

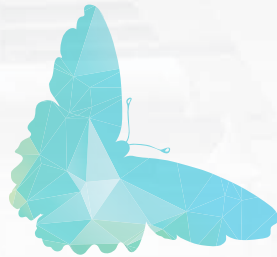


山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 1812



INTERIM REPORT **2015**

I Important Notice, Table of Contents and Definitions

The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) and the directors (the “Directors”), supervisors (the “Supervisors”) and senior management (the “Senior Management”) of the Company hereby warrant the truthfulness, accuracy and completeness of the contents of the interim report (the “Report”), guarantee that there are no false representations, misleading statements or material omissions contained in this Report, and are jointly and severally responsible for the liabilities of the Company.

All Directors were present in person at the Board meeting to consider and approve this Report.

The Company does not propose distribution of cash dividends or bonus shares, and there will be no increase of share capital from reserves.

Chen Hongguo, head of the Company, Dong Lianming, head in charge of accounting and Liang Tingkun, head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial statements in the interim report.

The Company is exposed to various risk factors such as macro-economic fluctuation, adjustment of state policy, intensified competition in the industry, as well as change in exchange rate. Investor should be aware of investment risks. For further details, please refer to the risk factors likely to be faced and the measures to be taken as set out in the outlook on the future development of the Company in the Directors’ Report.

I Important Notice, Table of Contents and Definitions

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INTERIM
REPORT

I Important Notice, Table of Contents and Definitions

Definitions

Item	means	Definition
Company or Chenming Paper Group	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Shenzhen Stock Exchange	means	Shouguang Chenming Holdings Company Limited
Stock Exchange	means	Shenzhen Stock Exchange
CSRC	means	The Stock Exchange of Hong Kong Limited
Shandong CSRC	means	China Securities Regulatory Commission
Zhanjiang Chenming	means	Shandong branch of China Securities Regulatory Commission
Jiangxi Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Wuhan Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Chenming (HK)	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Jilin Chenming	means	Chenming (HK) Limited
Shouguang Meilun	means	Jilin Chenming Paper Co., Ltd.
Chenming Sales Company	means	Shouguang Meilun Paper Co., Ltd.
Finance Company	means	Shandong Chenming Paper Sales Company Limited
Financial Leasing Company	means	Shandong Chenming Group Finance Co., Ltd.
Investment Company	means	Shandong Chenming Financial Leasing Co., Ltd.
New Third Board Investment Fund	means	Shandong Chenming Investment Limited
reporting period	means	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)
	means	The period from 1 January 2015 to 30 June 2015

II Company Profile

I. Company profile

Stock abbreviation	晨鳴紙業	Stock Code	000488
Stock abbreviation	晨鳴 B	Stock Code	200488
Stock abbreviation	Chenming Paper	Stock Code	1812
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company (if any)	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
Name	Wang Chunfang	Xiao Peng	Poon Shiu Cheong
Correspondence Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	(86)-0536-2158008	(852)-2501 0088
Facsimile	(86)-0536-2158977	(86)-0536-2158977	(852)-2501 0028
Email address	chenmmingpaper@163.com	chenmmingpaper@163.com	kentpoon_1009@yahoo.com.hk

III. Other information

1. Contact methods of the Company

Whether the registered address, office address, postal code, website, email of the Company changed during the reporting period

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2014 Annual Report for details.

2. Information disclosure and places for inspection

Whether the information disclosure and places for inspection changed during the reporting period

Applicable Not applicable

There was no change of the newspapers designated by the Company for information disclosure, designated websites for the publication of the Interim Report as approved by CSRC and places for inspection of the Company's Interim Report during the reporting period. Please refer to 2014 Annual Report for details.

3. Change of registration information

Whether the registration information changed during the reporting period

Applicable Not applicable

There was no change of the registration information of the Company, such as date and address of registration, legal person business license registration number, taxation registration number and organisation code, during the reporting period. Please refer to 2014 Annual Report for details.

