises a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

(2) Basis for recognition of deferred income tax liabilities

Deferred income tax liabilities are not recognised for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Group able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

28. Lease

(1) Accounting treatment of operating lease

(1) Operating lease business with the Group recorded as lessee

Lease payment for operating lease is recognised as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is directly accounted in profit or loss for the current period. Contingent rent is recognised as profit or loss for the current period upon occurrence.

(2) Operating lease business with the Group recorded as lessor

Rental income is recognised in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalised when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period; the initial direct cost where the amount is fewer is included in the profit or loss for the period when incurred. Contingent rental is accounted for as profit or loss for the period in which it is incurred.

(2) Accounting treatment of finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Title may or may not eventually be transferred. All other leases are classified as operating leases.

The Group as a lessee under a finance lease

On the lease beginning date, a lessee shall recognise the lower of the fair value of the leased asset on the lease beginning date and the present value of the minimum lease payments as the recorded value, and recognise the minimum lease payments as the recorded value of long-term accounts payable, and the difference between such amounts shall be determined as unrecognised finance charge. The initial direct costs directly attributable to the leased item incurred during the process of lease negotiation and execution of the leasing agreement shall be accounted for as the value of the leased asset. The balance of the minimum lease payments after deducting the unrecognised financing charge shall be separately presented as long-term liabilities and long-term liabilities due within one year.

The unrecognised financing charge shall be accounted for during the lease period using the effective interest method and recognised as financing charge for the period. Contingent rent payments are recognised in the profit and loss for the period when actually incurred.

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

29. Assets held for sale

(1) Criteria for recognition of assets held for sale

If the Group has made a resolution in respect of disposal of a non-current asset and signed an irrevocable transfer agreement with the transferee, and such transfer is likely to be completed within one year, this non-current asset shall be accounted for as non-current assets held for sale.

(2) Accounting treatment for assets held for sale

The non-current assets held for sale are not depreciated nor amortised and calculated at the lower of carrying amount and net amount of the fair value less disposal cost. Non-current assets held for sale include individual as set and disposal group. If the group of disposal is a set of asset groups and goodwill received from business combination is allocated to such asset groups in accordance with the "Accounting Standards for Business Enterprises No.8 "Assets Impairment" or such disposal group is an operation in the asset groups, it shall include the goodwill in business combination.

If an asset or disposal group is classified as held for sale, but fails to meet recognition requirements for non-current assets held for sale, it shall no longer be classified as assets held for sale and calculated at the lower of the following two amounts: (i) the carrying amount of such asset or disposal group before being classified as assets held for sale subsequent to the adjustment to the originally recognised depreciation, amortisation or impairment under the condition that they are not classified as assets held for sale; and (2) the recoverable amount at the date on which no future sale is decided.

30. Business of asset securitisation

Not applicable

31. Hedge accounting

Not applicable

32. Changes in Significant Accounting Policies and Estimates

Any changes in significant accounting policies and accounting estimates during the reporting period

☐ Yes ☒ No ☐ Not applicable

(1) Changes in accounting policies

Any changes in significant accounting policies during the reporting period

☐ Yes ☒ No ☐ Not applicable

(2) Changes in accounting estimates

Any changes in significant accounting estimates during the reporting period

☐ Yes ☒ No ☐ Not applicable

VIII. Financial Report

IV. Significant accounting policies, accounting estimates and amendments to differences in the previous period (Cont'd)

33. Corrections on accounting errors in prior periods

Any prior accounting errors identified during the reporting period

☐ Yes ☒ No ☐ Not applicable

(1) Retrospective restatement

Any prior accounting errors based on retrospective restatement identified during the reporting period

☐ Yes ☒ No ☐ Not applicable

(2) Prospective application

Any prior accounting errors based on prospective application identified during the reporting period

☐ Yes ☒ No ☐ Not applicable

34. Other significant accounting policies, accounting estimates and preparation method of financial statements

Not applicable

VIII. Financial Report

(v) Taxation

1. Main Tax Types and Tax Rates of the Company

Tax type	Basis of taxation	Tax rate
Value added tax	Sales and procurement volume	10%, 13%, 17%
Excise tax		
Business tax	Revenue	3%, 5%
Urban maintenance and construction tax	Amount of value added tax and business tax paid	5-7%
Enterprise income tax	Taxable income tax rate	15%, 25%
Educational surcharges	Amount of value added tax and business tax paid	3%
Local educational surcharges	Amount of value added tax and business tax paid	2%

2. Tax Incentives and Approvals

Enterprise Income Tax

Pursuant to the "Revenue Bill 2008" passed by The Legislative Council of the Hong Kong Special Administrative Region on 26 June 2008, Chenming (HK) Limited, a subsidiary of the Company, has been subject to a corporate income tax rate of 16.5% commencing 2008, and the applicable tax rate for 2011 was 16.5%.

Except for the above preferential policies, the Company and its remaining subsidiaries are subject to enterprise income tax rate of 25%.

Value-added Tax ("VAT") incentives

Pursuant to Cai Shui [1995] No. 44 "Circular on VAT Exemption for Certain Products Applying Integrated Use of Resources" issued by the State Administration of Taxation", enterprises engaged in utilisation of raw materials containing not less than 30% of coal gangue, stone coal, coal ash, bottom ash of coal boiler (excluding blast furnace water quenching residue) in the production of building material products shall be exempted from VAT. Wuhan Chenjian New-style Wall Materials Co., Ltd., a subsidiary of the Company, utilises raw materials containing above 30% of coal ash in its production. It is thus qualified as an enterprise engaged in the utilisation of waste in production and is exempted from VAT in 2012.

Pursuant to Cai Shui Zi [1995] No. 44 "Circular on VAT Exemption for Certain Products Applying Integrated Use of Resources issued by the Ministry of Finance and the State Administration of Taxation" and the relevant requirements of Cai Shui [2001] Document No. 72, Shandong Chenming Panels Co., Ltd. (山东晨鸣纸业有限公司), Qihe Chenming Panels Co., Ltd., Juancheng Chenming Panels Co., Ltd and Heze Chenming Panels Co., Ltd., all being subsidiaries of the Company and produce products that applied integrated use of resources, are subject to an immediate VAT refund policy.

3. Other explanation

Nil

VIII. Financial Report

(VI) Business Combination and Consolidated Financial Statements

General description on business combination and consolidated financial statements: Nil

1. Subsidiaries

(1) Subsidiaries acquired through establishment or investment

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of the minority owners' equity of the subsidiary	
													Set off the profit or loss of the minority interests from the equity of the minority interests	the minority shareholders' equity of the subsidiary
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Controlling subsidiary	Wuhan, China	Manufacture of paper	211,367,000.00	RMB	Manufacture and sales of paper products, the materials of manufacture of paper and machinery	202,824,716.34	—	50.93%	50.93%	Yes	281,413,136.59	—	—
Shandong Chenming Paper Group Qihe Paperboard Ltd.	Wholly-owned subsidiary	Qihe, China	Manufacture of paper	376,200,000.00	RMB	Manufacture, processing and sales of paperboard and packaging paper Co.,	376,200,000.00	—	100%	100%	Yes		—	—
Shandong Chenming Power Supply Holdings Co., Ltd.	Controlling subsidiary	Shouguang, China	Electricity	99,553,100.00	RMB	Manufacture and supply of electricity and steam	157,810,117.43	—	86.71%	86.71%	Yes	17,047,011.91	—	—
Yanbian Chenming Paper Co., Ltd.	Controlling subsidiary	Yanji, China	Manufacture of paper	81,633,000.00	RMB	Mucilage glue fiber pulp, pulp and machine-made paper	96,725,533.01	—	100%	100%	Yes		—	—

(VI) Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd)

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Jiangxi Chenming Paper Co., Ltd.	Controlling subsidiary	Nanchang, China	Manufacture of paper	172,000,000.00	US\$	Production and processing, etc. of machine-made paper, paperboard, paper panel, paper products and paper-making raw materials	69,754,840.64	—	51%	51%	Yes	878,364,733.72	—	—
Shouguang Chenming Tianyuan Arboriculture Co., Ltd.	Controlling subsidiary	Shouguang, China	Manufacture	10,590,000.00	RMB	Development, nurture of fast growth poplar, forest, vegetable and fruit	7,199,000.00	—	68%	68%	Yes	-974,078.89	—	—
Hailaer Chenming Paper Co., Ltd.	Controlling subsidiary	Hailaer, China	Manufacture of paper	16,000,000.00	RMB	Sales and processing; sales of machine-made paper and pulp paper	12,000,000.00	—	75%	75%	Yes	26,686,334.95	—	—
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Controlling subsidiary	Wuhan, China	Electricity	88,235,000.00	RMB	Generation and sales of electricity and steam	45,000,000.00	—	51%	51%	Yes	39,951,150.41	—	—
Wuhan Chenjian New-style Wall Materials Co., Ltd.	Controlling subsidiary	Wuhan, China	Wall materials of paper	10,000,000.00	RMB	Production, operation and sales of aerated fly ash concrete blocks	5,100,000.00	—	51%	51%	Yes	15,827,169.46	—	—
Shandong Chenming Xinli Power Co., Ltd.	Controlling subsidiary	Shouguang, China	Electricity	11,800,000.00	US\$	Generation and sales of electricity and steam	49,820,000.00	—	51%	51%	Yes	63,553,495.11	—	—

(VI) Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd)

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority owners' equity of the subsidiary	
													of the loss attributable to the minority shareholders of the Company exceeds the minority shareholders' portion of the opening balance of	of the loss attributable to the minority shareholders of the Company exceeds the minority shareholders' portion of the opening balance of
Shouguang Chenming Cement Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Production and sales of cement	7,000,000.00	RMB	Utilisation of ash in the production of cement and sales of cement	7,000,000.00	—	100%	100%	Yes	—	—	—
Shandong Chenming Panels Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Production and sales of panels	30,000,000.00	RMB	Decorative board of the layer of laminated board, wooden products, laminated board and fortified wooden floorboard	30,000,000.00	—	100%	100%	Yes	—	—	—
Shouguang Chenming Floor Board Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Production and sales of floor board	500,000.00	RMB	Production, processing and sales of fortified wooden floorboard and impregnated paper	500,000.00	—	100%	100%	Yes	—	—	—
Qihe Chenming Panels Co., Ltd.	Wholly-owned subsidiary	Qihe, China	Production and sales of panels	40,820,000.00	RMB	Production, processing and sales of high-density (medium-density) fiberboard, decorative panel, melamine impregnated paper and composite floor	40,820,000.00	—	100%	100%	Yes	—	—	—

(VI) Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd)

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Yangjiang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Yangjiang, China	Manufacture	1,000,000.00	RMB	Plantation and development of forest, and technology consultation of forestry	1,000,000.00	—	100%	100%	Yes	—	—	—
Zhanjiang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Manufacture	1,000,000.00	RMB	Plantation of forest, nutrition and sales of seedling, processing and sales of timber and processing and sales of by-products of timber	1,000,000.00	—	100%	100%	Yes	—	—	—
Jilin Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Jilin City, China	Manufacture of paper	1,500,000,000.00	RMB	Processing and sales of machine-made paper, paperboard, paper product, paper pulp, machinery and equipment of manufacture of paper	1,501,350,000.00	—	100%	100%	Yes	—	—	—
Juancheng Chenming Panels Co., Ltd.	Wholly-owned subsidiary	Juancheng, China	Production and sales of panels	15,000,000.00	RMB	Production and sales of particle board, decorative particle board and melamine impregnated paper	15,000,000.00	—	100%	100%	Yes	—	—	—

(VI) Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd)

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority owners' equity of the subsidiary	Setting off of the loss attributable to the minority shareholders of the Company exceeds the minority shareholders' portion of the opening balance of the subsidiary
Shandong Grand View Hotel Co., Ltd.	Controlling subsidiary	Shouguang, China	Beverage	13,910,000.00	US\$	Restaurant and beverage services	80,500,000.00	—	70%	70%	Yes	-8,864,142.76	—	—
Zhanjiang Chenming Paper Pulp Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Arboriculture	2,500,000,000.00	RMB	Improvement of plant fodtering, true planting and soil, research of forestry, manufacture, production, processing and sales of paper pulp etc.	2,500,000,000.00	—	100%	100%	Yes	—	—	—
Chenming (HK) Limited	Wholly-owned subsidiary	Hong Kong, China	Trade of paper	100,000.00	US\$	Export and import trade of paper products and market research	783,310.00	—	100%	100%	Yes	—	—	—
Shouguang Chenming Modern Logistic Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Transportation	10,000,000.00	RMB	Transportation of goods	10,000,000.00	—	100%	100%	Yes	—	—	—
Shouguang Chenming Art Paper Co., Ltd.	Controlling subsidiary	Shouguang, China	Manufacture of paper	20,000,000.00	US\$	Production and sales of machine-made paper	113,616,063.80	—	75%	75%	Yes	42,929,339.21	—	—
Qihe Chenming Waste Collection Co., Ltd.	Wholly-owned subsidiary	Qihe, China	Purchase and sales of waste and old material	500,000.00	RMB	Purchase and sales of wastes and old materials	500,000.00	—	100%	100%	Yes	—	—	—

(VI) Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd)

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Jilin Chenming Waste Collection Co., Ltd.	Wholly-owned subsidiary	Jilin, China	Purchase and sales of waste and old material	1,000,000.00	RMB	Purchase and sales of wastes and old materials	1,000,000.00	—	100%	100%	Yes	—	—	—
Jilin Chenming Machinery Manufacturing Co., Ltd.	Wholly-owned subsidiary	Jilin, China	Processing of machinery	600,000.00	RMB	Processing of machinery, manufacture, installation and repair of the equipment of machinery	600,000.00	—	100%	100%	Yes	—	—	—
Nanchang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Nanchang, China	Arboriculture	10,000,000.00	RMB	Processing and sales of wooden finished products, semi-finished products and by-products of timber	10,000,000.00	—	100%	100%	Yes	—	—	—
Fuyu Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Fuyu, China	Manufacture of paper	208,000,000.00	RMB	Production and sales of machine-made paper and paperboard	208,000,000.00	—	100%	100%	Yes	—	—	—

VI. Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd))

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Huanggang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Huanggang, China	Arboriculture	70,000,000.00	RMB	Plantation, processing and sales of forests	70,000,000.00	—	100%	100%	Yes	—	—	—
Huanggang Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Huanggang, China	Arboriculture	20,000,000.00	RMB	Operation and acquisition of forest; establishment of paper pulp projects	20,000,000.00	—	100%	100%	Yes	—	—	—
Shouguang Meilun Paper Co. Ltd.	Wholly-owned subsidiary	Shouguang, China	Manufacture of paper	2,200,000,000.00	RMB	Production and sales of machine-made paper and paperboard	2,200,000,000.00	—	100%	100%	Yes	—	—	—
Shouguang Shun Da Customs Declaration Co.,Ltd.	Wholly-owned subsidiary	Shouguang, China	Customs declaration, inspection declaration	1,500,000.00	RMB	Business agency of professional customs declaration and inspection declaration	1,500,000.00	—	100%	100%	Yes	—	—	—

(VI) Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

(1) Subsidiaries acquired through establishment or investment (Cont'd)

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Wholly-owned subsidiary	Wuhan, China	Real estate	20,000,000.00	RMB	Development of real estate and sales of commodity house	20,000,000.00	—	100%	100%	Yes	—	—	—
Shandong Chenming Paper Sales Company Limited	Wholly-owned subsidiary	Shouguang, China	Sales of paper	100,000,000.00	RMB	Sales of machine-made paper, paperboard and paper making raw materials	100,000,000.00		100%	100%	Yes	—	—	—
Shanghai Runchen Equity Investment Fund Co., Ltd.	Controlling subsidiary	Shanghai, China	Equity investment	305,000,000.00	RMB	Equity investment, investment management, investment consulting	300,000,000.00		98.36%	98.36%	Yes	5,013,229.47		
Shouguang Chenming Industrial Logistics Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Transportation	10,000,000.00	RMB	Land transport, storage of goods	10,000,000.00		100%	100%	Yes			
Shouguang Chenming Papermaking Machine Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Machinery manufacturing	2,000,000.00	RMB	Processing and repair of paper making machines	2,000,000.00		100%	100%	Yes			
Shouguang Chenming Import and Export Trade Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Import and export trade	10,000,000.00	RMB	Import and export of goods and technology	10,000,000.00		100%	100%	Yes			

VI. Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Shouguang Chenming Jiatai Property Management Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Property investment	1,000,000.00	RMB	Property investment	1,000,000.00		100%	100%	Yes			
Shouguang Chenming Hongxin Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Packaging	1,000,000.00	RMB	Sales of paper packaging	1,000,000.00		100%	100%	Yes			
Shouguang Hengfeng Storage Co., Ltd.	Wholly-owned subsidiary	Shouguang, Shandong, China	Storage of goods, leasing	500,000.00	RMB	Storage and leasing, storage service	500,000.00		100%	100%	Yes			
Chenming International Co., Ltd.	Wholly-owned subsidiary	Los Angeles, United States	Import and export, technology research and development	3,000,000.00	US\$	Import and export, technology research and development	19,861,955.00		100%	100%	Yes			
Japan Chenming Paper Company Limited	Joint venture subsidiary	Tokyo, Japan	Trade of paper	1,500,000.00	US\$	Trade of paper	9,306,351.20		100%	100%	Yes			
Wuhan Xingzhilian Paper Company Limited	Wholly-owned subsidiary	Wuhan, China	Manufacture of paper	20,000,000.00	RMB	Manufacture of paper	20,000,000.00		100%	100%	Yes			

VI. Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

- (1) Subsidiaries acquired through establishment or investment
- (1) Subsidiaries acquired through establishment or investment
- Further explanation of subsidiaries acquired through establishment or investment: Nil

- (2) Subsidiaries acquired through business combination under common control
- Not applicable

Unit: RMB

Setting off
of the loss
attributable
to the minority

VI. Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests	shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Wholly-owned subsidiary	Shouguang, Shandong	Purchase and sales of waste and old materials	1,000,000.00	RMB	Purchase and sales of waste and obsolete materials	1,000,000.00		100%	100%	Yes	—	—	—
Wuxie Song Ling Paper Co., Ltd.	Wholly-owned subsidiary	Wuxi City	Manufacture of paper	5,010,000.00	RMB	Sales, cutting and processing of paper	0.00		100%	100%	Yes	—	—	—
Shouguang Hongyi Decorative Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, Shandong	Packaging	1,550,000.00	RMB	Processing and sales of packaging Products, indoor and outdoor decorations	1,700,000.00		100%	100%	Yes	—	—	—
Shouguang Wei Yuan Logistics Company Limited	Wholly-owned subsidiary	Shouguang, Shandong	Transportation	3,930,000.00	RMB	Transportation of goods, maintenance of vehicles, storage and loading of goods, international freight agency service	4,000,000.00		100%	100%	Yes	—	—	—

VI. Business Combination and Consolidated Financial Statements (Cont'd)

1. Subsidiaries (Cont'd)

- (3) subsidiaries acquired not through business combination under common control
- (3) subsidiaries acquired not through business combination under common control (Cont'd)

Unit: RMB													
Setting off the profit or loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary													
Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Currency	Business activity	Actual investment as at the end of the period	Balance of other projects that constitutes net investment in the subsidiary	Shareholding (%)	Voting rights (%)	Whether consolidated	Minority interests	Set off the profit or loss of the minority interests from the equity of the minority interests
Shouguang Xinyuan Coal Co., Ltd.	Wholly-owned subsidiary	Shouguang, Shandong	Coal	3,000,000.00	RMB	Retail of coal, gasoline, construction materials and plumbing parts	2,000,000.00		100%	100%	Yes	—	—
Shouguang Liben Paper Making Co., Ltd.	Shouguang, China	Paper making		74,070,000.00	RMB	Carbon copy paper	15,850,354.00		100%	100%	Yes		

Further explanation of subsidiaries acquired not through business combination under common control: Nil

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(VI) Business Combination and Consolidated Financial Statements (Cont'd)

2. Special purpose vehicles or operating entities whose control resulting from, among other things, entrusting to operate or lease
- ☐ Applicable ☒ Not applicable

Further explanation of Special purpose vehicles or operating entities whose control resulting from, among other things, entrusting to operate or lease: Nil

3. Explanation of change in scope of consolidation
- ☒ Applicable ☐ Not applicable

Reason for change in scope of consolidated financial statements:

The Company invested and established a wholly-owned subsidiary, Japan Chenming Paper Company Limited in Tokyo, Japan on 18 January 2012. On 8 February 2012, Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a controlling subsidiary of the Company, invested and established a wholly-owned subsidiary, Wuhan Xingzhilian Company Limited. The Company is able to exercise control over the two companies since their establishment date and they are consolidated upon their date of establishment.