III Summary of Accounting Data and Financial Indicators

I. Major accounting data and financial indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors

Yes No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	9,718,697,677.76	9,082,020,579.01	7.01%
Net profit attributable to shareholders of the Company (RMB)	276,388,070.51	242,461,095.02	13.99%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	174,462,219.94	57,813,473.27	201.77%
Net cash flows from operating activities (RMB)	-2,222,755,634.73	1,285,696,261.13	-272.88%
Basic earnings per share (RMB per share)	0.14	0.12	16.67%
Diluted earnings per share (RMB per share)	0.14	0.12	16.67%
Rate of return on net assets on weighted average basis	1.97%	1.72%	0.25%
	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 as compared to the end of the prior year
Total assets (RMB)	63,749,809,197.37	56,822,026,545.21	12.19%
Net assets attributable to shareholders of the Company (RMB)	13,938,653,299.56	13,917,343,301.15	0.15%

III Summary of Accounting Data and Financial Indicators

II. Differences in accounting data under domestic and overseas accounting standards

1. 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

There was no difference between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report during the reporting period.

2. 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

There was no difference between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report during the reporting period.

III. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount	Explanation
Profit or loss from disposal of non-current assets	4,358,929.60	
Government grants (except for the government grants closely related to the normal operation of the company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	58,824,671.63	
Profit or loss from debt restructuring	23,308.47	
Profit or loss arising from external entrusted loans	48,777,777.77	
Gain or loss from changes in fair value of consumable biological assets subsequently measured at fair value	-2,177,906.88	
Non-operating gains and losses other than the above items	8,552,098.95	
Less: Effect of income tax	16,531,107.30	
Effect of minority interests	-98,078.33	
Total	101,925,850.57	—

Notes for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses defined as its recurring gain or loss items

Applicable Not applicable

No extraordinary gain or loss items as defined or illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses were defined by the Company as its recurring gain or loss items during the reporting period.

IV Directors' Report

I. Overview

In the first half of 2015, there had been downward pressure in China's macro-economy with a slowdown in growth rate. However, there was steady progress in new directions amid the sluggishness and the overall economy was maintained at a stable upward trend. The paper making industry remained in the stage of eliminating outdated production capacity and adjusting the product mix, and prices of paper products hovered at a low level facing the imbalanced supply and demand during the first half of the year. However, the supply and demand fundamentals was improving with prices of raw materials stabilising, which, in addition to the more stringent environmental protection policies and moderating outdated capacity elimination and new capacity, will likely bring a turnaround to the performance of the industry on the back of further concentration and new growth points resulting from business transformation in the long run.

In 2015, the Company has been actively adjusting to the "new normal" economic development by accelerating transformation and upgrade and enhancing operation quality. During the reporting period, the Company consistently implemented the working principles of "Team Building, Strict Management, Outstanding Business Performance, Achieving Good Results" with focus on basic and team building and reorganising systems to enhance execution. It elevated its human resources structure and thus its teams through work report and performance assessment. It also strengthened risk control and overseas sales management and reduced outstanding receivables to enhance management over key operations areas.

During the reporting period, the Company implemented good progress control over projects. Jiangxi Chenming's 350,000 tonne high end packaging paper project would come into trial operation. These projects coming in stream speeded up the Company's restructuring and transformation. Shouguang Chenming railroad extension formally opened, enabling further reduction of procurement costs by allowing upstream bulk procurement. Zhanjiang Chenming's Biomass vaporisation project, which significantly lowered production costs as well as pollutant emission through the advanced circulating fluidised bed boiler technology, was completed. Those projects under construction, namely Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Guangdong Huirui's Haidong New District Waterfront comprehensive regulation works and property development project of Wan Xing Real Estate in Wuhan, are steadily carried out according to plan and have made substantial progress, further enhancing the overall competitiveness of the Company.