4. Entities newly included in the scope of consolidation during the reporting period and entities not included in the scope of consolidation during the reporting period

Subsidiaries, special purpose vehicles and operating entities whose control resulting from, among other things, entrusting to operate or lease newly included in the scope of consolidation during the reporting period

Unit: RMB

Name	Net assets at the end of period	Net profit for the period
Japan Chenming Paper Company Limited	3,746,230.52	-5,338,173.72
Wuhan Xingzhilian Company Limited	19,994,281.68	-5,718.32

Subsidiaries, special purpose vehicles and operating entities whose control resulting from, among other things, entrusting to operate or lease not included in the scope of consolidation during the reporting period: Nil

5. Business combination under common control during the reporting period
- Not applicable
6. Business combination not under common control during the reporting period
- Not applicable
7. Subsidiaries eliminated due to disposal of controlling equity interest during the reporting period
- Not applicable
8. Reverse takeover during the reporting period
- Not applicable
9. Merger during the reporting period
- Not applicable

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(VI) Business Combination and Consolidated Financial Statements (Cont'd)

10. Exchange rate of translating major financial statement items of overseas operating entities

The exchange rate of translating Chenming (HK) Limited, Chenming International Co., Ltd., and Japan Chenming Paper Company Limited, the overseas subsidiaries of the Company, into the reporting currency of the consolidated financial statements is as follows: all asset and liability items in the balance sheet were translated using the spot exchange rate (i.e. RMB6.3249: USD1) prevailing at the balance sheet date; All the owner's equity items were translated using the spot exchange rate on the date the corresponding transactions occurred, except the "retained profit" item. The income and expense items in the income statement were translated using the average exchange rate on the date the corresponding transactions occurred. The cash flows of overseas subsidiaries were translated using the spot exchange rate on the date the cash flows occurred. The effect of exchange rate change on cash is separately presented in the cash flow statement as reconciliation item.

(VII) Notes to major items of the Consolidated Financial Statements

1. Monetary funds

Unit:RMB

Item	Closing balance			Opening balance		
	Foreign currency amounts	Exchange Rate	Amount in RMB	Foreign currency amounts	Exchange Rate	Amount in RMB
Cash:	—	—	1,612,295.60	—	—	1,908,702.31
RMB	—	—	1,265,128.60	—	—	1,556,425.31
USD	30,000.00	6.3249	189,747.00	30,000.00	6.3009	189,027.00
EUR	20,000.00	7.871	157,420.00	20,000.00	8.1625	163,250.00
Cash in Bank:	—	—	2,587,684,118.42	—	—	2,315,139,917.22
RMB	—	—	2,290,767,563.09	—	—	1,830,469,433.66
USD	46,373,103.24	6.3249	293,305,240.70	76,809,550.06	6.3009	483,969,293.97
EUR	82,772.88	7.871	651,505.34	82,977.09	8.1625	677,300.50
JPY	34,912,325.00	0.07967	2,781,464.93	29,467.24	0.8107	23,889.09
HKD	218,768.38	0.81522	178,344.36	—	—	—
Other monetary funds:	—	—	988,279,551.32	—	—	1,212,889,591.94
RMB	—	—	987,499,409.21	—	—	1,212,112,028.70
USD	123,329.79	6.3249	780,048.59	123,389.73	6.3009	777,466.35
EUR	11.88	7.871	93.52	11.87	8.1625	96.89
Total	—	—	3,577,575,965.34	—	—	3,529,938,211.47

Amounts subject to limitations, deposited overseas and liable to recovery risk due to security, pledge or immobilisation should be individually stated:

- (1) On 30 June 2012, the ownership of other monetary funds of RMB136,100,000.00 (31 December 2011: RMB402,100,000.00) of the Group was restricted, of which certificates of time deposits of RMB136,100,000.00 were the pledge for the bank loans of USD20,000,000.00 from J.P. Morgan for a term of two years.
- (2) Other monetary funds of RMB398,554,173.38 (31 December 2011: RMB263,942,118.89) were the guarantee deposit for the application for bank acceptance with the banks by the Group;
- (3) Other monetary funds of RMB453,625,377.94 (31 December 2011: RMB546,847,473.05) were the guarantee deposit for the application for letter of credit with the banks by the Group.

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(VII) Notes to major items of the Consolidated Financial Statements (Cont'd)

2. Held-for-trading financial assets

Not applicable

3. Bills receivable

(1) Classification of bills receivable

Unit:RMB		
Category	Closing balance	Opening balance
Bank acceptance	2,300,338,786.78	2,444,508,997.74
Commercial acceptance		
Total	2,300,338,786.78	2,444,508,997.74

(2) Bills receivable pledged at the end of the period

Nil

Note: As at 30 June 2012, notes with a carrying value of RMB1,999,243,719.86 (31 December 2011: RMB1,729,809,660.95) was discounted for short-term borrowings. The Company did not cease to recognise discounted bills.

(3) Bills converted into accounts receivable due to default on the part of the drawer and outstanding notes endorsed to other parties by the Company at the end of the period

Nil

Overview of outstanding notes endorsed to other parties by the Company

Unit:RMB				
Unit of issue	Date of issue	Date of expiry	Amount	Note
Foreign Language Teaching and Research Press Co., Ltd.	30 May 2012	30 November 2012	9,677,999.85	
Samson Paper (Shenzhen) Co., Ltd.	29 May 2012	29 November 2012	9,200,000.00	
Anhui Shidai Resources Holdings Co., Ltd.	28 May 2012	28 November 2012	6,000,000.00	
Shanghai Zesheng Composite Material Co., Ltd.	31 May 2012	30 November 2012	6,000,000.00	
Guangxi Guilin Xinxin Chain of Agricultural Products Co., Ltd.	17 February 2012	17 August 2012	5,600,000.00	
Total			36,477,999.85	

Note: Nil

Explanation of discounted or pledged commercial acceptance: Nil

4. Dividend receivable

Not applicable

5. Interest receivable

Not applicable

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(Cont'd)

6. Accounts receivable

(1) Disclosure of accounts receivable according to classification

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable which are individually significant and individually provided for bad debt	51,145,706.12	1.39%	51,145,706.12	100%	56,089,509.86	1.79%	56,089,509.86	100%
Accounts receivable collectively provided for bad debt								
No-risk portfolio	469,063,226.74	12.78%			241,485,698.41	7.72%		
General-risk portfolio	3,150,254,255.95	85.83%	203,271,095.81	6.45%	2,831,411,794.16	90.49%	186,459,737.88	6.59%
Sub-total	3,619,317,482.69	98.61%	203,271,095.81	5.62%	3,072,897,492.57	98.21%	186,459,737.88	6.07%
Accounts receivable which are not individually significant but individually provided for bad debt								
Total	3,670,463,188.81	—	254,416,801.93	—	3,128,987,002.43	—	242,549,247.74	—

Explanatory note to the categories of accounts receivable:

Accounts receivable of more than RMB1 million are recognised as accounts receivable individually significant. A no-risk portfolio is the accounts receivable which are individually significant or have certain specific risk features and are determined by the management to be not impaired as at the balance sheet date upon subject to impairment tests separately. A general-risk portfolio is the accounts receivable for which bad debts are provided under credit risk portfolio as they are not qualified to be subject to impairment tests separately (individually significant or have certain specific risk features) and are classified into some portfolios based on the credit risk features such as age and the percentage of bad debt provision of each portfolio is determined against the common risk features of each portfolio by the management. Accounts receivable of less than RMB1 million but individually provided for bad debt are recognised as accounts receivable not individually significant but individually provided for bad debt.

VIII. Financial Report

(Cont'd)

6. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable according to classification (Cont'd)

Accounts receivable individually significant and individually provided for bad debt as at end of the period

☒ Applicable ☐ Not applicable

Unit: RMB

Accounts receivable	Book balance	Bad debt provision	Percentage of provision	Reason
Payment for goods	51,145,706.12	51,145,706.12	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	51,145,706.12	51,145,706.12	—	

In respect of portfolio, the measurement of bad debt provision for portfolio is based on the aging method:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Closing balance		Bad debt provision	Opening balance		Bad debt provision
	Book balance Amount	Percentage (%)		Book balance Amount	Percentage (%)	
Within 1 year						
Of which:						
Within 1 year	3,075,138,786.68	97.62%	153,756,939.36	2,769,702,335.26	97.82%	138,485,116.77
Sub-total of						
within 1 year	3,075,138,786.68	97.62%	153,756,939.36	2,769,702,335.26	97.82%	138,485,116.77
1 to 2 years	24,188,101.69	0.77%	2,418,810.17	10,895,154.72	0.38%	1,089,515.48
2 to 3 years	4,790,026.63	0.15%	958,005.33	4,911,498.20	0.18%	982,299.65
Over 3 years	46,137,340.95	1.46%	46,137,340.95	45,902,805.98	1.62%	45,902,805.98
3 to 4 years						
4 to 5 years						
Over 5 years						
Total	3,150,254,255.95		203,271,095.80	2,831,411,794.16		186,459,737.88

In respect of portfolio, the measurement of bad debt provision for portfolio is based on the percentage of total accounts receivable method:

☐ Applicable ☒ Not applicable

In respect of portfolio, the measurement of bad debt provision for portfolio is based on other methods:

☐ Applicable ☒ Not applicable

Accounts receivable not individually significant but individually provided for bad debt as at the end of the period:

☐ Applicable ☒ Not applicable

VIII. Financial Report

(Cont'd)

6. Accounts receivable (Cont'd)

(2) Reversal or recovery of accounts receivable during the reporting period

Unit: RMB

Particulars of accounts receivable	Reason for reversal or recovery	Original basis for bad debt provisions	Cumulative bad debt provisions prior to reversal or recovery	Reversed or recovered amounts
Payment for goods	Collection of payment for goods	Overdue for 2 years and the least estimated possibility of recovery	4,943,803.74	4,943,803.74
Total	—	—	4,943,803.74	—

Accounts receivable individually significant or not individually significant but tested for impairment individually and provided for bad debt as at end of the period:

Nil

(3) Accounts receivable actually written-off during the reporting period

Not Applicable

(4) Outstanding amount within the accounts receivable due from shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

☐ Applicable ☒ Not applicable

VIII. Financial Report

(Cont'd)

6. Accounts receivable (Cont'd)

(5) Top five accounts receivable are as follows:

Unit: RMB

Entity name	Relationship with the Company	Amount	Term	As a percentage of the total balance of accounts receivable (%)
Hebei WenTong Trading Co., Ltd.	Non-related party	86,777,500.00	Within 1 year	2.36%
Dongguan Huafa Paper Co., Ltd.	Non-related party	37,870,607.81	Within 1 year	1.03%
Dandong Wuxing Chemical Fibre and Textile (Group) Co., Ltd.	Non-related party	33,708,328.43	Within 1 year	0.92%
Shanxi Printing Materials Company	Non-related party	27,313,790.90	Within 1 year	0.75%
Hefei Wuzhou Paper Co., Ltd.	Non-related party	26,017,514.94	Within 1 year	0.71%
Total	—	211,687,742.08		5.77%

(6) Overview of accounts receivable of the related parties

Entity name	Relationship with the Company	Amount	As a percentage of the total balance of accounts receivable (%)
Anhui Shidai Resources Holdings Co., Ltd.	Associate	10,189,479.28	0.28%
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Associate	647,390.00	0.02%
Total	—	10,836,869.28	0.3%

(7) Derecognition of accounts receivable

Not applicable

(8) Accounts receivable as the underlying of securitisation and the amount of the assets and liabilities involved and derived continuously presented

Not applicable

VIII. Financial Report

(Cont'd)

7. Other receivables

(1) Disclosure of other receivables by classification

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance	Bad debt provision			Book balance	Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables which are individually significant and individually provided for bad debt	9,402,148.72	3.08%	9,402,148.72	100%	9,330,331.45	2.38%	9,330,331.45	100%
Other receivables collectively provided for bad debt								
No-risk portfolio	135,127,761.41	44.28%			252,019,690.65	64.41%		
General-risk portfolio	146,219,785.27	47.92%	43,296,784.26	29.61%	114,387,017.39	29.23%	40,855,794.32	35.72%
Sub-total	281,347,546.68	92.2%	43,296,784.26	15.39%	366,406,708.04	93.64%	40,855,794.32	11.15%
Other receivables which are not individually significant but individually provided for bad debt	14,401,628.46	4.72%	14,401,628.46	100%	15,554,009.74	3.98%	15,554,009.74	100%
Total	305,151,323.86	—	67,100,561.44	—	391,291,049.23	—	65,740,135.51	—

Explanatory note to the categories of other receivables:

Other receivables of more than RMB1 million are recognised as other receivables individually significant. A no-risk portfolio is the other receivables which are individually significant or have certain specific risk features and are determined by the management to be not impaired as at the balance sheet date upon subject to impairment tests separately. A general-risk portfolio is the other receivables for which bad debts are provided under credit risk portfolio as they are not qualified to be subject to impairment tests separately (individually significant or have certain specific risk features) and are classified into some portfolios based on the credit risk features such as age and the percentage of bad debt provision of each portfolio is determined against the common risk features of each portfolio by the management. Other receivables of less than RMB1 million but individually provided for bad debt are recognised as other receivables not individually significant but individually provided for bad debt.

Other receivables individually significant and individually provided for bad debt as at end of the period

☒ Applicable ☐ Not applicable

Unit: RMB

Other receivables	Book balance	Bad debt provisions	Percentage of provision	Reason
Amounts with customers	9,402,148.72	9,402,148.72	100%	Most of which were amounts aged over five years
Total	9,402,148.72	9,402,148.72	—	

In respect of portfolio, the measurement of bad debt provision for other receivables is based on the aging method:

☒ Applicable ☐ Not applicable

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(Cont'd)

7. Other receivables (Cont'd)

(1) Disclosure of other receivables by classification (Cont'd)

Unit: RMB

Aging	Closing balance		Bad debt provision	Opening balance		Bad debt provision
	Book balance Amount	Percentage (%)		Book balance Amount	Percentage (%)	
Within 1 year Of which:						
Within 1 year	88,447,364.71	60.49%	4,422,368.24	63,395,635.64	55.42%	3,169,781.77
Sub-total of within 1 year	88,447,364.71	60.49%	4,422,368.24	63,395,635.64	55.42%	3,169,781.77
1 to 2 years	5,342,872.33	3.65%	534,287.23	3,856,994.93	3.37%	385,699.49
2 to 3 years	17,611,774.30	12.05%	3,522,354.86	12,292,592.20	10.75%	2,458,518.44
Over 3 years	34,817,773.93	23.81%	34,817,773.93	34,841,794.62	30.46%	34,841,794.62
3 to 4 years						
4 to 5 years						
Over 5 years						
Total	146,219,785.27	—	43,296,784.26	114,387,017.39	—	40,855,794.32

In respect of portfolio, the measurement of bad debt provision for other receivables is based on the percentage of total accounts receivable method:

☐ Applicable ☒ Not applicable

In respect of portfolio, the measurement of bad debt provision for other receivables is based on other methods:

☐ Applicable ☒ Not applicable

Other receivables not individually significant but individually provided for bad debt as at end of the period:

☒ Applicable ☐ Not applicable

Unit: RMB

Other receivables	Book balance	Bad debt provision	Percentage of provision (%)	Reason
Amounts with customers	14,401,628.46	14,401,628.46	100%	Most of which were amounts aged over 2 years
Total	14,401,628.46	14,401,628.46	100%	

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7. Other receivables (Cont'd)

(2) Reversal or recovery of other receivables during the reporting period

Unit: RMB

Particulars of other receivables	Reason for reversal or recovery	Original basis for debt provision	Cumulative bad debt provisions prior to reversal or recovery	Reversed or recovered amounts
Prepayments for goods	Receipt of payments for goods, receipt of goods	Prepayment overdue for 2 years and the least estimated possibility of recovery	1,080,564.01	1,080,564.01
Total	—	—	1,080,564.01	—

Other receivables individually significant or not individually significant but tested for impairment individually and provided for bad debt as at end of the period: Nil

(3) Other receivables actually written-off during the reporting period

Unit: RMB

Entity name	Nature of other receivable	Time of written-off	Written-off amount	Reason for written-off	Whether related to related party transactions
Amounts with customers	Deposits, etc.	1 May 2012	234,423.07	Unable to recover	No
Total	—	—	234,423.07	—	—

Explanation of written-off of other receivables: the cumulative written-off other receivables amounted to RMB234,423.07 and no significant other receivables were actually written off.

(4) Outstanding amount within the other receivables due from shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

☐ Applicable ☒ Not applicable

(5) Explanation of the significant other receivables

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Not applicable

(Cont'd)

7. Other receivables (Cont'd)

(6) Top five other receivables are as follows:

Unit: RMB

Entity name	Relationship with the Company	Amount	Term	As a percentage of the total balance of other receivable (%)
Zhanjiang Customs District, People's Republic of China	Non-related party	52,490,685.69	Within 1 year	17.2%
Communications and transportation Bureau of Shouguang City	Non-related party	7,318,243.00	Within 1 year	2.4%
Weifang Customs duty	Non-related party	6,533,380.87	Within 1 year	2.14%
People's Court of Shouguang City	Non-related party	6,904,693.90	Within 1 year	2.26%
Shandong Zhenglong International Trade Co., Ltd.	Non-related party	3,628,589.70	Within 1 year	1.19%
Total		76,875,593.16	—	25.19%

(7) Overview of other receivables of the related parties

Unit: RMB

Entity name	Relationship with the Company	Amount	As a percentage of the total balance of other receivables (%)
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Associate	1,290,901.12	0.42%
Total	—	1,290,901.12	0.42%

(8) Derecognition of other receivables

Not applicable

(9) Other receivable as the underlying of securitisation and the amount of the assets and liabilities involved and derived continuously presented

Not applicable

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(Cont'd)

8. Prepayments

1) Prepayments stated according to aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	836,824,876.99	80.07%	582,653,900.45	76.18%
1 to 2 years	208,321,784.72	19.93%	182,226,337.45	23.82%
2 to 3 years				
Over 3 years				
Total	1,045,146,661.71	—	764,880,237.90	—

Explanatory note to the aging of prepayments:

The significant prepayments of aging over 1 year mainly are the prepaid amounts of purchasing for which the Group does not require the delivery of goods due to the operating plan and arrangement of the Group.

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8. (cont'd)

(2) Top 5 prepayments are set out as follows

Unit: RMB

Entity name	Relationship with the Group	Amount	Time	Reason for outstanding
Shouguang Cailun Shenxing Fine Chemical Co., Ltd.	Non-related party	252,133,185.45	31 May 2012	Prepaid the good payments according to the agreed contract
Forestry deposits of each village of Huanggang Shi Xia Qu	Non-related party	88,589,560.20	24 December 2010	Prepaid forestry deposits according to the agreed contract
Tianyuan Construction Group Co., Ltd.	Non-related party	32,373,000.00	31 December 2011	Prepaid the good payments according to the agreed contract
EFAT GROUP LTD	Non-related party	23,485,050.58	29 April 2012	Prepaid the good payments according to the agreed contract
Dalin Nge Logistics Co., Ltd.	Non-related party	22,026,439.64	13 December 2011	Prepaid the good payments according to the agreed contract
Total	—	418,607,235.87	—	—

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Description of major entities related to prepayments: Nil

- (3) Outstanding amount within the prepayments due from shareholders holding 5% or more (including 5%) in the shares of the Company in the reporting period

☐ Applicable ☒ Not applicable

- (4) Description of prepayments

Nil

9. Inventory

- (1) Inventory by classification:

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment Provision	Carrying amount	Book balance	Impairment Provision	Carrying amount
Raw materials	3,073,872,351.99	552,446.69	3,073,319,905.30	2,892,631,003.19	21,071,145.40	2,871,559,857.79
Work-in-process products	84,755,864.75		84,755,864.75	105,925,380.16		105,925,380.16
Goods in stock	2,273,793,581.59	34,005.27	2,273,759,576.32	2,644,574,241.70	35,587,358.28	2,608,986,883.42
Working capital construction materials						
Consumable biological assets						
Total	5,432,421,798.33	586,451.96	5,431,835,346.37	5,643,130,625.05	56,658,503.68	5,586,472,121.37

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(Cont'd)

9. Inventory (cont'd)

(2) Inventory impairment provision

Unit: RMB

Inventory type	Opening book balance	Provision during the period	Decrease during the period		Closing book balance
			Reversals	Write-offs	
Raw materials	21,071,145.40			20,518,698.71	552,446.69
Work-in-process products					
Goods in stock	35,587,358.28			35,553,353.01	34,005.27
Working capital construction materials					
Consumable biological assets					
Total	56,658,503.68			56,072,051.72	586,451.96

(3) Inventory impairment provision

Item	Basis for inventory impairment provision	Reason of reversal and write-off of inventory impairment provision during the period	Percentage of the reversal and write-off during the period to the closing balance of such inventory
Raw materials		Disposal	
Goods in stock	The realisable net value of the finished goods lower than the cost of the inventory due to the decrease of the market price	Disposal	
Work-in-process products			
Working capital construction materials			
Consumable biological assets			

Description of inventory:

Nil

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(Cont'd)

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Non-credited VAT proceeds	1,726,258,999.04	1,661,162,690.83
Prepaid enterprise income tax	98,869,529.20	37,199,570.80
Total	1,825,128,528.24	1,698,362,261.63

Description of other current assets: Nil

11. Held-for-trading financial liabilities

Not applicable

12. Held-to-maturity investments

Not applicable

13. Long-term receivables

Not applicable

14. Investments in joint ventures and investments in associates

Unit: RMB

Name of investee	Enterprise type	Registration place	Legal representative	Business nature	Registered capital	Currency	Equity interest held by the Company (%)	Voting right in the investee by the Company (%)	Total assets as at the end of the period	Total liabilities as at the end of the period	Total net assets as at the end of the period	Total revenue for the period	Net profit for the period
I. Joint venture													
II. Associate													
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Sino-foreign Equity Joint venture	Shandong, China	Tong Chong	Manufacture of paper	267,368,330.00	RMB	30%	30%	295,563,422.50	240,585,403.60	54,978,018.90		-9,639,651.68
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Limited company	Shandong, China	Fang Shiming	Starch	3,000,000.00	RMB	30%	30%					
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Limited company	Jiangxi, China	Ou Yang	Printing	23,140,000.00	RMB	21.16%	21.16%	39,213,919.58	17,403,066.27	21,810,853.31	7,002,232.61	828,762.73
Shandong Hongqiao Venture Capital Co., Ltd.	Limited company	Shandong, China	Tan Shouqing	Venture capital	250,000,000.00	RMB	20%	20%	250,000,000.00		250,000,000.00		

Description of significant differences in significant accounting policies and accounting estimates of joint ventures and associates with the accounting policies and accounting estimates of the Company: Nil

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15. Long-term equity investments

(1) Details of long-term equity investments

Unit: RMB

Name of investee	Accounting method	Initial investment	Opening balance	Change	Closing balance	Equity interest held by the Company (%)	Voting right in the investee by the Company (%)	Explanation of the inconsistent of equity interest and voting right in the investee	Impairment provision	Impairment provision during the period	Cash dividend for the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Equity method	80,100,000.00	19,385,301.17	-2,891,895.50	16,493,405.67	30%	30%				
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Equity method	900,000.00	900,000.00		900,000.00	30%	30%		900,000.00		
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Equity method	6,000,000.00	4,788,278.79	175,366.19	4,963,644.98	21.16%	21.16%				
Shandong Paper Making & Printing Enterprises Corporation	Cost method	200,000.00	200,000.00		200,000.00	2%	2%		200,000.00		
Zhejiang Province Guangyu Media Printing Company Limited	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	9.96%	9.96%				
Jinan Shangyou Commercial Company Limited	Cost method	350,000.00	350,000.00		350,000.00	5%	5%		350,000.00		
Shouguang Mihe Water Company Limited	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	19.46%	19.46%				
Shanghai Forest & Paper E-Commerce Co., Ltd.	Cost method	1,400,000.00	1,400,000.00		1,400,000.00	14%	14%		1,139,574.47		
Anhui Shidai Resources Holdings Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	10%	10%				
Shandong Hongqiao Venture Capital Co., Ltd.	Equity method	50,000,000.00	30,000,000.00	20,000,000.00	50,000,000.00	20%	20%				
Total	—	161,950,000.00	80,023,579.96	17,283,470.69	97,307,050.65	—	—	—	2,589,574.47		

(2) Limitations on the ability to transfer capital to the investee

Not applicable

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16. Investment properties

(1) Investment properties measured at cost

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Opening book balance	Increase during the period	Decrease during the period	Closing book balance
I. Total original carrying amount	38,291,395.70			38,291,395.70
1. Buildings	38,291,395.70			38,291,395.70
2. Land use rights				
II. Accumulated depreciation and accumulated amortisation				
in total	15,341,439.67	869,128.02		16,210,567.69
1. Buildings	15,341,439.67	869,128.02		16,210,567.69
2. Land use rights				
III. Net book value of				
Investment properties in total	22,949,956.03			22,080,828.01
1. Buildings	22,949,956.03			22,080,828.01
2. Land use rights				
IV. Accumulated impairment provision for Investment properties in total				
1. Buildings				
2. Land use rights				
V. Book value of				
Investment properties in total	22,949,956.03			22,080,828.01
1. Buildings	22,949,956.03			22,080,828.01
2. Land use rights				

Unit: RMB

	During the period
Depreciation and amortisation during the period	869,128.02
Impairment provision for investment properties during the period	

(2) Investment properties measured at fair value

☐ Applicable ☒ Not applicable

Description of change in measurement model of investment properties and investment properties without good title during the reporting period. Explanation of the reason for investment properties without good title and the expected time for establishing good title:

Nil

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17. Fixed assets

(1) Overview of fixed assets

Unit: RMB

Item	Opening book balance	Additions during the period	Deductions during the period	Closing book balance
I. Total original carrying amount:	31,201,018,906.91	367,960,483.14	830,749,363.43	30,738,230,026.62
Of which: Buildings	5,032,859,983.26	132,592,358.06	125,334,743.44	5,040,117,597.88
Machinery and equipment	25,330,303,624.43	219,470,526.42	698,094,071.24	24,851,680,079.61
Vehicles	223,585,996.49	11,286,700.21	5,159,056.56	229,713,640.14
Electronic equipment and others	614,269,302.73	4,610,898.45	2,161,492.19	616,718,708.99
	Opening book balance	Additions during the period	Accrued during the period	Deductions during the period
II. Total accumulated depreciation:	8,443,871,036.17	795,252,254.26	270,852,962.45	8,968,270,327.98
Of which: Buildings	859,052,452.86	79,617,164.54	15,982,506.39	922,687,111.01
Machinery and equipment	7,142,181,254.41	679,750,607.47	249,770,419.83	7,572,161,442.05
Vehicles	86,365,989.64	11,022,586.83	1,483,949.20	95,904,627.27
Electronic equipment and others	356,271,339.26	24,861,895.42	3,616,087.03	377,517,147.65
	Opening book balance			Closing book balance
III. Net carrying amount of fixed assets	22,757,147,870.74	—	—	21,769,959,698.64
Of which: Buildings	4,173,807,530.40	—	—	4,117,430,486.87
Machinery and equipment	18,188,122,370.02	—	—	17,279,518,637.56
Vehicles	137,220,006.85	—	—	133,809,012.87
Electronic equipment and others	257,997,963.47	—	—	239,201,561.34
IV. Total impairment provision	16,243,839.72	—	—	16,243,839.72
Of which: Buildings	—	—	—	—
Machinery and equipment	16,243,839.72	—	—	16,243,839.72
Vehicles	—	—	—	—
Electronic equipment and others	—	—	—	—
V. Total book value of fixed assets	22,740,904,031.02	—	—	21,753,715,858.92
Of which: Buildings	4,173,807,530.40	—	—	4,117,430,486.87
Machinery and equipment	18,171,878,530.30	—	—	17,263,274,797.84
Vehicles	137,220,006.85	—	—	133,809,012.87
Electronic equipment and others	257,997,963.47	—	—	239,201,561.34

Depreciation for the period amounted to RMB 795,252,254.26. RMB317,948,694.97 was transferred from construction in progress to the original value of fixed assets for the period.

(2) Temporary unused fixed assets

Unit: RMB

Item	Original carrying value	Accumulated depreciation	Impairment provision	Carrying amount	Note
Buildings	380,472,848.97	62,219,636.66	—	318,253,212.31	
Machinery and equipment	1,131,422,414.93	311,180,361.68	2,140,834.48	818,101,218.77	
vehicles	14,614,382.16	7,853,175.91	—	6,761,206.25	
Office equipment	3,409,611.37	2,670,489.15	—	739,122.22	
Total	1,529,919,257.43	383,923,663.40	2,140,834.48	1,143,854,759.55	

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17. Fixed assets (cont'd)

(3) Fixed assets leased through finance lease

☐ Applicable ☒ Not Applicable

(4) Fixed assets let out through operating lease

☐ Applicable ☒ Not Applicable

(5) Fixed asset held for sale as at the end of the period

Not Applicable

(6) Fixed assets without property right certificates

Item	Reason for not yet obtaining property right certificates	Estimated time for obtaining property right certificates
Shandong Chenming Paper Holdings Limited	Being applied	31 December 2012
Jilin Chenming Paper Co., Ltd.	Being applied	31 December 2012
Zhanjiang Chenming Paper Pulp Co., Ltd.	Being applied	31 December 2012
Jiangxi Chenming Paper Co., Ltd.	Being applied	31 December 2012
Shandong Grand View Hotel Co., Ltd.	Being applied	31 December 2012
Shouguang Meilun Paper Co., Ltd.	Being applied	31 December 2012
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Being applied	31 December 2012

Description of fixed assets:

As at 31 December 2012, the ownership of buildings and structures and equipment of the carrying amount of approximately RMB7,427,968,090.88 (the original value of RMB8,002,366,490.98) (31 December 2011: carrying amount of RMB7,601,941,606.98) and intangible assets - land cooperation rights of the carrying amount of RMB403,252,046.32 (31 December 2011: RMB407,560,348.35) was restricted as collateral for long-term borrowings of RMB3,343,379,701.04 (31 December 2011: RMB3,099,817,990.11) and long-term borrowings due within one year of RMB40,149,693.52 (31 December 2011: RMB539,993,458.22).

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18. Construction in progress

(1) Construction in progress

Unit: RMB

Item	Book balance	Closing balance Impairment provisions	Carrying amount	Book balance	Opening balance Impairment provisions	Carrying amount
The high-end coated paper project of annual production capacity of 800,000 tonnes	169,500,365.37		169,500,365.37	114,294,573.34		114,294,573.34
The household paper project of annual production capacity of 98,000 tonnes	48,596,426.19		48,596,426.19	45,812,895.20		45,812,895.20
Huanggang forestry pulp integration project (Huanggang)	114,980,684.15		114,980,684.15	54,100,442.98		54,100,442.98
4400 paper machine technological improvement (Qihe)	11,034,053.90		11,034,053.90			
Desulphurisation of 130 tonnes and 75 tonnes boiler (Qianneng)				10,812,188.35		10,812,188.35
Second plant paper machine improvement (Jilin)	39,901.88		39,901.88	45,216,980.09		45,216,980.09
Technological improvements to white cardboard project, etc.	34,387,542.85		34,387,542.85	125,241,798.08		125,241,798.08
Reclamation of recyclable water (electricity and steam)	22,594,394.67		22,594,394.67	21,984,737.22		21,984,737.22
Mihe River view wetland (Grand View Hotel)	101,918,191.99		101,918,191.99	69,314,704.82		69,314,704.82
600,000 tonnes white coated linerboard project (Meilun)	2,084,826,006.30		2,084,826,006.30	1,557,621,431.73		1,557,621,431.73
Power plant phase III further expansion (the Company)	365,668,995.70		365,668,995.70	206,777,982.80		206,777,982.80
60,000 tonnes sewage advanced treatment (the Company)				47,901,473.19		47,901,473.19
New plant (Jilin)	227,076,145.46		227,076,145.46	54,738,533.66		54,738,533.66
Zhanjiang Chenming 700,000 tonne pulp equipment upgrade	97,735,554.98		97,735,554.98	43,862,858.73		43,862,858.73
Other projects of construction in progress	212,710,919.03		212,710,919.03	220,359,024.66		220,359,024.66
	3,491,069,182.47		3,491,069,182.47	2,618,039,624.85		2,618,039,624.85

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18. Construction in progress (cont'd)

(2) Change in material construction in progress projects

Unit: RMB

Project name	Budgeted amounts	Opening balance	Additions during the period	Transfer to fixed assets	Other deductions	Investment to budgeted costs (%)	Construction progress	Accumulated capitalised interest amount	Of which: capitalised interest amount during the period	Capitalisation rate of the interest amount during the period (%)	Source of fund	Closing balance
The high-end coated paper project of annual production capacity of 800,000 tonnes	35.00	114,294,573.34	55,205,792.03			89.46%	100%	184,775,491.95			Capital and borrowing	169,500,365.37
The household paper project of annual production capacity of 98,000 tonnes	5.00	45,812,895.20	2,783,530.99			84.01%	100%	13,000,000.00			Capital and borrowing	48,596,426.19
Huanggang forestry pulp integration project (Huanggang)	0.50	54,100,442.98	60,880,241.17			12%	To be completed				Self-raised	114,980,684.15
4400 film coated base paper improvement			11,034,053.90			104.46%	Completed				Self-raised	11,034,053.90
Desulphurisation of 130 tonnes and 75 tonnes boiler (Qianneng)	0.15	10,812,188.35		10,812,188.35		88%	90%				Self-raised	
Second plant paper machine improvement (Jilin)	0.50	45,216,980.09			45,177,078.21		Suspended				Self-raised	39,901.88
Technological improvements to white cardboard project, etc.		125,241,798.08	26,155,204.73	117,009,459.96			95%				Self-raised	34,387,542.85
Reclamation of recyclable water (electricity and steam)	0.23	21,984,737.22	609,657.45			89.65%	To be completed	2,923,387.81	893,472.82	3.12%	Capital and borrowing	22,594,394.67
Mihe River view wetland (Grand View Hotel)	0.60	69,314,704.82	32,603,487.17			100%		7,472,817.46	2,244,994.11	6.56%	Self-raised	101,918,191.99
600,000 tonnes white coated linerboard project (Meilun)	26.00	1,557,621,431.73	527,204,574.57			84.62%	90%	162,963,283.90	104,701,362.43	4.82%	Capital and borrowing	2,084,826,006.30
Power plant phase III further expansion (the Company)	5.80	206,777,982.80	158,891,012.90			62%	90%				Self-raised	365,668,995.70
60,000 tonnes sewage advanced treatment (the Company)	0.50	47,901,473.19	11,001,987.23	58,903,460.42		100%	Completed				Self-raised	
New plant (Jilin)	13.794	54,738,533.66	172,337,611.80			15%	30%	2,777,981.47	2,777,981.47	4.55%	Self-raised	227,076,145.46
Zhanjiang Chenming 700,000 tonne pulp equipment upgrade	2.70	43,862,858.73	53,872,696.25			36%	30%	835,942.91	835,942.91		Capital and borrowing	97,735,554.98
Other projects of construction in progress	0.90	220,359,024.66	126,005,192.45	131,223,586.24	2,429,711.84			2,620,508.31	236,062.40		Capital and borrowing	212,710,919.03
Total		2,618,039,624.85	1,238,585,042.64	317,948,694.97	47,606,790.05	—	—	377,369,413.81	111,689,816.14	—	—	3,491,069,182.47

Explanation on change in material construction in progress projects: Nil

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(Cont'd)

18. Construction in progress (cont'd)

(3) Impairment provision for construction in progress

Not applicable

(4) Construction progress of material construction in progress

Projects	Construction progress	Notes
Huanggang forestry pulp integration project (Huanggang)	12%	Construction progress was estimated on the basis of investment to budgeted costs
600,000 tonnes white coated linerboard project (Meilun)	90%	Construction progress was estimated on the basis of investment to budgeted costs
Power plant phase III further expansion (the Company)	90%	Construction progress was estimated on the basis of investment to budgeted costs
New plant (Jilin)	30%	Construction progress was estimated on the basis of investment to budgeted costs

(5) Explanation on construction in progress

Nil

19. Project materials

Unit: RMB

Item	Opening balance	Additions during the period	Deduction during the period	Closing balance
Special materials	43,961,331.91	33,116,217.61	12,146,292.77	64,931,256.75
Special equipment	17,963,249.94	5,942,017.05	5,613,057.60	18,292,209.39
Total	61,924,581.85	39,058,234.66	17,759,350.37	83,223,466.14

Explanation on project materials: Nil

20. Clearance of fixed assets

Unit: RMB

Item	Opening carrying amount	Closing carrying amount	Reasons for transference to clearance
Clearance of fixed assets	0.00	547,643,828.15	Demolition, relocation and scrapping of fixed assets
Total	0.00	547,643,828.15	—

Explanation on progress of clearance of fixed assets for fixed assets transferred to clearance for one year or above since transference: Nil

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21. Consumable biological assets

- (1) Measured at cost
☐ Applicable ☒ Not applicable
- (2) Measured at fair value
☒ Applicable ☐ Not applicable

Unit: RMB

Item	Opening carrying amount	Additions during the period	Deduction during the period	Closing carrying amount
I. Plantation				
II Livestock rearing and breeding				
III. Forestry				
Timber	959,061,500.85	94,277,357.69	221,301.99	1,053,117,556.55
IV. Aquaculture				
Total	959,061,500.85	94,277,357.69	221,301.99	1,053,117,556.55

Explanation on consumable biological assets

- (1) Consumable biological assets are measured at fair value, the fair value of timber increased by RMB3,074,569.12 due to acquisition, increased by RMB75,745,589.85 due to breeding, decreased by RMB221,301.99 due to disposal, and increased by RMB15,457,198.72 due to change of fair value.
- (2) As of 30 June 2012, there was no significant difference between the fair value and cost of the timbers planted during the year or unable to form any level of stocking in the consumable biological assets so their carrying amount was taken as their fair value. The timbers forming a level of stocking were measured at fair value and their fair value was determined based on the valuation of Jones Lang LaSalle Sallmanns Limited. The consumable biological assets measured at carrying amount as their fair value amounted to RMB87,874,884.88, and the consumable biological assets measured at assessed value as their fair value amounted to RMB 965,242,671.67.