During the reporting period, the Company also diversified into the financial segment. By virtue of strong capital support of the Group, the Financial Leasing Company made good use of the international and market-oriented edge inherent in a listed company and spread its coverage nationwide. It not only achieved higher financing efficiency in internal services, but also had higher profitability in external business and brought a new source of profit growth to the Company. After a capital increase, it is expected that the Financial Leasing Company's performance is definitely worth looking forward to. For the management of the Finance Company, with the approval for operation of the new business, the Finance Company will make progress in external equity investments and quoted securities investments, thus providing new impetus for our growth in earnings.

Based on the above, as the industry is bottoming out with elimination of outdated production capacity and improvement in supply and demand fundamentals, it is expected that the Company will turn around with the industrial recovery. While strengthening its principal businesses, the Company proactively strives to diversify by positioning itself in the financial sector with initial success. The financial segment will become a major driving force for the future results of the Company and further boost the profitability of the Company.

IV Directors' Report

II. Analysis of principal operations

Year on year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/decrease	Reason for the change
Revenue	9,718,697,677.76	9,082,020,579.01	7.01%	Sales of paper products increased and the Financial Leasing Company newly established external business
Operating costs	7,370,384,661.31	7,378,998,628.31	-0.12%	—
Selling and distribution expenses	551,073,823.71	524,593,811.50	5.05%	—
Administrative expenses	654,253,969.26	500,133,881.63	30.82%	Increase in research and development expenditure due to greater investment in research and development made by the Company.
Finance expenses	745,472,279.11	626,611,788.47	18.97%	Increase in interest expenses.
Income tax expenses	173,411,302.61	34,033,045.12	409.54%	A year-on-year increase in profitability of the Company.
Investments in research and development	278,819,214.56	186,069,011.06	49.85%	The Company made greater investment in research and development so as to increase its competitiveness.
Net cash flows from operating activities	-2,222,755,634.73	1,285,696,261.13	-272.88%	The Financial Leasing Company came into operation with growth in business volume.
Net cash flows from investing activities	-1,201,478,950.29	-1,797,453,118.70	33.16%	Commencement of external entrusted loan operation by the Company in the prior year.
Net cash flows from financing activities	3,152,446,052.60	709,490,179.43	344.33%	Issue of RMB3.6 billion short-term commercial paper.
Net increase in cash and cash equivalents	-250,918,819.93	184,819,902.18	-235.76%	

Significant change in structure or source of profit of the Company during the reporting period

Applicable Not Applicable

There was no significant change in structure or source of profit of the Company during the reporting period.

Disclosure of future development and continued planning during the reporting period in public documents such as IPO prospectus, offering documents and asset reconstruction report

Applicable Not Applicable

There was no disclosure of future development and continued planning during the reporting period in public documents such as IPO prospectus, offering documents and asset reconstruction report.

Progress of operating plans disclosed in corporate review during the reporting period

For details, please refer to "I. Overview" of this section.

IV Directors' Report

III. Analysis of liquidity, financial resources and capital structure disclosed in accordance with the listing rules of the Hong Kong Stock Exchange

As at 30 June 2015, the Group's current ratio was 74.38%. The quick ratio was 58.35%. The gearing ratio was 77.50%. The accounts receivable turnover ratio was 333.17% (Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%). The inventory turnover ratio was 353.70% (Inventory turnover ratio = cost of sales of the products/weighted average net inventory*100%).

There was no significant seasonal trend for capital requirements of the Group.

The Group's sources of capital primarily came from cash generated from operating activities, borrowings from financial institutions, open issuance of corporate bonds in the capital market, as well as issuance of privately placed bonds, medium-term notes and short-term commercial paper in the interbank market.

As at 30 June 2015, the total bank borrowings, corporate bonds, medium-term notes and privately placed bonds of the Group were RMB28,051 million, RMB5,782 million, RMB2,589 million and RMB3,632 million (As at the end of the prior year: the total bank borrowings, corporate bonds, and medium-term notes and privately placed bonds of the Group were RMB25,949 million, RMB5,777 million and RMB2,585 million, respectively). As at 30 June 2015, the Group had monetary funds of RMB6,993 million (As at the end of the prior year: RMB5,476 million) in total (For the breakdown of monetary funds, please refer to "Section IX. VII.1 Note on Monetary Funds" in this report).