22. Oil and gas assets

Not applicable

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23. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Opening book balance	Additions during the period	Deduction during the period	Closing book balance
I. Total original				
carrying amount	1,690,347,916.95	217,350.00	36,096.36	1,690,529,170.59
Land use rights	1,672,649,254.38		36,096.36	1,672,613,158.02
Software	17,698,662.57	217,350.00		17,916,012.57
II. Total accumulated				
amortisation	173,210,715.59	19,753,084.13		192,963,799.72
Land use rights	162,800,378.78	18,741,982.91		181,542,361.69
Software	10,410,336.81	1,011,101.22		11,421,438.03
III. Total net carrying				
amount of intangible asset	1,517,137,201.36			1,497,565,370.87
Land use rights	1,509,848,875.60			1,491,070,796.33
Software	7,288,325.76			6,494,574.54
IV. Total impairment provision				
Land use rights				
Software				
Total carrying amount				
of intangible asset	1,517,137,201.36			1,497,565,370.87
Land use rights	1,509,848,875.60			1,491,070,796.33
Software	7,288,325.76			6,494,574.54

The amortisation amount was RMB 19,753,084.13 during the current period.

(2) Expenditure of the Company's development projects

Not applicable

(3) Intangible assets without property right certificates

Not applicable

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24. Goodwill

Unit: RMB

Name of investee units or item generating goodwill	Opening balance	Additions during the period	Deduction during the period	Closing balance	Impairment provisions at the end of the period
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60	
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57	
Total	20,283,787.17			20,283,787.17	

Explanation on impairment test method and impairment provision on goodwill:

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Group shall recognise an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

The goodwill of the Company arose from the business combination not under common control during the prior years

On the balance sheet date, management of the Company assesses the recoverable amount of cash-generating unit which results goodwill, in order to determine whether to make provision for impairment loss accordingly. The recoverable amount of cash-generating unit is determined based on the estimated cash flow in financial budget of five years in the future by management, using the steady annual growth rate in the industry of 5% (2011: 5%) expected by the market, and time value of currency was estimated using the discount rate of 8.32% (2011: 8.32%). Management of the Company expects no provision for impairment loss is necessary to be made for goodwill during the reporting period.

25. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Additions for the current period	Amortisation for the current period	Other deductions	Closing balance	Reasons for other deductions
Expenses on improvement of leased assets	20,916,986.51		2,732,472.51		18,184,514.00	
Woodland expenses	169,752,657.81	11,869,448.78	3,761,836.80	6,794,136.53	171,066,133.26	Lease terminated
Others	2,247,601.30		23,242.02		2,224,359.28	
Total	192,917,245.62	11,869,448.78	6,517,551.33	6,794,136.53	191,475,006.54	—

Explanation on long-term prepaid expenses: Nil

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26. Deferred income tax assets and deferred income tax liabilities

- (1) Deferred income tax assets and deferred income tax liabilities not stated as the net amount after offsetting
☒ Applicable ☐ Not applicable

Recognised deferred income tax assets and deferred income tax liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income tax assets		
Provision for impairment of assets	72,873,949.47	71,751,853.16
Setup fee		
Deductible losses	127,734,897.34	49,859,143.71
Elimination of unrealised profit arising from intra-group	18,513,240.50	15,739,516.99
Unpaid payables	18,424,110.48	16,443,903.23
Deferred income	19,784,795.36	20,232,117.18
Sub-total	257,330,993.15	174,026,534.27
Deferred income tax liabilities:		
Valuation of financial instruments held for trading and derivative financial instruments		
Fair value change of financial instruments recognised at capital reserve		
Sub-total		

Breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	186,914,634.00	139,486,221.34
Deductible loss	618,849,997.52	548,006,631.56
Total	805,764,631.52	687,492,852.90

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26. Deferred income tax assets and deferred income tax liabilities (cont'd)

- (1) Deferred income tax assets and deferred income tax liabilities not stated as the net amount after offsetting (cont'd)

Deductible loss of unrecognised deferred income tax will expire by the following periods

Unit: RMB

Year	Closing balance	Opening balance	Note
2012	14,585,476.04	14,585,476.04	
2013	72,648,810.53	72,648,810.53	
2014	69,020,481.95	69,020,481.95	
2015	129,791,262.25	129,791,262.25	
2016	261,960,600.79	261,960,600.79	
2017	70,843,365.96		
Total	618,849,997.52	548,006,631.56	—

Breakdown of tax payable differences and deductible differences

Unit: RMB

Item	Amount of temporary differences Beginning of period	End of period
Tax payable differences		
Sub-total		
Deductible differences		
Provision for impairment of assets	311,476,917.48	314,787,643.19
Elimination of unrealised profit arising from intra-group	74,052,962.01	63,204,734.93
Unpaid payables	110,701,938.66	101,004,317.87
Deferred income	88,254,256.13	91,467,775.41
Deductible losses	510,939,589.32	199,436,574.84
Sub-total	1,095,425,663.60	769,901,046.24

- (2) Deferred income tax assets and deferred income tax liabilities stated as the net amount after offsetting

□ Applicable √ Not applicable

Explanation on deferred income tax assets and deferred income tax liabilities: Nil

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27. Breakdown of provision for impairment of assets

Unit: RMB

Item	Opening balance of carrying amount	Additions during the period	Deduction during the period		Closing balance of carrying amount
			Reversals	Write-offs	
I. Provisions for bad debts	308,289,383.25	19,461,140.92	6,024,367.75	208,793.05	321,517,363.37
II. Provisions for inventory impairment	56,658,503.68			56,072,051.72	586,451.96
III. Provisions for available-for-sale financial assets impairment					
IV. Provisions for held-to-maturity investment impairment					
V. Provisions for long-term equity investment impairment	2,589,574.47				2,589,574.47
VI. Provisions for real estate investment impairment					
VII. Provisions for fixed assets impairment	16,243,839.72				16,243,839.72
VIII. Provisions for construction materials impairment					
IX. Provisions for construction in progress impairment					
X. Provisions for consumable biological assets impairment					
Of which: Provisions for mature consumable biological assets impairment					
XI. Provisions for oil and gas assets impairment					
XII. Provisions for intangible assets impairment					
XIII. Provisions for goodwill impairment					
XIV. Others					
Total	383,781,301.12	19,461,140.92	6,024,367.75	56,280,844.77	340,937,229.52

Explanation on breakdown of provision for impairment of assets: Nil

28. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Investments	10,000,000.00	10,000,000.00
Total	10,000,000.00	10,000,000.00

Explanation on other non-current assets

At the end of 27 December 2011, the Company invested RMB10.00 million in Weifeng Xinya Capital Investment Co., Ltd. which had not changed its shareholder registration with Administration for Industry and Commerce as of 30 June 2012.

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29. Short-term borrowings

(1) Types of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings		176,133,062.41
Secured borrowings		
Guarantee loans	4,037,837,298.18	2,223,510,136.38
Credit loans	5,587,504,340.04	7,957,531,746.95
Discounted loans	1,999,243,719.86	1,729,809,660.95
Total	11,624,585,358.08	12,086,984,606.69

Explanation on types of short-term borrowings:

- ① Guarantee loans are the loans obtained by the subsidiaries of the Company from financial institutions when the Company acts as their guarantee;
- ② Discounted borrowings were discounted with bank acceptance and accounted for as short-term borrowings by the Group.

(2) Outstanding short-term borrowings

Not applicable

30. Financial liabilities held-for-trading

Not applicable

31. Bills payable

Unit: RMB

Type	Closing balance	Opening balance
Commercial acceptance	—	—
Bank acceptance	1,654,218,054.43	615,327,402.85
Total	1,654,218,054.43	615,327,402.85

Amount to be due in the next accounting period amounted to RMB1,654,218,054.43.

Explanation on bills payable: Nil

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32. Accounts payable

(1) Accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	3,416,686,728.73	4,420,184,816.30
1 to 2 years	131,098,073.97	117,265,142.92
2 to 3 years	40,319,036.98	67,792,980.94
Over 3 years	81,152,067.60	80,343,057.44
Total	3,669,255,907.28	4,685,585,997.60

(2) Amount of trade payables due to shareholders holding over 5% (5% inclusive) of the Company's shares during the reporting period

☐ Applicable ☒ Not applicable

Explanation on significant trade payables aged over one year

Name of creditors	Amount	Reason of outstanding loans	Repaid after the reporting period or not
China Western Power Industrial Co., Ltd.	12,148,106.56	Temporary outstanding	No
Anhui Hualing Cable Group Co., Ltd.	5,935,402.68	Temporary outstanding	No
Baosheng Science and Technology Innovation Co., Ltd.	5,648,215.92	Temporary outstanding	No
Artemis Forestry Co., Ltd	5,578,226.15	Temporary outstanding	No
SIG Thailand	4,812,771.64	Temporary outstanding	No
Total	34,122,722.95		

33. Advance receipts

(1) Advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	342,820,898.32	211,879,347.81
1 to 2 years	8,339,591.64	19,548,665.64
Total	351,160,489.96	231,428,013.45

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33. Advance receipts (Cont'd)

- (2) Any amount of advance receipts advanced from shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

☐ Applicable ☒ Not applicable

Explanation of the significant advance receipts aged over one year

Name of creditors	Amount	Reasons of not being carried forward
Shouguang Longyuan Paper Coating Co., Ltd.	3,630,000.00	No delivery requirement from the counterparty
Yong Yi Adhesive (Zhongshan) Co. Ltd.	1,384,668.41	No delivery requirement from the counterparty
Total	5,014,668.41	

34. Staff remuneration payables

				Unit: RMB
Item	Opening book balance	Increase during the period	Decrease during the period	Closing book balance
I. Salaries, bonuses, allowance and subsidies	89,914,662.03	376,240,193.08	348,600,208.45	117,554,646.66
II. Staff welfare	433,903.26	27,206,465.62	26,797,662.73	842,706.15
III. Social insurance premium	12,495,889.17	94,587,110.32	85,354,062.83	21,728,936.66
Of which: 1. Medical insurance premium	8,683,901.99	20,753,592.67	19,888,519.36	9,548,975.30
2. Pension insurance premium	2,249,723.97	63,149,849.81	55,438,810.79	9,960,762.99
3. Unemployment insurance premium	154,033.86	6,070,073.21	5,455,182.04	768,925.03
4. Work-related injury insurance premium	27,545.09	2,663,900.89	2,716,403.03	-24,957.05
5. Maternity insurance premium	1,380,684.26	1,949,693.74	1,855,147.61	1,475,230.39
IV. Housing provident funds	7,489,616.55	30,537,434.98	25,973,863.75	12,053,187.78
V. Lay off welfare				
VI. Others	18,804,595.54			18,804,595.54
VII. Union operation costs and employee education costs	17,925,225.10	13,341,193.99	5,363,742.04	25,902,677.05
Total	147,063,891.65	541,912,397.99	492,089,539.80	196,886,749.84

Amount of default payment within staff remuneration payables amounted to RMB0.

Union operation costs and employee education costs amounted to RMB 25,902,677.05, non-monetary welfare amounted to RMB0 and compensation arising from termination of service amounted to RMB0.

Arrangement of the expected payment schedule and the payment of staff remuneration payables: Nil.

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35. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	562,356.21	8,847,121.90
Excise tax		
Business tax	1,347,330.90	6,510,523.22
Enterprise income tax	45,695,572.23	21,030,687.55
Individual income tax	757,566.70	5,201,988.58
Urban maintenance and construction tax	764,613.84	2,669,994.50
Land use tax	5,692,929.42	14,021,262.09
Property tax	5,326,045.41	5,382,575.62
Educational surcharges and others	1,209,544.89	2,775,009.93
Stamp duty	2,103,833.55	1,800,842.52
Total	63,459,793.15	68,240,005.91

36. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on long-term borrowings with interest payment by instalment and principal repayment when due		
Interest on corporate bonds	121,827,374.04	62,113,952.74
Interest payable on short-term borrowings		
Interest on medium-term notes	50,245,833.33	44,740,750.00
Total	172,073,207.37	106,854,702.74

Description of interest payable: Nil

37. Dividend payable

Unit: RMB

Item	Closing balance	Opening balance	Reason for failure to pay for over a year
2011 dividend	309,306,891.20		
Total	309,306,891.20		—

Description of dividend payable: Nil

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38. Other payables

(1) Other payables

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	541,021,191.98	525,381,372.20
1 to 2 years	259,083,597.84	176,020,931.91
2 to 3 years	12,613,204.11	20,604,081.20
Over 3 years	57,902,870.01	41,615,153.64
Total	870,620,863.94	763,621,538.95

(2) Any amount of other payables payable to shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

√ Applicable □ Not applicable

Unit: RMB

Entity name	Closing balance	Opening balance
Shouguang Chenming Holdings Company Limited	24,000,000.00	30,000,000.00
Total	24,000,000.00	30,000,000.00

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(3) Explanation of the significant other payables aged over one year

Name of creditors	Amount	Reason for outstanding	Repaid after the balance sheet date or not
State-owned Shouguang Qingshuipo Farm	8,800,000.00	Temporary outstanding	No
Huanghe Paperboard Factory	3,454,087.82	Temporary outstanding	No
Guangxi Construction Engineering Group No. 1 Installation Co., Ltd.	1,500,000.00	Temporary outstanding	No
Samsung Inc., Korea	1,065,775.96	Temporary outstanding	No
Asia Paper Markets (SIP) Co., Ltd.	903,341.21	Temporary outstanding	No
Total	15,723,204.99		

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38. Other payables (Cont'd)

(4) Explanation of the significant other payables

Name of creditor	Closing balance	Opening balance
Zhanjiang Finance Bureau	212,000,000.00	Deposit
Qihe County Lianxinyuan Panels Co., Ltd.	82,000,000.00	Prepayments
Shouguang Chenming Holdings Company Limited	24,000,000.00	Transaction with customers
Prepayment of post surcharge	28,543,771.39	Port surcharge
Prepayment of transportation fee	14,664,551.43	Transportation fee
State-owned Shouguang Qingshuipo Farm	8,800,000.00	Transaction with customers
Total	370,008,322.82	

39. Estimated liabilities

Not applicable

40. Non-current liabilities due with one year

(1) Non-current liabilities due with one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,785,251,433.52	1,203,616,858.22
Bond payable due within one year		
Long-term payables due within one year		
Total	1,785,251,433.52	1,203,616,858.22

(2) Long-term borrowings due within one year

Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	31,624,500.00	
Secured borrowings	40,149,693.52	539,993,458.22
Guarantee borrowings	968,963,000.00	19,800,000.00
Credit borrowings	744,514,240.00	643,823,400.00
Total	1,785,251,433.52	1,203,616,858.22

Rollover of overdue borrowings within long-term borrowing due within a year amounted to RMB0.

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40. Non-current liabilities due with one year (Cont'd)

(2) Long-term borrowings due within one year (Cont'd)

Top five long-term borrowings due within one year

Unit: RMB

Borrowing units	Starting date	Termination date	Currency	Rate (%)	Closing balance		Opening balance	
					Foreign currency	Functional currency	Foreign currency	Functional currency
The Export-Import Bank of China Nanchang branch	10 December 2009	9 December 2012	CNY	4.06%		450,000,000.00		
The Export-Import Bank of China Qingdao branch	28 September 2009	27 September 2012	CNY	3.97%		280,000,000.00		
Sumitomo Mitsui Banking Corporation (China) Limited	10 September 2009	9 September 2012	USD	3.6%	40,000,000.00	252,996,000.00		
The Export-Import Bank of China Qingdao branch	28 June 2010	27 June 2013	USD	3.95%	36,000,000.00	227,696,400.00		
China Development Bank Guangdong branch	25 March 2008	24 March 2023	USD	2.96%	30,000,000.00	189,747,000.00		
Sumitomo Mitsui Banking Corporation (China) Limited	10 September 2009	9 September 2012	USD	3.6%			16,000,000.00	100,814,400.00
The Export-Import Bank of China Nanchang branch	10 December 2009	9 December 2012	CNY	4.06%				450,000,000.00
The Export-Import Bank of China Qingdao branch	28 September 2009	27 September 2012	CNY	3.51%				280,000,000.00
China Construction Bank Corporation Shouguang sub-branch	17 June 2009	15 June 2012	CNY	5.76%				170,000,000.00
Hong Kong and Shanghai Banking Corporation Limited	15 September 2010	14 September 2012	USD	3.55%			10,000,000.00	63,009,000.00
Total	—	—	—	—	—	1,400,439,400.00	—	1,063,823,400.00

Overdue borrowings within long-term borrowings due with one year: Nil

Description of long-term borrowings due with one year: Nil

(3) Bond payable due within one year

Not applicable

(4) Long-term payables due within one year

Not applicable

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41. Other current liabilities

Unit: RMB		
Item	Closing book balance	Opening book balance
Deferred income	11,943,381.96	10,227,001.60
Total	11,943,381.96	10,227,001.60

Description of other current liabilities: Other current liabilities as at the end of the year were deferred income to be amortised within one year

42. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB		
Item	Closing balance	Opening balance
Pledged borrowings	126,498,000.00	126,018,000.00
Secured borrowings	100,772,894.56	120,891,118.33
Guarantee borrowings	4,999,211,500.00	5,034,728,300.00
Credit borrowings	1,359,453,935.94	1,065,046,935.94
Less: long-term borrowings due within one year	-1,785,251,433.52	-1,203,616,858.22
Total	4,800,684,896.98	5,143,067,496.05

Explanatory note to long-term borrowings:

1. Guarantee borrowings were the borrowings obtained by the subsidiaries of the Company from financial institutions when the Company acted as their guarantee, among which the borrowings of RMB3,282,756,500.00 were also secured by real estate and machinery and equipment as collateral;
2. Pledged borrowings included pledged bank deposits borrowings of the Company amounting to RMB126,498,000.00, of which certificates of time deposits of RMB136,100,000.00 were the pledge for the bank loans of US\$20,000,000.00 from J.P. Morgan for a term from 19 July 2011 to 18 July 2013.
3. Long-term borrowings due within one year amounted to RMB1,785,251,433.52. Long-term borrowings due over one year but within two years amounted to RMB996,210,295.94. Long-term borrowings due over two years but within five years amounted to RMB521,718,101.04. Long-term borrowings due over five years amounted to RMB3,282,756,500.00.