To strengthen our financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2015, the Group had 12,571 employees. The total staff remuneration for the first half of 2015 amounted to RMB316.4808 million (as at the end of the prior year, the Group had 12,833 employees. The total staff remuneration for 2014 amounted to RMB625.2310 million).

Major investment projects of the Company during the second half of 2015 will include Jiangxi Chenming's 350,000 tonne high-end packaging paper project, Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang City's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Guangdong Huirui's waterfront comprehensive regulation works project, Wuhan Wan Xing's real estate development project and other projects.

Our existing bank deposits were primarily used for production and operation, construction projects and investment in technology research and developments.

For details of the assets with restricted ownership of the Group as at 30 June 2015, please refer to "Section IX. VII. 55. Details of assets with restricted ownership or right of use" in this report.

As at 30 June 2015, no contingent event was required to be disclosed by the Group.

IV Directors' Report

IV. Components of principal operations

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/decrease of revenue as compared to the corresponding period of the prior year	Increase/decrease of operating costs as compared to the corresponding period of the prior year	Increase/decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	8,868,460,907.69	6,966,238,393.81	21.45%	3.78%	-0.55%	3.41%
Electricity and steam	180,357,434.35	123,066,649.13	31.77%	-9.22%	-14.96%	4.60%
Construction materials	49,824,616.83	37,848,419.37	24.04%	17.54%	35.33%	-9.98%
Chemical products	102,073,407.08	83,247,439.35	18.44%	7.87%	8.22%	-0.27%
Hotel	13,576,184.58	3,305,692.10	75.65%	-8.89%	-2.73%	-1.54%
Others	323,945,609.51	40,854,357.51	87.39%	397.01%	-35.73%	84.91%
By products						
Light weight coated paper	326,115,470.96	279,821,845.40	14.20%	-6.31%	-11.54%	5.08%
Duplex press paper	2,180,961,187.95	1,657,673,349.40	23.99%	51.34%	46.11%	2.72%
Writing paper	107,445,824.99	86,557,656.08	19.44%	30.43%	38.88%	-4.90%
Coated paper	2,096,633,394.41	1,599,511,246.83	23.71%	-4.06%	-12.12%	7.00%
News press paper	478,061,938.68	373,295,620.43	21.91%	-7.96%	-3.07%	-3.94%
Paperboard	134,207,618.47	133,491,068.66	0.53%	-64.22%	-62.57%	-4.39%
White paper board	874,197,258.30	680,079,684.48	22.21%	-7.03%	-10.33%	2.86%
Electrostatic paper	730,621,568.87	500,585,318.42	31.49%	-13.07%	-21.65%	7.51%
Household paper	325,165,670.13	276,075,027.57	15.10%	28.06%	19.70%	5.93%
Other machine-made paper	1,615,050,974.95	1,379,147,576.53	14.61%	3.54%	5.96%	-1.95%
Electricity and steam	180,357,434.35	123,066,649.13	31.77%	-9.22%	-14.96%	4.60%
Construction materials	49,824,616.83	37,848,419.37	24.04%	17.54%	35.33%	-9.98%
Chemical products	102,073,407.08	83,247,439.35	18.44%	7.87%	8.22%	-0.27%
Hotel	13,576,184.58	3,305,692.10	75.65%	-8.89%	-2.73%	-1.54%
Others	323,945,609.51	40,854,357.51	87.39%	397.01%	-35.73%	84.91%
By geographical segment						
Mainland China	7,791,146,285.63	5,690,144,127.24	26.97%	8.66%	1.75%	4.96%
Other countries and regions	1,747,091,874.41	1,564,416,824.03	10.46%	-2.47%	-9.50%	6.95%