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42. Long-term borrowings (Cont'd)

(2) Top five long-term borrowings

Unit: RMB

Borrowing units	Starting date	Expiry date	Currency	Interest Rate (%)	Closing balance		Opening balance	
					Foreign currency	Functional currency	Foreign currency	Functional currency
China Development Bank Guangdong branch	2008/03/25	2023/03/24	USD	2.96%	335,000,000.00	2,118,841,500.00		
China Development Bank Guangdong branch	2009/03/25	2023/03/24	CNY	4.86%		1,163,915,000.00		
Sumitomo Mitsui Banking Corporation (China) Limited	2009/09/10	2013/09/09	USD	3.6%	80,000,000.00	505,992,000.00		
Sumitomo Mitsui Banking Corporation (China) Limited	2012/03/21	2015/03/20	USD	2.4%	50,000,000.00	316,245,000.00		
Bank of China Limited houguang sub-branch	2012/05/25	2015/05/24	USD	6.18%	23,400,000.00	148,002,660.00		
China Development Bank Guangdong branch	2008/03/25	2023/03/24	USD	2.96%			380,000,000.00	2,394,342,000.00
China Development Bank Guangdong branch	2009/03/25	2023/03/24	CNY	4.86%				1,124,578,300.00
Sumitomo Mitsui Banking Corporation (China) Limited	2009/09/10	2013/09/10	USD	3.6%			104,000,000.00	655,293,600.00
J.P. Morgan Chase	2011/06/27	2013/06/27	CNY	2.37%			20,000,000.00	126,018,000.00
The Export-Import Bank of China Qingdao branch	2010/06/28	2013/06/27	USD	3.95%			36,000,000.00	226,832,400.00
Total	--	--	--	--	—	4,252,996,160.00	—	4,527,064,300.00

Explanation of long-term borrowings, such as long-term borrowings arising from obtaining extension of overdue borrowings, the terms, principal, interest and expected repayment arrangements for the extension should be stated: Nil

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43. Bonds payable

Unit: RMB

Bond name	Face value	Issue date	Term	Issued amount	Interest payable at the beginning of the period	Interest accrued during the period	Interest paid during the period	Interest payable at the end of the period	Closing balance
11 Chenming debt	2,000,000,000.00	2011/07/16	5 years	1,982,000,000.00	59,169,444.44	59,500,000.01		118,669,444.45	1,985,081,805.64
11 Chenming Hong Kong debt	500,000,000.00	2011/04/13	5 years	491,750,000.00	2,944,508.30	6,842,361.13	6,628,939.84	3,157,929.59	494,779,128.66
Sub-total	2,500,000,000.00			2,473,750,000.00	62,113,952.74	66,342,361.14	6,628,939.84	121,827,374.04	2,479,860,934.30

Explanation on bonds payable, including the terms and period for conversion of the Company's convertible bonds: Nil

44. Long-term accounts payable

(1) Top five long-term accounts payable

Not applicable

(2) Breakdown of finance lease payables in long-term accounts payables

Not applicable

Explanation on long-term accounts payables: Nil

45. Special accounts payable

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Note
Relocation of Jilin Chenming due to environmental reason	660,000,000.00		9,925,075.95	650,074,924.05	
Total	660,000,000.00		9,925,075.95	650,074,924.05	—

Note on special accounts payable:

Jilin Chenming Paper Co., Ltd. and Jilin Paper Manufacturing Co., Ltd. were required to relocate their plants according to the environmental requirements and Jilin urban construction planning. A parcel of land of 1304.8 mu being occupied by them was collected by China Development Jilin Investment Co., Ltd. on behalf of People's Government of Jilin City. China Development Jilin Investment Co., Ltd. shall make a payment amounting to RMB2,200,000,000 to Jilin Chenming Paper Co., Ltd. as land compensation fees, loss on relocation of all the fixed assets ancillary to the land, relocation fees and staff relocation fees. As stipulated in the agreement, China Development Jilin Investment Co., Ltd. was to pay Jilin Chenming Paper Co., Ltd. 30% of the compensation, i.e. RMB660,000,000, within 10 days from the date of the agreement. In September 2011, Jilin Chenming Paper Co., Ltd. obtained compensation of RMB660,000,000, which was accounted for as special accounts payable. The loss arising from the relocation was RMB9,925,075.95, which was transferred from special accounts payable to non-operation revenue.

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46. Other Non-current liabilities

Unit: RMB

Item	Closing balance of carrying amount	Opening balance of carrying amount
Deferred income	163,114,552.26	151,733,337.22
Medium-term notes	3,379,492,969.64	2,292,360,559.92
Including: due within one year	2,300,000,000.00	1,200,000,000.00
due within 1 - 2 years		1,100,000,000.00
due within 2 – 5 years	1,100,000,000.00	
Unamortised issue expenses	-20,507,030.36	-7,639,440.08
Total	3,542,607,521.90	2,444,093,897.14

Explanation on other non-current liabilities, including asset-related and revenue-related Government grants received during the reporting period and their closing balances:

The breakdown of the above deferred income is as follows:

Item	Closing balance	Opening balance
Government grants in respect of assets		
Special subsidy funds for environmental protection	45,854,071.42	43,981,654.62
Project fund for National technological support scheme	2,687,775.00	2,770,125.00
Special subsidy fund for Songhuajiang environmental protection project	31,670,346.66	29,354,246.60
Modification of alkaline recycling system	4,930,416.53	5,070,416.57
Atmospheric pollution prevention and treatment subsidy fund	800,000.00	800,000.00
Sewage treatment and water conservation reconfiguration project	28,063,779.25	22,562,488.46
Financial grants for technological modification project	8,569,248.12	2,771,015.05
Zhejiang pulp project and construction project of eucalyptus forest	51,477,664.62	53,633,800.00
Others	1,004,632.62	1,016,592.52
Less: deferred income to be amortised within 1 year	11,943,381.96	10,227,001.60
Total	163,114,552.26	151,733,337.22

Note: Deferred income of RMB 23,142,607.18 was received in the current period. Deferred income recognised through profit or loss was RMB 10,045,011.78.

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47. Share capital

Unit: RMB

	Opening balance	New issue	Change during the period (Increase/decrease)			Sub-total	Closing balance
			Bonus shares	Shares transferred from reserve	Others		
Total number of shares	2,062,045,941.00						2,062,045,941.00

Explanation on changes in share capital: the name of the auditors carrying out the capital review and the number of the capital review report should be disclosed for increase or decrease in share capital during the reporting period; for joint stock companies operating for less than three years, only the net assets had to be stated for those years before establishment; capital review at the establishment of the company should be stated when a limited liability company wholly changed into a joint stock company.

A capital review report named as Zhong Rui Yue Hua Yan Zi [2008] No. 2189 was published for the certification of the review.

48. Treasury shares

Not applicable

49. Special reserve

Not applicable

50. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	5,391,471,967.47			5,391,471,967.47
Other capital reserves	702,011,834.45			702,011,834.45
Acquisition of minority interests	4,781,034.08			4,781,034.08
Total	6,098,264,836.00			6,098,264,836.00

Explanation on capital reserves: Nil

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51. Surplus reserve

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	1,132,116,106.40			1,132,116,106.40
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	1,132,116,106.40			1,132,116,106.40

Explanation on surplus reserve, the relevant resolutions should be stated when using the surplus reserve for increasing share capital, making up shortfall and paying dividends:

Pursuant to the Companies Law and the Articles of Association, the Group transferred 10% of the net profit to the statutory surplus reserves. There was no need to transfer if the accumulated amount of the statutory reserves exceeded 50% of the Company's registered capital.

52. General risk provision

Not applicable

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53. Retained profit

Unit: RMB		
Item	Amounts	Proportion of appropriation or allocation
Retained profit of prior year before adjustment	4,237,783,996.54	—
Adjustment of the aggregate retained profit as at the beginning of the year (increase after adjustment +, decrease after adjustment -)		—
Retained profit as at the beginning of the year after adjustment	4,237,783,996.54	—
Plus : Net profit of the current year attributable to shareholders of the Company	94,244,962.85	—
Less : Withdrawn statutory surplus reserves		
Transfer to discretionary surplus Reserve		
Transfer to general risk provision		
Ordinary dividend payable	309,306,891.20	
Ordinary dividend converted to share capital		
Retained profit as at the end of the period	4,022,722,068.19	—

Adjustments to the retained profit breakdown as at the beginning of the year:

1. The effect of the retrospective adjustments arising from Accounting Standards for Business Enterprises and their new related requirements on the retained profit as at the beginning of the year amounted to RMB0.00.
2. The effect of changes in accounting policies on the retained profit as at the beginning of the year amounted to RMB0.00.
3. The effect of corrections of significant accounting errors on the retained profit as at the beginning of the year amounted to RMB0.00.
4. The effect of the change of the scope of combination under common control on the retained profit as at the beginning of the year amounted to RMB0.00.
5. The effect of other adjustments on the retained profit as at the beginning of the year amounted to RMB0.00.

For the retained profit of a company which had its initial public offering, if the accumulated profit before its new issue has been approved by the general meeting to be shared by the old and new shareholders, the company should clearly make a related statement; if the accumulated profit before its new issue has been approved by the general meeting to be distributed among the old shareholders before its new issue, the company should clearly disclose the dividend payable which is corresponding to the audited profit attributable to the old shareholders: Nil

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54. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amounts during the reporting period	Amounts during the prior period
Revenue from principal activities	9,862,709,415.43	8,867,913,416.05
Revenue from other activities	101,742,119.61	49,541,939.09
Operating costs	8,500,512,936.03	7,382,759,124.49

(2) Principal activities (by industry)

√ Applicable □ Not applicable

Unit: RMB

Industry name	Amounts during the reporting period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
I. Machine-made paper	9,216,139,824.70	7,909,765,293.16	8,186,161,306.83	6,784,659,561.49
II. Electricity and steam	415,231,784.63	360,583,271.43	414,633,495.26	389,718,244.42
III. Building materials	163,649,151.64	134,290,206.98	194,707,888.55	145,906,730.77
IV. Paper chemicals	40,108,732.97	31,277,925.63	39,567,408.70	32,139,830.20
V. Hotel	24,253,681.15	6,367,047.37	25,394,309.98	6,320,942.59
VI. Others	3,326,240.34	2,293,200.11	7,449,006.73	6,439,641.14
Total	9,862,709,415.43	8,444,576,944.68	8,867,913,416.05	7,365,184,950.61

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54. Revenue and operating costs (Cont'd)

(3) Principal activities (by product)

√ Applicable □ Not applicable

Unit: RMB

Product name	Amounts during the reporting period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Light weight coated paper	599,263,279.24	546,228,892.26	657,033,033.83	574,932,181.53
Duplex press paper	1,520,629,992.03	1,325,662,646.62	1,103,544,255.25	965,222,375.87
Writing paper	152,926,898.85	146,337,134.17	144,823,190.92	132,016,212.06
Coated paper	2,146,633,544.01	2,044,364,500.36	2,060,127,936.87	1,680,746,018.02
News press paper	878,669,387.09	671,377,990.27	773,572,610.55	672,761,966.99
Paperboard	293,356,674.72	283,499,896.76	273,165,462.20	256,384,451.47
White paper board	979,292,604.55	801,231,392.96	1,219,419,198.60	945,705,748.07
Other machine-made paper	2,645,367,444.21	2,091,062,839.76	1,954,475,618.61	1,556,890,607.48
Electricity and steam	415,231,784.63	360,583,271.43	414,633,495.26	389,718,244.42
Construction materials	163,649,151.64	134,290,206.98	194,707,888.55	145,906,730.77
Paper-making chemical products	40,108,732.97	31,277,925.63	39,567,408.70	32,139,830.20
Hotel	24,253,681.15	6,367,047.37	25,394,309.98	6,320,942.59
Others	3,326,240.34	2,293,200.11	7,449,006.73	6,439,641.14
Total	9,862,709,415.43	8,444,576,944.68	8,867,913,416.05	7,365,184,950.61

(4) Principal activities (by geographical areas)

√ Applicable □ Not applicable

Unit: RMB

Geographical area name	Amounts during the reporting period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
PRC	8,429,732,938.38	7,047,508,278.17	7,466,152,102.15	6,038,757,296.77
Hong Kong	85,042,051.22	82,802,641.61	58,239,166.05	55,846,279.75
United States	74,652,473.46	70,989,361.06	153,370,094.99	149,004,934.47
Japan	99,795,928.67	97,186,265.13	100,167,928.68	95,567,635.37
South East Asia	128,741,768.46	125,361,950.58	149,359,989.66	138,524,656.07
Middle East	203,094,484.24	201,948,291.67	273,648,100.79	258,498,802.65
Europe	129,403,908.38	124,403,235.71	166,133,876.02	155,927,193.15
South Africa	123,402,201.61	120,069,947.66	41,686,106.64	35,893,611.81
Other countries and regions	588,843,661.01	574,306,973.09	459,156,051.07	437,164,540.57
Total	9,862,709,415.43	8,444,576,944.68	8,867,913,416.05	7,365,184,950.61

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54. Revenue and operating costs (Cont'd)

(5) Revenue from top 5 customers of the Company

Unit: RMB

Name of customer	Revenue for principle activities	Percentage of the total revenue of the Company (%)
Shanghai Yaoji Playing Card Co., Ltd.	132,085,952.84	1.33%
Sun Hing Paper Company Ltd.	77,670,124.99	0.78%
Dongguan Huafa Paper Co., Ltd.	75,275,680.22	0.76%
Hebei Wentong Trading Co., Ltd.	74,168,803.43	0.74%
Qidong Yaoji Playing Card Industrial Co., Ltd.	73,132,957.60	0.73%
Total	432,333,519.08	4.34%

Description of revenue: Nil

55. Contracted project income

☐ Applicable ☒ Not applicable

Description of contracted project: Nil

56. Business taxes and surcharges

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Calculation standard
Excise tax			3% or 5% of revenue
Business tax	7,548,025.90	4,331,266.10	5-7% of the value added tax and business tax payment
Urban maintenance and construction tax	13,391,191.15	14,663,063.47	3% of the value added tax and business tax payment
Educational surcharges	9,323,433.40	13,086,702.39	business tax payment
Resource tax			
Others	1,584,134.66	32,237.62	
Total	31,846,785.11	32,113,269.58	—

Description of Business taxes and surcharges: Nil

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57. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amounts during the period	Amounts during the prior period
Held-for-trading financial assets		
Of which: gain on change in fair value arising from derivative financial instruments		
Held-for-trading financial liabilities		
Investment properties measured at fair value		
Others		
Biological assets measured at fair value	15,457,198.72	3,715,429.62
Total	15,457,198.72	3,715,429.62

Description of gain on change in fair value: Nil

58. Investment income

(1) Breakdown of investment income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method		
Income from long-term equity investments accounted for using the equity method	-2,716,529.31	-3,755,501.39
Investment gain on disposal of long-term equity investments		13,309,163.37
Investment income from holding held-for-trading financial assets		
Investment income from held-to-maturity investments making investment returns		
Investment income from holding available-for-sale financial assets, etc.		
Investment gain on disposal of held-for-trading financial assets		
Investment income from held-to-maturity investments		
Investment income from available-for-sale financial assets, etc.		
Others		
Total	-2,716,529.31	9,553,661.98

(2) Income from long-term equity investments accounted for using the cost method

Not applicable

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58. Investment income (Cont'd)

(3) Income from long-term equity investments accounted for using the equity method

Unit: RMB

Investee	Amounts during the period	Amounts during the prior period	Reason for change
Arjo Wiggins Chenming Specialty Paper Co., Ltd	-2,891,895.50	-2,960,733.52	The investee incurred losses during the period
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	175,366.19	-51,825.23	The investee incurred losses during the period
Shouguang Liben Paper Making Co., Ltd.		-742,942.64	The investee incurred losses during the period
Total	-2,716,529.31	-3,755,501.39	—

Description of investment income: If there are no significant restrictions on remittance of investment income back to the Company, please make a related statement; if there is no such significant restriction, please also make a related statement: Nil

59. Loss on impairment of assets

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
I. Loss on bad debts	13,436,773.17	-17,554,955.74
II. Loss on inventory impairment		-3,870,510.42
III. Loss on available-for-sale financial asset impairment		
IV. Loss on held-to-maturity investments impairment		
V. Loss on long-term equity investments impairment		
VI. Loss on investment property impairment		
VII. Loss on fixed asset impairment		
VIII. Loss on construction materials impairment		
IV. Loss on construction in progress impairment		
X. Loss on productive biological asset impairment		
XI. Loss on oil and gas asset impairment		
XII. Loss on intangible asset impairment		
XIII. Loss on goodwill impairment		
XIV. Others		
Total	13,436,773.17	-21,425,466.16

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60. Non-operating income

(1) Non-operating income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Total gain on disposal of non-current assets	2,840,815.25	1,811,245.53
Of which: Gain on disposal of fixed assets	2,840,815.25	1,811,245.53
Gain on disposal of intangible assets		
Gain on debt restructuring	10,000,000.00	16,400.00
Gain on non-monetary asset swap		
Receipt of donations		
Government grants	179,712,857.44	136,607,867.13
Relocation compensation	9,925,075.95	
Others	20,988,983.26	7,511,850.23
Total	223,467,731.90	145,947,362.89

(2) Breakdown of government grants

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Of Æ
Expansion grants	175,517,398.94	125,301,439.93	Amortised deferred income amounted to RMB10,045,011.78 and income-related expansion grants amounted to RMB165,472,387.16.
Value-added tax refund	4,195,458.50	11,306,427.20	
Total	179,712,857.44	136,607,867.13	—

Description of non-operating income: Nil

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61. Non-operating expenses

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Total loss on disposal of non-current assets	909,346.99	923,387.79
Of which: Loss on disposal of fixed assets	909,346.99	923,387.79
Loss on disposal of intangible assets		
Loss on debt restructuring		19,886,372.60
Loss on non-monetary asset swap	239,349.34	340,898.19
Donations	500,000.00	
Others	656,322.11	5,186,458.67
Total	2,305,018.44	26,337,117.25

Description of non-operating expenses: Loss for debt restructuring represented waiver of the debts of Heze Chenming Panels Co., Ltd. by the Company.

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62. Income tax expenses

Unit: RMB

Item	Amounts during the reporting period	Amounts during the prior period
Current income tax calculated according to tax laws and relevant rules	70,437,525.65	87,178,859.01
Adjustment to deferred income tax	-83,304,458.88	9,545,039.31
Total	-12,866,933.23	96,723,898.32

63 Calculation of basic earnings per share and diluted earnings per share

During the reporting period, the Company did not have any potential diluted ordinary shares. Therefore, diluted earnings per share are equal to basic earnings per share.

1. Net profit for the period attributable to ordinary shareholders for the purpose of calculating earnings per share are as follows:

Item	Amounts for the reporting period	Amounts for the prior period
Net profit for the period attributable to ordinary shareholders	94,244,962.85	483,549,691.40
Of which: net profit attributable to continued operations	94,244,962.85	483,549,691.40
net profit attributable to discontinued operations		
Net profit after deducting extraordinary gains and losses		
attributable to ordinary shareholders of the Company	-103,989,811.77	382,038,739.41
Of which: net profit attributable to continued operations	-103,989,811.77	382,038,739.41
net profit attributable to discontinued operations		

2. For the purpose of calculating earnings per share, the denominator is the weighted average of outstanding ordinary shares. The calculation is as follows:

Item	Amounts for the reporting period	Amounts for the prior period
Number of outstanding ordinary shares as at the beginning of the period	2,062,045,941.00	2,062,045,941.00
Plus: number of weighted ordinary shares issued during the period		
Less: number of weighted ordinary shares repurchased during the period		
Number of outstanding ordinary shares as at the end of the period	2,062,045,941.00	2,062,045,941.00

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64. Other comprehensive income

Unit: RMB

Item	Amounts during the year	Amounts during the prior year
1. Amount of profit (loss) arising from available-for-sale financial assets Less: income tax impact of available-for-sale financial assets Net amount recognised in other comprehensive income in the prior period and transferred to profit or loss in the current period		
Sub-total		
2. Share of other comprehensive income of investees based on equity method accounting Less: income tax impact of share of other comprehensive income of investees based on equity method accounting Net amount recognised in other comprehensive income in the prior period and transferred to profit or loss in the current period		
Sub-total		
3. Amount of profit (loss) arising from cash flow hedging instruments Less: income tax impact of cash flow hedging instruments Net amount recognised in other comprehensive income in the prior period and transferred to profit or loss in the current period Adjustment to the initial recognition amount of items transferred as hedging items		
Sub-total		
4. Translation difference of financial statements denominated in foreign currency Less: net amount of disposal of overseas operations transferred to profit or loss during the period	-152,386.81	-277,876.30
Sub-total	-152,386.81	-277,876.30
5. Others Less: income tax effect arising from other items charged to other comprehensive income net amount of other items previously charged to other comprehensive income and transferred to profit or loss during the current year		
Sub-total		
Total	-152,386.81	-277,876.30

Explanation on other comprehensive income: Nil

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65. Notes to the cash flow statements

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amounts
Finance support fund	165,472,387.16
Interest income	79,124,229.96
Income on default penalty and fine	2,117,127.00
Bank balances and other income	35,551,332.65
Total	282,265,076.77

Explanation on cash received relating to other operating activities: Nil

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amounts
Transportation expense	174,679,243.26
Hospitality expense	19,908,907.64
Rental expense	2,676,795.45
Travel expense	6,174,545.95
Office expense	4,215,080.77
Waste disposal expense	20,054,348.58
Insurance premium	12,795,038.91
Repair expense	4,266,319.56
Advertising expense	15,521,458.15
Intermediary service expense	1,393,614.11
Financial institutions charge	14,797,625.10
Others	174,218,916.87
Total	450,701,894.35

Explanation on cash paid relating to other operating activities: Nil

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65. Notes to the cash flow statements (Cont'd)

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amounts
Special subsidy funds received	23,142,607.18
Total	23,142,607.18

Explanation on cash received relating to other investing activities: Nil

(4) Cash paid relating to other investing activities

Not applicable

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amounts
Decrease in restricted bank deposits during the period	224,610,040.62
Medium-term notes	1,083,500,000.00
Total	1,308,110,040.62

Explanation on cash received relating to other financing activities: Nil

(6) Cash paid relating to other financing activities

Not applicable

Explanation on cash paid relating to other financing activities: Nil

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66. Supplementary information on cash flow statements

(1) Supplementary information on cash flow statements

Unit: RMB

Supplementary information	Amounts during the period	Amounts during the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	25,385,700.25	496,814,994.73
Add: Provision for impairment of assets	13,436,773.17	-21,425,466.16
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	796,121,382.28	582,233,501.25
Amortisation of intangible assets	19,753,084.13	17,102,238.25
Long-term prepaid expenses	6,517,551.36	11,777,968.45
Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" denotes gain)	-1,931,468.26	-887,857.74
Loss on retired fixed assets ("—" denotes gain)		
Loss on change in fair value ("—" denotes gain)	-15,457,198.72	
Finance expenses ("—" denotes gain)	579,386,304.38	194,556,465.57
Investment loss ("—" denotes gain)	2,716,529.31	-9,553,661.98
Decrease in deferred income tax assets ("—" denotes increase)	-83,304,458.88	-10,885,320.97
Increase in deferred income tax liabilities ("—" denotes decrease)		-1,340,281.66
Decrease in inventory ("—" denotes increase)	132,109,969.74	-611,684,865.07
Decrease in operating receivables ("—" denotes increase)	-515,991,848.48	-692,903,938.89
Increase in operating payables ("—" denotes decrease)	-297,657,618.41	783,840,129.26
Others		
Net cash flows from operating activities	661,084,701.87	737,643,905.04
2. Major investing and financing activities not involving cash settlements:	—	—
Capital converted from debts		
Convertible bonds of the Company due within one year		
Finance leases of fixed assets	0.00	
3 Net change in cash and cash equivalents:	—	—
Cash balance at the end of the period	2,589,296,414.02	1,764,865,743.95
Less: cash balance at the beginning of the period	2,317,048,619.53	1,855,235,979.80
Add: balance of cash equivalents at the end of the period		
Less: balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	272,247,794.49	-90,370,235.85

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(Cont'd)

66. Supplementary information on cash flow statements (Cont'd)

- (2) Relevant information with respect to acquisition or disposal of subsidiaries and other operating units during the reporting period

Unit: RMB

Supplementary information	Amounts during the period	Amounts during the prior period
I. Relevant information with respect to acquisition of subsidiaries and other operating units:	—	—
1. Consideration for acquisition of subsidiaries and other operating units		
2. Cash and cash equivalents paid on acquisition of subsidiaries and other operating units		
Less: cash and cash equivalents held by subsidiaries and other operating units		
3. Net cash paid on acquisition of subsidiaries and other operating units		
4. Net assets of subsidiaries acquired	0.00	0.00
Of which: Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
II. Relevant information with respect to disposal of subsidiaries and other operating units:	—	—
1. Consideration from disposal of subsidiaries and other operating units		4,500,002.00
2. Cash and cash equivalents received from disposal of subsidiaries and other operating units		
Less: cash and cash equivalents held by subsidiaries and other operating units		1,032,849.69
3. Net cash received from disposal of subsidiaries and other operating units		3,467,152.31
4. Net assets of subsidiaries disposed of	0.00	-13,193,990.22
Of which: Current assets		32,692,729.92
Non-current assets		88,161,672.30
Current liabilities		134,048,392.44
Non-current liabilities		

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(Cont'd)

66. Supplementary information on cash flow statements (Cont'd)

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing amount	Opening amount
I. Cash	2,589,296,414.02	2,317,048,619.53
Of which: Treasury cash	1,612,295.60	1,908,702.31
Bank deposit that can be used for payment at any time	2,587,684,118.42	2,315,139,917.22
Other monetary funds that can be used for payment at any time		
Deposit at central bank deposit that can be used for payment		
Amount due from banks		
Amount due to banks		
II. Cash equivalents		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalent at end of period	2,589,296,414.02	2,317,048,619.53

Explanation on supplementary information of cash flow statements: Nil

67. Notes to statement of changes in owners' equity

Please state the name and the amount of adjustment of the "others" item for which the balance at the end of the prior year had been adjusted and retrospective adjustment arising from the combination of enterprises under common control: Nil

(VIII) Accounting for asset securitisation business

1. Explanation of the major transaction arrangements, accounting and bankruptcy remoteness provisions for asset securitisation business

Not applicable

2. Main situation of special projects in which the Company does not have control but has to bear its risks in reality

Not applicable

VIII. Financial Report

(IX) Related parties and related party transactions

1. Parent company of the Company

Unit: RMB

Name of parent company	Relationship	Company type	Place of incorporation	Legal representative	Business nature	Registered capital	Currency	Shareholding of the parent company on the Company (%)	Voting right of the parent company on the Company (%)	Ultimate controlling party of the Company	Organisation code
Shouguang Chenming Holdings Co., Ltd.	Controlling shareholder	Limited liability company	Shouguang City	Chen Hongguo	Investment in manufacture of paper,electricity, steam, arboriculture	1,685,425,500.00	RMB	14.21%	14.21%	Shouguang Chenming Holdings Co., Ltd.	78348518-9

Explanation on the parent company of the Company: Nil

VIII. Financial Report

(IX) Related parties and related party transactions (Cont'd)

2. Subsidiaries

Unit: RMB

Full name of subsidiary	Subsidiary type	Company type	Place of incorporation	Legal representative	Business nature	Registered capital	Currency	Shareholding (%)	Voting right (%)	Organisation code
Wuhan Chemming Hanyang Paper Holdings Co., Ltd.	Controlling subsidiary	Joint stock company	Wuhan, China	Li Weishan	Manufacture of paper	211,367,000.00		50.93%	50.93%	27189235-4
Shandong Chemming Paper Group Qihe Paperboard Co., Ltd.	Controlling subsidiary	Limited liability company	Qihe, China	Tan Daocheng	Manufacture of paper	376,200,000.00		100%	100%	72074277-4
Shandong Chemming Power Supply Holdings Co., Ltd.	Controlling subsidiary	Joint stock company	Shouguang, China	Sun Hongji	Electricity	99,553,100.00		86.71%	86.71%	70620711-8
Yanbian Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Yanji, China	Wang Yingjun	Manufacture of paper	81,633,000.00		100%	100%	72958840-0
Jiangxi Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Nanchang, China	Jia Shajun	Manufacture of paper	172,000,000.00	USD	51%	51%	74426460-7
Shouguang Chemming Tianyuan Arboriculture Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Li Dejiang	Arboriculture	10,590,000.00		68%	68%	73925671-7
Halaxar Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Halaxar, China	Gao Ziwei	Manufacture of paper	16,000,000.00		75%	75%	70130836-6
Wuhan Chemming Qianheng Electric Power Co., Ltd.	Controlling subsidiary	Limited liability company	Wuhan, China	Hu Jiangqun	Electricity	88,235,000.00		51%	51%	72578372-2
Wuhan Chenjian New-style Wall Materials Co., Ltd.	Controlling subsidiary	Limited liability company	Wuhan, China	Lu Xuelteng	Wall materials	10,000,000.00		51%	51%	74475404-0
Shandong Chemming Xinli Power Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Sun Hongji	Electricity	11,800,000.00	USD	51%	51%	72073121-5
Shouguang Chemming Cement Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Sun Hongji	Production and sales of cement	7,000,000.00		100%	100%	73720178-X
Shandong Chemming Panels Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, Shandong, China	Liu Shusen	Production and sales of panels	30,000,000.00		100%	100%	73816170-8
Shouguang Chemming Floor Board Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Liu Shusen	Production and sales of floor boards	500,000.00		100%	100%	76366212-5
Qihe Chemming Panels Co., Ltd.	Controlling subsidiary	Limited liability company	Qihe, China	Liu Shusen	Production and sales of panels	40,820,000.00		100%	100%	76001404-2
Yangjiang Chemming Arboriculture Co., Ltd.	Controlling subsidiary	Limited liability company	Yangjiang, China	Li Zenguiang	Arboriculture	1,000,000.00		100%	100%	76487434-6
Zhenjiang Chemming Arboriculture Co., Ltd. company	Controlling subsidiary	Limited liability company	Zhenjiang, China	Li Zenguiang	Arboriculture	1,000,000.00		100%	100%	76286807-5
Jilin Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Jilin, China	Zhang Chunlin	Manufacture of paper	1,500,000,000.00		100%	100%	76286556-0
Juancheng Chemming Panels Co., Ltd.	Controlling subsidiary	Limited liability company	Juancheng, China	Liu Shusen	Production and sales of panels	15,000,000.00		100%	100%	77872435-X
Shandong Grand View Hotel Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Xia Guangchun	Catering	13,910,000.00	USD	70%	70%	97528657-8
Zhenjiang Chemming Paper Pulp Co., Ltd.	Controlling subsidiary	Limited liability company	Zhenjiang, China	Geng Guanglin	Arboriculture	2,500,000,000.00		100%	100%	77527884-1
Chemming (HK) Limited	Controlling subsidiary	Limited liability company	Hong Kong, China	Li Feng	Trade of paper	100,000.00	USD	100%	100%	3734927300011080
Shouguang Chemming Modern Logistic Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Transportation	10,000,000.00		100%	100%	66015222-7
Shouguang Chemming Wan Xing Real Estate Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Yin Tongyuan	Manufacture of paper	20,000,000.00	USD	75%	75%	79867671-0
Qihe Chemming Waste Collection Co., Ltd.	Controlling subsidiary	Limited liability company	Qihe, China	Wang Xinglong	Purchase and sales of waste and old materials	500,000.00		100%	100%	75825591-2
Jilin Chemming Waste Collection Co., Ltd.	Controlling subsidiary	Limited liability company	Jilin, China	Zhang Bangji	Purchase and sales of waste and old materials	1,000,000.00		100%	100%	77872731-5
Jilin Chemming Machinery Manufacturing Co., Ltd.	Controlling subsidiary	Limited liability company	Jilin, China	Zhang Chunlin	Processing of machinery	600,000.00		100%	100%	66012410-5
Nanchang Chemming Arboriculture Co., Ltd.	Controlling subsidiary	Limited liability company	Nanchang, China	Hou Huancai	Arboriculture	10,000,000.00		100%	100%	66204306-9
Fuyu Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Fuyu, China	Liu Chunshan	Manufacture of paper	208,000,000.00		100%	100%	66389298-6
Huanggang Chemming Arboriculture Co., Ltd.	Controlling subsidiary	Limited liability company	Huanggang, China	Wang Zaiguo	Arboriculture	70,000,000.00		100%	100%	67036898-X
Huanggang Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Huanggang, China	Xiao Xiang	Arboriculture	20,000,000.00		100%	100%	67976586-9
Shouguang Meilun Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Manufacture of paper	2,200,000,000.00		100%	100%	68064934-0
Shouguang Shun Da Customs Declaration Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Customs declaration, inspection declaration	1,500,000.00		100%	100%	68689781-2
Wuhan Chemming Wan Xing Real Estate Co., Ltd.	Controlling subsidiary	Limited liability company	Wuhan, China	Li Weishan	Real estate	20,000,000.00		100%	100%	68534385-0
Shandong Chemming Paper Sales Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Sales of paper	100,000,000.00		100%	100%	55222631-5
Shanghai Runchen Equity Investment Fund Co., Ltd.	Controlling subsidiary	Limited liability company	Shanghai, China	Li Yunnan	Equity investment	305,000,000.00		98.36%	98.36%	58867347-5
Shouguang Chemming Industrial Logistics Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Transportation	10,000,000.00		100%	100%	58877448-7
Shouguang Chemming Papermaking Machine Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Machinery manufacturing	2,000,000.00		100%	100%	58877452-4
Shouguang Chemming Import and Export Trade Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Import and export trade	10,000,000.00		100%	100%	58877445-2
Shouguang Chemming Jiatu Property Management Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Property management	1,000,000.00		100%	100%	58877454-0
Shouguang Chemming Hongjin Packaging Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Packaging	1,000,000.00		100%	100%	58877451-6
Shouguang Hengfeng Storage Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, Shandong, China	Zhang Jiangqun	Storage of goods, leasing	500,000.00		100%	100%	58689781-4
Chemming International Co., Ltd.	Controlling subsidiary	Limited liability company	Los Angeles, USA	Xia Guangchun	Import and export, technology research and development	3,000,000.00	USD	100%	100%	
Japan Chemming Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Tokyo, Japan	Feng Tao	Paper industry, trading	1,500,000.00	USD	100%	100%	0100-01-144599
Wuhan Xingzhilian Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Wuhan, China	Li Weishan	Manufacture of paper	20,000,000.00		100%	100%	58796587-2
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Chen Hongguo	Purchase and sales of waste and old materials	1,000,000.00		100%	100%	77316557-9
Wuxie Song Ling Paper Co., Ltd.	Controlling subsidiary	Limited liability company	Wuxi, China	Liu Chunshan	Manufacture of paper	5,010,000.00		100%	100%	76243145-6
Shouguang Hongyi Decorative Packaging Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Ding Buxun	Packaging	1,550,000.00		100%	100%	78077560-7
Shouguang Wei Yuan Logistics Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Hao Limin	Transportation	3,930,000.00		100%	100%	78079463-X
Shouguang Xinyuan Coal Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Hao Limin	Coal	3,000,000.00		100%	100%	86570424-2
Shouguang Liben Paper Making Co., Ltd.	Controlling subsidiary	Limited liability company	Shouguang, China	Gao Junjie	Manufacture of paper	74,070,000.00		100%	100%	61358654-8

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(IX) Related parties and related party transactions (Cont'd)

3. Information on the joint ventures and associates of the Company

Unit: RMB

Name of investee	Company type	Place of incorporation	Legal representative	Business nature	Registered capital	Currency	Shareholding of the Company (%)	Voting right of the Company in the investee (%)	Total assets at the end of the period	Total liabilities at the end of the period	Total net assets at the end of the period	Total operating revenue in the period	Net profit in the period	Relationship	Organisation code
I. Joint venture	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
II. Associate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Sino-foreign joint venture	Shandong, China	Tong Chong	Manufacture of paper	267,368,330.00	RMB	30%	30%	295,563,422.50	240,585,403.60	54,978,018.90	—	-9,639,651.68	Associate	78233868-9
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Limited company	Shandong, China	Fang Shiming	Deep processing of starch	3,000,000.00	RMB	30%	30%	—	—	—	—	—	Associate	16937769-8
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Limited company	Jiangxi, China	Ou Yang	Printing	23,140,000.00	RMB	21.16%	21.16%	39,213,919.58	17,403,066.27	21,810,853.31	7,002,232.61	828,762.73	Associate	79479506-X
Shandong Hongqiao Venture Capital Co., Ltd.	Limited company	Shandong, China	Tan Shouqing	Venture investment	250,000,000.00	RMB	20%	20%	250,000,000.00	—	250,000,000.00	—	—	Associate	58875429-1

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(IX) Related parties and related party transactions (Cont'd)

4. Other related parties of the Company

Name of other related party	Relationship with the Company	Organisation No.
Shandong Paper Making & Printing Enterprises Corporation	Investee	
Zhejiang Province Guangyu Media Printing Company Limited	Investee	
Jinan Shangyou Commercial Company Limited	Investee	
Shouguang Mihe Water Company Limited	Investee	
Shanghai Forest & Paper E-Commerce Co., Ltd	Investee	
Anhui Shidai Resources Cost method Holdings Co., Ltd.	Investee	