IV Directors' Report

V. Analysis of asset and liability

Unit: RMB

Item	30 June 2015	31 December 2014	Increase/ decrease	Reason for the change
Other receivables	2,480,908,390.56	1,776,467,886.07	39.65%	(1)
Available-for-sale financial assets	409,000,000.00	73,000,000.00	460.27%	(2)
Long-term payables	5,035,760,955.94	1,420,598,667.99	254.48%	(3)
Long-term equity investments	83,942,816.67	36,087,848.12	132.61%	(4)
Bills payable	2,495,752,255.20	1,598,110,792.85	56.17%	(5)
Interest payable	246,392,305.46	150,047,305.50	64.21%	(6)
Other payables	1,145,101,448.59	783,790,884.61	46.10%	(7)

Explanation on major changes:

- (1) Mainly due to leaseback arrangements and other activities within one year were classified under other receivables by the Financial Leasing Company.
- (2) Mainly due to new equity investments made by the Company into Shanghai Leadbank Asset Management Co., Ltd. and Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. during the current period.
- (3) Mainly due to the Financial Leasing Company commencing new business.
- (4) Mainly due to a new equity investment made by the Company into Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership) during the current period.
- (5) Mainly due to stepping up efforts to settle external payment by bills by the Company.
- (6) Mainly due to the interests on corporate bonds not due for payment.
- (7) Mainly due to the Financial Leasing Company commencing operation and receiving deposits.

VI. Analysis of Core Competitiveness

The Company is a large enterprise primarily engaged in forestry, pulping and paper-making operations with diversified operations. It is also the only listed company with three types of listed shares (i.e. A shares, B shares and H shares) in China. Compared with other enterprises in the industry, the Company has the following advantages:

1. Scale advantages

After years of development, the Company has achieved annual pulp and paper production capacity of 8.00 million tonnes and is capable to compete with international paper making enterprises in scale. Large-scale centralised production has provided the Company with obvious economic benefits, which are reflected not only in the manufacturing costs of products, but also in its strong market influence in raw material procurement, product pricing and industry policymaking.

2. Product advantages

While the production scale of the Company was expanding rapidly, its product mix also continued to optimise. In recent years, the Company has built production lines for cultural paper such as high-end coated paper, high-end light weight coated paper and high-end white paper board, and achieved higher technological content of products and added values as well as a higher gross profit margin. The product mix of the Company gradually diversified into five major paper types, namely printing paper, packaging paper, office paper, industrial paper and household paper, as well as the nine major product series which focused on high and middle end products, including high-end coated paper, white paper board, coated linerboard, news press paper, light weight coated paper, duplex press paper, light weight paper, electrostatic paper and household paper. Thus, the Company has become the enterprise that offers the widest product range in China's paper making industry. Diversification and gentrification of the product mix has not only greatly enhanced the Company's ability to withstand market risks, but also enabled the Company to maintain a relatively high profitability.

IV Directors' Report

VI. Analysis of Core Competitiveness (Cont'd)

3. Advantages in technical equipment

The Company's overall technical equipment has reached the advanced international level. The main production equipment have been imported from internationally renowned manufacturers, including Valmet, Ahlstrom and Metso of Finland, Voith of Germany and TBC of the United States. In particular, Shouguang Meilun's production lines for high-end white coated linerboard project of production capacity of 600,000 tonnes and high-end low weight coated paper project of production capacity of 800,000 tonnes, as well as Zhanjiang Chenming's production line for high-end cultural paper project of production capacity of 650,000 tonnes were leading production lines with greatest production capacity, widest length of paper produced and highest equipment standard among similar production line worldwide. In addition, various technical indicators of products had reached the international leading level.

4. Research and innovation and new product development advantages

Leveraging its research strengths and relied on state-level enterprise technical centres and post-doctoral research stations, the Company has established a comprehensive intellectual property rights system, and has continuously enlarged its technological innovation capacity and research and development efforts to actively develop new products and proprietary technology with high technology content and added values. The Company has undertaken 7 national new product trial production projects, 2 national torch programs, 3 national scientific research projects and 28 provincial innovative projects. In addition, the Company won 9 provincial or above technology advanced awards. Our major product, high-end coated paper, won the First Class Prize for advanced technology in Shandong Province. The Company has been granted 157 national patents, of which 12 were invention patents. Our "Chenming" trademark has been recognised as a well-known trademark in China.