5. Related party transactions

(1) Related party transactions involving sales of goods and provision of services

Not applicable

Table on sales of goods and provision of services

Unit: RMB

Related party	Details of related party transactions	Pricing principle of related party transactions and decision making process	Amounts during the period		Amounts during the prior period	
			Amount	As a percentage of similar transaction amounts (%)	Amount	As a percentage of similar transaction amounts (%)
Anhui Shidai Resources Holdings Co. Ltd.	Sales of paper	Market price Authorised by the Board	24,371,109.40	0.29%	51,931.63	
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Sales of paper	Market price Authorised by the Board			3,757,178.95	0.04%

(2) Related party custody/outsourcing

Not applicable

(3) Related party leasing

Not applicable

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(IX) Related parties and related party transactions (Cont'd)

5. Related party transactions (cont'd)

(4) Guarantees provided for related parties

Unit: RMB

Guarantor	Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
The Company	Nanchang Chenming Arboriculture Co., Ltd.	9,600,000.00	2010.08.19	2013.08.18	No
The Company	Nanchang Chenming Arboriculture Co., Ltd.	6,000,000.00	2012.03.20	2015.03.19	No
The Company	Nanchang Chenming Arboriculture Co., Ltd.	20,000,000.00	2010.05.26	2015.05.25	No
The Company	Jiangxi Chenming Paper Co., Ltd.	450,000,000.00	2009.12.10	2012.12.10	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	29,900,000.00	2010.04.29	2013.04.28	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	20,000,000.00	2010.07.08	2012.07.07	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	30,000,000.00	2011.09.19	2014.09.18	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	26,000,000.00	2012.06.27	2015.06.26	No
The Company	Shouguang Meilun Paper Co., Ltd.	187,500,000.00	2012.03.26	2012.09.25	No
The Company	Shouguang Meilun Paper Co., Ltd.	63,249,000.00	2011.01.26	2012.12.25	No
The Company	Shouguang Meilun Paper Co., Ltd.	118,308,760.00	2012.06.21	2012.12.20	No
The Company	Shouguang Meilun Paper Co., Ltd.	30,923,701.08	2011.10.28	2012.08.27	No
The Company	Shouguang Meilun Paper Co., Ltd.	505,992,000.00	2011.04.19	2014.03.18	No
The Company	Shouguang Meilun Paper Co., Ltd.	100,000,000.00	2011.01.14	2014.01.13	No
The Company	Shouguang Meilun Paper Co., Ltd.	252,996,000.00	2010.09.10	2013.03.09	No
The Company	Zhanjiang Chenming Paper & Pulp Co., Ltd.	274,739,861.48	2012.05.24	2013.05.23	No
The Company	Zhanjiang Chenming Paper & Pulp Co., Ltd.	258,625,133.25	2012.06.27	2013.06.26	No
The Company	Zhanjiang Chenming Paper & Pulp Co., Ltd.	3,548,723,500.00	2008.03.25	2023.03.24	No
The Company	Shandong Chenming Paper Sales Company Limited	1,015,000,000.00	2011.11.17	2012.11.16	No
The Company	Shandong Chenming Paper Sales Company Limited	899,871,783.65	2012.02.17	2012.08.16	No
The Company	Shandong Chenming Paper Sales Company Limited	390,000,000.00	2012.04.19	2012.10.18	No
The Company	Shandong Chenming Paper Sales Company Limited	799,619,058.72	2012.03.31	2012.09.30	No
The Company	Chenming (HK) Limited	500,000,000.00	2011.04.13	2014.04.12	No
Total		9,537,048,798.18			

Explanation for guarantees provided for related parties: The Company provided guarantee for the issuance of bonds amounting to RMB0.5 billion by Chenming (HK) Limited.

(5) Related party funds borrowing

Not applicable

(6) Related party asset transfer and debt restructuring

Not applicable

(7) Other related party transactions

Not applicable

VIII. Financial Report

(IX) Related parties and related party transactions (Cont'd)

6. Related party accounts receivables and accounts payables (cont'd)

Accounts receivables of the Company due from the related party

Unit: RMB

Item	Related party	Closing party	Opening balance
Anhui Shidai Resources Holdings Co. Ltd.	Trade receivable	10,189,479.28	819,534.42
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Trade receivable	647,390.00	847,390.00
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Other receivable	1,290,901.12	1,290,901.12

Accounts payables of the Company due to the related party

Unit: RMB

Item	Related party	Closing party	Opening balance
Shouguang Chenming Holdings Co., Ltd.	Other payables	24,000,000.00	30,000,000.00

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(X) Share-based payments

1. General information on share-based payments
Not applicable
2. Share-based payments settled by equity
Not applicable
3. Share-based payments settled by cash
Not applicable
4. Share-based payments for services
Not applicable
5. Amendments to and termination of share-based payments settled by
Not applicable

(XI) Contingency

1. Contingent liabilities arising from pending causes or arbitration and their financial effects
Nil
 2. Contingent liabilities arising from providing debt guarantees for other units and their financial effects
Nil
- Other contingent liabilities and their financial effects: Nil

VIII. Financial Report

(XII) Commitments

1. Significant commitments

(1) Capital commitments

Item	Closing balance	Opening balance
Contracted but not yet recognised in the financial statements – Commitments in relation to acquisition and construction of long-term assets	1,452,064,583.33	3,367,499,794.06
Total	1,452,064,583.33	3,367,499,794.06

(2) Operating lease commitments

As at the balance sheet date, the Company entered into irrevocable operating lease contracts with non-group companies as follows:

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	34,803,533.79	39,043,673.69
The second year after balance sheet date	15,498,329.33	20,588,005.02
The third year after balance sheet date	15,476,956.33	15,599,245.62
In the years thereafter	577,753,213.26	666,563,916.25
Total	643,532,032.71	741,794,840.58

2. Performance of commitments for the prior period

As of 30 June 2012, no significant commitments had to be disclosed by the Company.

(XIII) Events after the balance sheet date

1. Important events after the balance sheet date

Not applicable

2. Profit distribution after the balance sheet date

Not applicable

3. Other events after the balance sheet date

No events after the balance sheet date have to be disclosed.

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(XIV) Other important matter

1. Non-monetary asset swap

Not applicable

2. Debt restructuring

Not applicable

3. Business combination

Not applicable

4. Lease

Investment properties leased through operating lease

Remaining term of lease	Minimum lease payments
Within 1 years (including 1 year)	2,835,754.80
Over 1 year but within 2 years (including 2 year)	1,614,010.80
Over 2 years but within 3 years (including 3 year)	309,352.07
Total	4,759,117.67

5. Financial instruments outstanding and convertible to shares as at the end of the period

Not applicable

6. Major terms of the annuity plan and its significant change

Not applicable

7. Other material matter need to be disclosed

Biological assets measured at fair value

Item	Opening balance	Profit or loss from change in fair value for the period	Accumulated change in fair value charged to equity	Provision for impairment during the period	Closing balance
Consumable biological assets	959,061,500.85	15,457,198.72	142,614,672.01		1,053,117,556.55
Sub-total	959,061,500.85	15,457,198.72	142,614,672.01		1,053,117,556.55

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(XV) Notes to major financial statement items of the Company

1. Accounts receivable

(1) Accounts receivable

Unit: RMB

Category	Closing balance		Bad debt provision		Opening balance		Bad debt provision	
	Book balance Amount	Percentage (%)	Amount	Percentage (%)	Book balance Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable which are individually significant and individually provided for bad debt	51,145,706.12	8.27%	51,145,706.12	100%	56,089,509.86	3.08%	56,089,509.86	100%
Accounts receivable collectively provided for bad debt								
No-risk portfolio	537,410,151.80	86.89%			1,730,082,770.43	95.07%		
General-risk portfolio	29,950,075.79	4.84%	21,152,150.14	70.63	33,541,440.60	1.85%	20,589,929.06	61.39%
Sub-total	567,360,227.59	91.73%	21,152,150.14	3.73%	1,763,624,211.03	96.92%	39,666,946.35	1.17%
Accounts receivable which are not individually significant but individually provided for bad debt								
Total	618,505,933.71	—	72,297,856.26	—	1,819,713,720.89	—	117,715,865.10	—

Explanatory note to the categories of accounts receivable:

Accounts receivable of more than RMB1 million are recognised as accounts receivable individually significant. A no-risk portfolio is the accounts receivable which are individually significant or have certain specific risk features and are determined by the management to be not impaired as at the balance sheet date upon subject to impairment tests separately. A general-risk portfolio is the accounts receivable for which bad debts are provided under credit risk portfolio as they are not qualified to be subject to impairment tests separately (individually significant or have certain specific risk features) and are classified into some portfolios based on the credit risk features such as age and the percentage of bad debt provision of each portfolio is determined against the common risk features of each portfolio by the management.

Accounts receivable individually significant and individually provided for bad debt as at end of the period

√ Applicable □ Not applicable

Unit: RMB

Accounts receivable	Book balance	Bad debt provision	Percentage of provision	Reason
Payment for goods	51,145,706.12	51,145,706.12	100%	Most of which were payment for goods aged over 2 years and unlikely to be recovered
Total	51,145,706.12	51,145,706.12	—	—

In respect of portfolio, the measurement of bad debt provision for accounts receivable is based on the aging method:

√ Applicable □ Not applicable

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

1. Accounts receivable (Cont'd)

(1) Accounts receivable (Cont'd)

Unit: RMB

Aging	Closing balance			Opening balance		
	Book balance Amount	Percentage (%)	Bad debt provision	Book balance Amount	Percentage (%)	Bad debt provision
Within 1 year						
Of which:	—	—	—	—	—	—
Within 1 year	4,779,196.51	15.96%	238,959.83	7,038,534.93	20.98%	351,926.75
Sub-total of within 1 year	4,779,196.51	15.96%	238,959.83	7,038,534.93	20.98%	351,926.75
1 to 2 years	1,580,179.22	5.28%	158,017.92	3,726,896.05	11.11%	372,689.61
2 to 3 years	3,544,409.59	11.83%	708,881.92	3,638,371.15	10.85%	727,674.23
Over 3 years	20,046,290.47	66.93%	20,046,290.47	19,137,638.47	57.06%	19,137,638.47
3 to 4 years						
4 to 5 years						
Over 5 years						
Total	29,950,075.79	—	21,152,150.14	33,541,440.60	—	20,589,929.06

In respect of portfolio, the measurement of bad debt provision for accounts receivable is based on the percentage of total accounts receivable method:

☐ Applicable ☒ Not applicable

In respect of portfolio, the measurement of bad debt provision for accounts receivable is based on other methods:

☐ Applicable ☒ Not applicable

Accounts receivable not individually significant but individually provided for bad debt as at end of the period:

☐ Applicable ☒ Not applicable

(2) Reversal or recovery of accounts receivable during the reporting period

Not applicable

(3) Accounts receivable actually written-off during the reporting period

Not applicable

(4) Outstanding amount within the accounts receivable due from shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

☐ Applicable ☒ Not applicable

(5) Explanation of the significant other receivables

Not applicable

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

1. Accounts receivable (Cont'd)

(6) Top five other receivables are as follows:

Unit: RMB

Entity name	Relationship with the Company	Amount	Term	As a percentage of the total accounts receivable (%)
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	230,899,127.75	Within 1 year	37.33%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	195,622,369.89	Within 1 year	31.63%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Related party within the scope of consolidation	47,827,570.22	Within 1 year	7.73%
Foshan Shunde Xingchen Paper Co., Ltd.	Non-related party	26,845,065.23	3 to 4 years	4.34%
Shouguang Liben Paper Making Co., Ltd.	Related party within the scope of consolidation	26,128,063.36	Within 1 year	4.22%
Total	—	527,322,196.45	—	85.25%

(7) Information on accounts receivable of the related parties

Unit: RMB

Entity name	Relationship with the Company	Amount	As a percentage of the total accounts receivable (%)
Shouguang Liben Paper Making Co., Ltd.	Subsidiary of the Company	26,128,063.36	4.22%
Shouguang Chenming Art Paper Co., Ltd.	Subsidiary of the Company	195,622,369.89	31.63%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Subsidiary of the Company	47,827,570.22	7.73%
Yanbian Chenming Paper Co., Ltd.	Subsidiary of the Company	4,207,722.89	0.68%
Jilin Chenming Paper Co., Ltd.	Subsidiary of the Company	4,670,204.58	0.76%
Zhanjiang Chenming Paper Pulp Co., Ltd.	Subsidiary of the Company	16,636.36	0.003%
Shouguang Meilun Paper Co., Ltd.	Subsidiary of the Company	230,899,127.75	37.33%
Shandong Chenming Panels Co., Ltd.	Subsidiary of the Company	20,327,569.14	3.29%
Shandong Grand View Hotel Co., Ltd.	Subsidiary of the Company	2,291,524.66	0.37%
Total	—	537,410,151.80	86.89%

(8) Transferred amount of accounts receivable not qualified to be derecognised amounted to RMB0.00.

(9) Accounts receivable as the underlying assets of securitisation and the related transaction arrangement in brief:
Nil

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

2. Other receivables

(1) Other receivables

Unit: RMB

Category	Closing balance		Bad debt provision		Opening balance		Bad debt provision	
	Book balance Amount	Percentage (%)	Amount	Percentage (%)	Book balance Amount	Percentage (%)	Amount	Percentage (%)
Other receivables which are individually significant and individually provided for bad debt	9,402,148.72	0.12%	9,402,148.72	100%	9,330,331.45	0.14%	9,330,331.45	100%
Other receivables collectively provided for bad debt								
No-risk portfolio	8,031,313,439.72	99.01%			6,894,133,462.44	98.88%		
General-risk portfolio	56,796,589.19	0.7%	17,944,936.27	31.6%	53,445,787.71	0.77%	19,499,404.97	36.48%
Sub-total	8,088,110,028.91	99.71%	17,944,936.27	0.22%	6,947,579,250.15	99.64%	19,499,404.97	0.28%
Other receivables which are not individually significant but individually provided for bad debt	14,401,628.46	0.17%	14,401,628.46	100%	15,554,009.74	0.22%	15,554,009.74	100%
Total	8,111,913,806.09	—	41,748,713.45	—	6,972,463,591.34	—	44,383,746.16	—

Explanatory note to the categories of other receivables:

Other receivables of more than RMB1 million are recognised as other receivables individually significant. A no-risk portfolio is the other receivables which are individually significant or have certain specific risk features and are determined by the management to be not impaired as at the balance sheet date upon subject to impairment tests separately. A general-risk portfolio is the other receivables for which bad debts are provided under credit risk portfolio as they are not qualified to be subject to impairment tests separately (individually significant or have certain specific risk features) and are classified into some portfolios based on the credit risk features such as age and the percentage of bad debt provision of each portfolio is determined against the common risk features of each portfolio by the management.

Other receivables individually significant and individually provided for bad debt as at end of the period:

√ Applicable □ Not applicable

Unit: RMB

Other receivables	Book balance	Bad debt provision	Percentage of provision	Reason
Amounts with customers	9,402,148.72	9,402,148.72	100%	Aged amounts are unlikely to be recovered based on past experience.
Total	9,402,148.72	9,402,148.72	—	—

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

2. Other receivables (Cont'd)

(1) Other receivables (Cont'd)

In respect of portfolio, the measurement of bad debt provision for other receivables is based on the aging method:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Closing balance			Opening balance		
	Book balance Amount	Percentage (%)	Bad debt provision	Book balance Amount	Percentage (%)	Bad debt provision
Within 1 year						
Of which:	—	—	—	—	—	—
Within 1 year	25,783,365.05	45.4%	1,289,168.25	28,392,081.38	53.12%	1,419,604.07
Sub-total of within 1 year	25,783,365.05	45.4%	1,289,168.25	28,392,081.38	53.12%	1,419,604.07
1 to 2 years	4,351,700.78	7.66%	435,170.08	3,011,095.47	5.64%	301,109.55
2 to 3 years	13,051,156.77	22.98%	2,610,231.35	5,329,899.38	9.97%	1,065,979.87
Over 3 years	13,610,366.59	23.96%	13,610,366.59	16,712,711.48	31.27%	16,712,711.48
3 to 4 years						
4 to 5 years						
Over 5 years						
Total	56,796,589.19	—	17,944,936.27	53,445,787.71	—	19,499,404.97

In respect of portfolio, the measurement of bad debt provision for other receivables is based on the percentage of total accounts receivable method:

☐ Applicable ☒ Not applicable

In respect of portfolio, the measurement of bad debt provision for other receivables is based on other methods:

☐ Applicable ☒ Not applicable

Other receivables not individually significant but individually provided for bad debt as at end of the period:

☐ Applicable ☒ Not applicable

(2) Reversal or recovery of other receivables during the reporting period

Other receivables individually significant or not individually significant but tested for impairment individually and provided for bad debt as at end of the period:

Accounts receivable	Book balance	Bad debt provision	Percentage of provision	Reason
Amounts with customers	14,401,628.46	14,401,628.46	100%	Aged amounts are unlikely to be recovered based on past experience.
Total	14,401,628.46	14,401,628.46	—	—

Other receivables not individually significant but having greater risks according to their credit risk profile: Nil

(3) Other receivables actually written-off during the reporting period

Not applicable

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

2. Other receivables (Cont'd)

- (4) Outstanding amount within the other receivables due from shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

☐ Applicable ☒ Not applicable

- (5) Explanation of the significant other receivables

No.

- (6) Top five other receivables are as follows:

				Unit: RMB
				As a percentage of the total other receivables (%)
Entity name	Relationship with the Company	Amount	Term	
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	3,487,611,197.94	With 1year	42.99%
Zhanjiang Chenming Paper Pulp Co., Ltd.	Related party within the scope of consolidation	1,977,446,414.53	With 1year	24.38%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	535,859,685.38	With 1year	6.61%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Related party within the scope of consolidation	524,996,035.35	With 1year	6.47%
Jilin Chenming Paper Co., Ltd.	Related party within the scope of consolidation	475,573,852.62	With 1year	5.86%
Total	—	7,001,487,185.82	—	86.31%

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

2. Other receivables (Cont'd)

(7) Overview of other receivables of the related parties

Unit: RMB

Entity name	Relationship with the Company	Amount	As a percentage of the total other receivables (%)
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	3,487,611,197.94	42.99%
Zhanjiang Chenming Paper & Pulp Co., Ltd.	Related party within the scope of consolidation	1,977,446,414.53	24.38%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	535,859,685.38	6.61%
Wuhan Chenming Hanyang Paper Co., Ltd.	Related party within the scope of consolidation	524,996,035.35	6.47%
Jilin Chenming Paper Co., Ltd.	Related party within the scope of consolidation	475,573,852.62	5.86%
Shandong Grand View Hotel Co., Ltd.	Related party within the scope of consolidation	349,964,953.47	4.31%
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	Related party within the scope of consolidation	74,078,613.63	0.91%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	164,886,098.95	2.03%
Shandong Chenming Selling Co., Ltd.	Related party within the scope of consolidation	15,947,828.88	0.2%
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Related party within the scope of consolidation	59,280,983.07	0.73%
Juancheng Chenming Panels Co., Ltd.	Related party within the scope of consolidation	50,601,853.43	0.62%
Huanggang Chenming Paper Pulp Co., Ltd.	Related party within the scope of consolidation	101,145,430.3	1.25%
Huanggang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	87,750,754.85	1.08%
Yanbian Chenming Paper Co., Ltd.	Related party within the scope of consolidation	311,582.66	0.0038%
Zhanjiang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	116,854,118.81	1.44%
Yangjiang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	3,020,900	0.04%
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Related party within the scope of consolidation	1,142,777.77	0.01%
Shouguang Liben Paper Making Co., Ltd.	Related party within the scope of consolidation	4,691,333.45	0.06%
Hailaer Chenming Paper Co., Ltd.	Related party within the scope of consolidation	136,204.63	0.0017%
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Associate	1,290,901.12	0.02%
Chenming International Co., Ltd.	Related party within the scope of consolidation	12,820	
Total	—	8,032,604,340.84	99.02%

(8) Transferred amount of other receivables not qualified to be derecognised amounted to RMB0.00.

(9) Other receivables as the underlying assets of securitisation and the related transaction arrangement in brief: Nil

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

3. Long-term equity investments

Unit: RMB

Investee	Accounting method	Initial investment	Opening Balance	Change	Closing balance	Equity interest in the investee held by the Company (%)	Voting right in the investee by the Company (%)	Explanation of the inconsistent of equity interest and voting right in the investee	Impairment provision during the period	Cash dividend for the period
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Cost method	202,824,716.34	202,824,716.34		202,824,716.34	50.93%	50.93%			
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	Cost method	376,200,000	376,200,000		376,200,000	100%	100%			
Shandong Chenming Power Supply Holdings Co., Ltd.	Cost method	157,810,117.43	157,810,117.43		157,810,117.43	86.71%	86.71%			28,487,270.13
Yanbian Chenming Paper Co., Ltd.	Cost method	96,725,533.01	96,725,533.01		96,725,533.01	100%	100%			
Hailaer Chenming Paper Co., Ltd.	Cost method	12,000,000	12,000,000		12,000,000	75%	75%			
Jiangxi Chenming Paper Co., Ltd.	Cost method	697,548,406.4	697,548,406.4		697,548,406.4	51%	51%			
Shouguang Chenming Tianyuan Arboriculture Co., Ltd.	Cost method	7,199,000	7,199,000		7,199,000	68%	68%			
Jilin Chenming Paper Co., Ltd.	Cost method	1,501,350,000	1,501,350,000		1,501,350,000	100%	100%			
Juancheng Chenming Panels Co., Ltd.	Cost method	15,000,000	15,000,000		15,000,000	100%	100%			
Shandong Grand View Hotel Co., Ltd.	Cost method	80,500,000	80,500,000		80,500,000	70%	70%			
Zhanjiang Chenming Paper Pulp Co., Ltd.	Cost method	2,500,000,000	2,500,000,000		2,500,000,000	100%	100%			
Chenming (HK) Limited	Cost method	783,310	783,310		783,310	100%	100%			
Shouguang Chenming Modern Logistic Co., Ltd.	Cost method	10,000,000	10,000,000		10,000,000	100%	100%			
Shouguang Chenming Art Paper Co., Ltd.	Cost method	113,616,063.8	113,616,063.8		113,616,063.8	75%	75%			
Fuyu Chenming Paper Co., Ltd.	Cost method	208,000,000	208,000,000		208,000,000	100%	100%			
Huanggang Chenming Paper Co., Ltd.	Cost method	20,000,000	20,000,000		20,000,000	100%	100%			
Huanggang Chenming Arboriculture Co., Ltd.	Cost method	70,000,000	10,000,000	60,000,000	70,000,000	100%	100%			
Shouguang Meilun Paper Co. Ltd.	Cost method	2,200,000,000	2,200,000,000		2,200,000,000	100%	100%			
Shouguang Shun Da Customs Declaration Co. Ltd.	Cost method	1,500,000	1,500,000		1,500,000	100%	100%			
Shandong Chenming Paper Sales Company Limited	Cost method	100,000,000	100,000,000		100,000,000	100%	100%			
Shouguang Liben Paper Making Co., Ltd.	Cost method	15,850,354.16	15,850,354.16		15,850,354.16	100%	100%			
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Equity method	80,100,000	19,385,301.17	-2,891,895.5	16,493,405.67	30%	30%			
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Equity method	900,000	900,000		900,000	30%	30%		900,000	
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Equity method	6,000,000	4,788,278.79	175,366.19	4,963,644.98	21.16%	21.16%			
Shandong Paper Making & Printing Enterprises Corporation	Cost method	200,000	200,000		200,000	2%	2%		200,000	
Zhejiang Province Guangyu Media Printing Company Limited	Cost method	2,000,000	2,000,000		2,000,000	9.96%	9.96%			
Jinan Shangyou Commercial Company Limited	Cost method	350,000	350,000		350,000	5%	5%		350,000	
Shouguang Mihe Water Company Limited	Cost method	20,000,000	20,000,000		20,000,000	19.46%	19.46%			
Shanghai Forest & Paper E-Commerce Co., Ltd.	Cost method	1,400,000	1,400,000		1,400,000	14%	14%		1,139,574.47	
Anhui Shidai Resources Holdings Co., Ltd.	Cost method	1,000,000	1,000,000		1,000,000	10%	10%			
Shanghai Runchen Equity Investment Fund Co., Ltd.	Cost method	300,000,000	300,000,000		300,000,000	98.36%	98.36%			
Shouguang Chenming Industrial Logistics Co., Ltd.	Cost method	10,000,000	10,000,000		10,000,000	100%	100%			
Shouguang Chenming Papermaking Machine Co., Ltd.	Cost method	2,000,000	2,000,000		2,000,000	100%	100%			
Shouguang Chenming Import and Export Trade Co., Ltd.	Cost method	10,000,000	10,000,000		10,000,000	100%	100%			
Shouguang Chenming Jiatai Property Management Co., Ltd.	Cost method	1,000,000	1,000,000		1,000,000	100%	100%			
Shouguang Chenming Hongxin Packaging Co., Ltd.	Cost method	1,000,000	1,000,000		1,000,000	100%	100%			
Shouguang Hengfeng Storage Co., Ltd.	Cost method	500,000	500,000		500,000	100%	100%			
Chenming International Co., Ltd.	Cost method	19,861,955	19,861,955		19,861,955	100%	100%			
Japan Chenming Paper Company Limited	Cost method	9,306,351.2		9,306,351.2	9,306,351.2	100%	100%			
Shandong Hongqiao Venture Capital Co., Ltd.	Equity method	50,000,000	30,000,000	20,000,000	50,000,000	20%	20%			
Total		8,902,525,807.34	8,751,293,036.10	86,589,821.89	8,837,882,857.99	-	-	-	2,589,574.47	28,487,270.13

Description of long-term equity investments: Nil

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

4. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Revenue from principal activities	3,703,428,614.56	3,957,321,998.90
Revenue from other activities	383,795,028.56	153,537,713.25
Operating costs	3,448,243,509.14	3,325,675,097.46
Total		

(2) Principal activities (by industry)

√ Applicable □ Not applicable

Unit: RMB

Industry name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	3,114,476,781.75	2,574,426,997.64	3,536,530,874.3	2,793,416,747.88
Electricity and steam	588,951,832.81	498,093,999	420,791,124.6	404,038,018.71
Total	3,703,428,614.56	3,072,520,996.64	3,957,321,998.90	3,197,454,766.59

(3) Principal activities (by product)

√ Applicable □ Not applicable

Unit: RMB

Product name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Light weight coated paper	48,662,606.09	40,091,730.46	57,683,656.17	47,415,070.79
Duplex press paper	235,566,674.59	184,544,726.15	207,765,624.79	161,260,149.34
Writing paper	20,947,059.71	18,244,231.13	22,193,570.72	20,812,236.27
Coated paper	720,179,569.18	668,282,035.42	1,018,197,952.79	774,217,874.23
News press paper	704,748,171.31	532,979,502.38	738,051,948.64	667,559,883.43
White paper board	794,054,103	651,137,851.95	960,844,780.88	695,112,456.08
Other machine-made paper	590,318,597.87	479,146,920.15	531,793,340.31	427,039,077.74
Electricity and steam	588,951,832.81	498,093,999	420,791,124.6	404,038,018.71
Total	3,703,428,614.56	3,072,520,996.64	3,957,321,998.90	3,197,454,766.59

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

4. Revenue and operating costs

(4) Principal activities (by geographical areas) (Cont'd)

√ Applicable □ Not applicable

Unit: RMB

Geographical area name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
PRC	3,454,822,431.78	2,850,493,502.72	3,589,566,978.66	2,910,180,255.76
Hong Kong	248,606,182.78	222,027,493.92	367,755,020.24	287,274,510.83
Total	3,703,428,614.56	3,072,520,996.64	3,957,321,998.90	3,197,454,766.59

(5) Revenue from top 5 customers of the Company

Unit: RMB

Name of customer	Total revenue	Percentage of the total revenue of the Company (%)
Shandong Chenming Paper Sales Company Limited	2,787,798,366.57	68.21%
Shouguang Meilun Paper Co., Ltd.	463,878,750	11.35%
Shandong Electric Power Group Corp. Weifang Power Supply Company	309,874,699.32	7.58%
Chenming (HK) Limited	248,606,182.78	6.08%
Shouguang Chenming Art Paper Co., Ltd.	130,294,530.8	3.19%
Total	3,940,452,529.47	96.41%

Description of revenue: Mainly derived from sales of machine-made paper and steam as well as sales of materials to subsidiaries

VIII. Financial Report

(XV) Notes to major financial statement items of the Company (Cont'd)

5. Investment income

(1) Breakdown of investment income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method	28,487,270.13	86,000,000.00
Income from long-term equity investments accounted for using the equity method	-2,716,529.31	-3,755,501.39
Investment gain on disposal of long-term equity investments		
Investment income from holding held-for-trading financial assets		
Investment income from held-to-maturity investments making investment returns		
Investment income from holding available-for-sale financial assets, etc.		
Investment gain on disposal of held-for-trading financial assets		
Investment income from held-to-maturity investments		
Investment income from available-for-sale financial assets, etc.		
Others	17,021,667.09	58,163,478.54
Total	42,792,407.91	140,407,977.15

(2) Income from long-term equity investments accounted for using the cost method

Unit: RMB

Investee	Amounts during the period	Amounts during the prior period	Reason for change
Shandong Chenming Power Supply Holdings Co., Ltd.	28,487,270.13		
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.		86,000,000	
Total	28,487,270.13	86,000,000.00	—

(3) Income from long-term equity investments accounted for using the equity method

Unit: RMB

Investee	Amounts during the period	Amounts during the prior period	Reason for change
Arjo Wiggins Chenming Specialty Paper Co., Ltd	-2,891,895.5	-2,891,895.5	The investee incurred losses during the period
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	175,366.19	-51,825.23	The investee incurred losses during the period
Shouguang Liben Paper Making Co., Ltd.		-742,942.64	The investee incurred losses during the period
Total	-2,716,529.31	-3,755,501.39	—

Description of investment income: Nil

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(XV) Notes to major financial statement items of the Company (Cont'd)

6. Supplementary information on cash flow statement

		Unit: RMB	
Supplementary information	Amounts during the period	Amounts during the prior period	
1. Reconciliation of net profit as cash flows from operating activities:	—	—	
Net profit	175,443,730.88	497,339,265.69	
Add: Provision for impairment of assets	-7,044,869.23	-38,465,504.04	
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	306,244,526.12	291,792,105.16	
Amortisation of intangible assets	4,630,549.74	4,461,395.06	
Long-term prepaid expenses			
Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" denotes gain)	-2,008,319.17	-946,304.12	
Loss on retired fixed assets ("—" denotes gain)			
Loss on change in fair value ("—" denotes gain)			
Finance expenses ("—" denotes gain)	423,895,393.90	223,147,887.79	
Investment loss ("—" denotes gain)	-42,792,407.91	-140,407,977.15	
Decrease in deferred income tax assets ("—" denotes increase)	117,112.03	-12,151,529.94	
Increase in deferred income tax liabilities ("—" denotes decrease)			
Decrease in inventory ("—" denotes increase)	-152,953,350.16	-261,634,804.79	
Decrease in operating receivables ("—" denotes increase)	-890,031,497.71	389,129,283.28	
Increase in operating payables ("—" denotes decrease)	1,185,361,145.72	930,555,482.57	
Others			
Net cash flows from operating activities	1,000,862,014.21	1,882,819,299.51	
2. Major investing and financing activities not involving cash settlements:	—	—	
Capital converted from debts			
Convertible bonds of the Company due within one year			
Finance leases of fixed assets			
3. Net change in cash and cash equivalents:	—	—	
Cash balance at the end of the period	814,686,971.97	612,921,932.88	
Less: cash balance at the beginning of the period	1,290,039,078.57	662,209,607.29	
Add: balance of cash equivalents at the end of the period			
Less: balance of cash equivalents at the beginning of the period			
Net increase in cash and cash equivalents	-475,352,106.60	-49,287,674.41	

7. Assets and liabilities at assessed value under reverse takeover

Not applicable

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(XVI) Supplementary information

1. Return on net assets and earnings per share

Unit: RMB

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	0.7%	0.05	0.05
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	-0.77%	-0.05	-0.05

2. Explanation of irregular movements in major accounting statement items of the Company

1) Balance sheet items:

- (1) The closing balance of prepayments of RMB1,045,146,661.71 increased by 36.64% as compared with the opening balance mainly due to an increase in the advance payment for materials made by the Company;
- (2) The closing balance of other receivables of RMB238,050,762.42 decreased by 26.88% as compared with the opening balance mainly due to receipt of proceeds from disposal of Chibi Chenming and Xianning Chenming in 2011 in accordance with the provisions of the contracts during the reporting period;
- (3) The closing balance of long-term equity investments of RMB94,717,476.18 increased by 22.32% as compared with the opening balance mainly due to the increased investments in an associate, Shandong Hongqiao Venture Capital Co., Ltd., by the Company;
- (4) The closing balance of construction in progress of RMB3,491,069,182.47 increased by 33.35% as compared with the opening balance, and the closing balance of construction materials of RMB83,223,466.14 increased by 34.39% as compared with the opening balance mainly due to the investments in the white coated linerboard project and the demolition and relocation of Jilin Chenming by the Company;
- (5) The closing balance of deferred income tax assets of RMB257,330,993.15 increased by 47.87% as compared with the opening balance mainly due to deferred income tax assets generated by some companies as affected by the market downturn at the macroeconomic level and in the paper making industry, which could be used for offsetting for losses;
- (6) The closing balance of bills payable of RMB1,654,218,054.43 increased by 168.84% as compared with the opening balance mainly due to an increase in bank acceptance bills issued by the Company for payment for goods during the reporting period;
- (7) The closing balance of advance receipts of RMB351,160,489.96 increased by 51.74% as compared with the opening balance mainly due to an increase in advance receipts for goods resulting from an increase in market development efforts by the Company;
- (8) The closing balance of staff remuneration payables of RMB196,886,749.84 increased by 33.88% as compared with the opening balance mainly due to an increase in unpaid staff remuneration;
- (9) The closing balance of interest payable of RMB172,073,207.37 increased by 61.03% as compared with the opening balance mainly due to the provision of interest on medium-term notes and corporate bonds by the Company;
- (10) The closing balance of dividend payable was RMB309,306,891.20 mainly due to the payment of unpaid dividend declared by the Company;
- (11) The closing balance of non-current liabilities due within one year of RMB1,785,251,433.52 increased by 48.32% as compared with the opening balance mainly due to an increase in long-term borrowings due within one year by the Company;
- (12) The closing balance of other non-current liabilities of RMB3,542,607,521.90 increased by 44.95% mainly due to the issue of medium-term notes of RMB1.1 billion during the reporting period.

VIII. Financial Report

(XVI) Supplementary information (Cont'd)

2. Explanation of irregular movements in major accounting statement items of the Company (Cont'd) (2)

- (1) Revenue from operations of RMB9,964,451,535.04 increased by 11.74% as compared to the same period last year mainly due to an increase in revenue caused by sales growth resulting from an expansion in the scale of the Company;
- (2) Operating costs of RMB8,500,512,936.03 increased by 15.14% as compared to the same period last year mainly due to an increase in revenue caused by sales growth resulting from an expansion in the scale of the Company;
- (3) Selling and distribution expenses of RMB535,959,288.53 increased by 22.22% as compared to the same period last year mainly due to an increase in transportation costs as a result of sales growth;
- (4) General and administrative expenses of RMB562,794,713.60 increased by 19.43% as compared to the same period last year mainly due to an increase in technology research and development expenses resulting from an increase in investments in research and development by the Company;
- (5) Finance expenses of RMB541,285,654.45 increased by 252.42% as compared to the same period last year mainly due to the capitalised interest of the original loan being expensed during the reporting period upon completion of the 800,000-tonne coated paper project and the Zhanjiang pulp project of the Company;
- (6) Loss on impairment of assets of RMB13,436,773.17 increased by 162.71% as compared to the same period last year mainly due to an increase in the bad debt provisions during the reporting period as compared to same period last year as a result of a change in the accounts receivable;
- (7) Gain on change in fair value of RMB15,457,198.72 increased by 316.03% as compared to the same period last year mainly due to a change in the fair value of timber assets;
- (8) Investment income of RMB-2,716,529.31 decreased by 128.43% as compared to the same period last year mainly due to the income of RMB13.31 million arising from disposal of Heze Chenming Panels and Lindun Forestry in the prior period;
- (9) Non-operating income of RMB223,467,731.90 increased by 53.12% as compared to the same period last year mainly due to receipt of more government grants during the reporting period as compared to the prior period;
- (10) Non-operating expenses of RMB2,305,018.44 decreased by 91.25% as compared to the same period last year mainly due to a debt restructuring loss of RMB19.89 million on disposal of Heze Chenming Panels;
- (11) Total profit, income tax, net profit, net profit attributable to shareholders of the Company, and minority interests of RMB12,518,767.02, RMB-12,866,933.23, RMB25,385,700.25, RMB94,244,962.85 and RMB-68,859,262.60 respectively decreased by 97.89%, 113.3%, 94.89%, 80.51% and 619.09% respectively as compared to the same period last year mainly due to: an decrease in, among other things, profit and income tax as affected by the lower gross profit margin of paper products as compared to the prior period as a result of the market downturn at the national and macroeconomic level and in the paper making industry, and a greater decrease in minority interests as compared to the prior period as a result of the loss of non-wholly-owned subsidiaries of the Company.

Documents Available for Inspection

- I. The financial statements signed and sealed by the legal representative, financial controller and head of the financial department of the Company;
- II. The interim report signed by the legal representative;
- III. The original copies of all of the documents and announcements of the Company disclosed in the designated newspaper as approved by China Securities Regulatory Commission during the reporting period;
- IV. The interim report disclosed on the Stock Exchange of Hong Kong Limited; V.
Other related information.

Chairman: Chen Hongguo

Approved by the Board for submission: 21 August 2012