5. Funding advantages

The paper making industry is a capital-intensive industry, and funding is one of the most important factors influencing the development of the industry. The Company has high profitability and credit status, and has maintained long-term stable cooperative relations with its bankers, which provide the Company with an unobstructed indirect financing capacity. Since its listing, the Company has maintained good operating results and a sound corporate governance structure. It has conducted several financing activities in domestic and foreign capital markets. As the funds obtained have been applied effectively with good market image, the Company has stronger abilities in direct financing in the capital market.

6. Advantages in environmental regulation capacity

Over the years, the Company has firmly established "environmental protection first, scale expansion second" as the concept of development. The Company has ensured the enhancement of economic and environmental benefits simultaneously by giving equal importance to environmental protection and production. In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, white water recovery system and black liquor comprehensive utilisation system, as well as the sewage treatment plants, which guarantee that the environmental protection facilities can meet the demand of the rapid expansion of the Company. The environmental emission indicators of the Company are in the top rank among industry peers.

7. Advantages in diversified development

The Company has established a financial segment, which comprises of the Financial Leasing Company, the Finance Company, the Investment Company and the New Third Board Investment Fund. Currently, both the Financial Leasing Company and the Finance Company have generated profits. Those companies have huge potential for development. In addition, profitability of the financial industry is higher than that of the traditional papermaking industry, thus providing new sources of profit growth for the Company. Apart from entering into the financial industry, the Company has also entered into the fields of energy exploration and waterfront regulation works. It proactively facilitates diversified development, thereby further enhancing its competitiveness and strength.

IV Directors' Report

VII. Analysis of Investments

1. External equity investments

(1) External investments

Applicable Not applicable

Investments during the reporting period (RMB)	External investments Investments during the corresponding period of prior year (RMB)	Change
2,134,143,400.00	1,609,917,592.00	24.56%

Investees		The Company's share of interest in investees
Names of the companies	Principal activities	
Shandong Chenming Financial Leasing Co., Ltd.	Financial leasing business, operating leasing business, domestic and overseas leased assets acquisition, disposal of residual value and maintenance of leased assets, and consultation on leasing transactions.	100.00%
Shanghai Leadbank Asset Management Co., Ltd.	Financial consultation, corporate management consultation, marketing planning, and convention services etc.	3%
Jinan Chenming Investment Management Co., Ltd.	Investment with self-owned assets, investment management, investment consultation, corporate management consultation, commercial information consultation, and financial consultation etc.	100.00%
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Equity investment in unlisted enterprises, equity investment, and listing consultation for enterprises.	33.33%
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.	Industrial investment, construction works, commercial consultation, and sales of electricity, power station equipment sets, automated devices, electromechanical equipment, engineering equipment, environmentally friendly equipment and construction materials.	30.00%
Chenming Paper Korea Co., Ltd.	Trading of paper products.	100.00%

IV Directors' Report

VII. Analysis of Investments (Cont'd)

1. External equity investments (Cont'd)

(2) Shareholding in financial companies

Applicable Not applicable

Name of company	Type	Initial investment (RMB)	Initial number of shares held (share)	Shareholding as at the beginning of the period	Number of shares held as at the end of the period (share)	Shareholding as at the end of the period	Carrying amount as at the end of the period (RMB)	Gain or loss for the reporting period (RMB)	Accounting treatment	Source of shares
Shandong Chenming Group Finance Co., Ltd.	Other	1,000,000,000.00	—	100.00%	—	100.00%	1,030,619,728.00	23,906,081.64	Long-term equity investment	Capital contribution

(3) Security investments

Applicable Not applicable

The Company did not have any security investments during the reporting period.

(4) Equity interest in other listed companies

Applicable Not applicable

The Company did not have any equity interest in other listed companies during the reporting period.

2. Entrusted wealth management, derivative investments and entrusted loans

(1) Entrusted wealth management

Applicable Not applicable

The Company did not have any entrusted wealth management during the reporting period.

(2) Derivatives investments

Applicable Not applicable

The Company did not have any derivative investments during the reporting period.

(3) Entrusted loans

Applicable Not applicable

Unit: RMB'0,000

Borrower	Related parties	Loan amount	Interest rate of loans	Guarantor or Collateral	Use of proceeds by borrowers
Shouguang Jin Cai Public Assets Management Co., Ltd.	No	90,000	10.00%	Shouguang Infrastructure Fund Management Centre shall pledge 20% of the equity interest of the Shouguang Jin Cai Public Assets Management Co., Ltd. held by it.	Construction, investment and operation of urban and rural infrastructure.
Total	—	90,000	—	—	—

Disclosure date of approval of entrusted loans in board meeting 18 January 2014

IV Directors' Report

VII. Analysis of Investments (Cont'd)

3. Utilisation of proceeds raised

Applicable Not applicable

The Company did not utilise any proceed raised during the reporting period.

4. Analysis of major subsidiaries and investees

Applicable Not applicable

Information on major subsidiaries and investees

Unit: RMB'0,000

Name of companies	Type of companies	Industry	Principal products or services	Registered capital	Total assets	Net assets	Revenue from operations	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Limited liability company	Paper making	Pulp, duplex press and electrostatic paper	RMB3,000.00 million	1,397,524.45	330,539.13	210,191.28	29,433.95	21,812.59
Shandong Chenming Group Finance Co., Ltd.	Limited liability company	Financial industry	Financial services	RMB100.00 million	243,696.49	103,061.97	5,206.13	3,182.61	2,390.61
Chenming (HK) Limited	Limited liability company	Trading of paper products	Sales of paper products, import of raw materials and processing	US\$29.90 million	1,417,635.19	57,684.56	294,976.74	22,324.97	16,787.97
Shouguang Meilun Paper Co., Ltd.	Limited liability company	Paper making	Coated paper, white coated linerboard and household paper	RMB3,000.00 million	1,345,687.38	400,801.71	243,453.57	30,904.70	23,388.59
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Limited liability company	Paper making	Writing paper, news press paper and household paper	RMB211.3670 million	331,210.90	31,786.87	50,460.19	-4,090.26	-3,114.35

Particulars of major subsidiaries and investees:

- (1) Zhanjiang Chenming's major products, including commercial pulp and high-end duplex press paper, had lower costs, high gross profit margin and better returns. Due to the fluctuation in foreign exchange rate, Chenming (HK) recorded decrease in profit as compared to the corresponding period of the prior year. However, its subsidiary, Shandong Chenming Financial Leasing Co., Ltd., had good profitability. With the higher gross profit margin from coated paper and the gains from sale of electricity, the profitability of Meilun Paper had gradually improved.
- (2) the Finance Company was primarily engaged in provision of financial services for internal entities of the Group, and maintained profit while lowering the overall financial costs of the Group.
- (3) The major product of Wuhan Chenming, writing paper, had relatively low gross profit. The profitability of new specialty paper and household paper had lower profitability as their market was in the development stage.

IV Directors' Report

VII. Analysis of Investments (Cont'd)

5. Highlights of major investments not financed by the proceeds

Applicable Not applicable

Unit: RMB'0,000

Name of project	Total planned investment	Investment made during the reporting period	Accumulated actual investment made as of the end of the reporting period	Progression of projects	Revenue from projects	Date of disclosure (if any)	Disclosure index (if any)
350,000 tonne high-end packaging paper project of Jiangxi Chenming	124,800	18,934.70	110,899.91	89%	Not completed	28 June 2013	http://www.cninfo.com.cn/
190,000 tonne high-end cultural paper project	309,700	71,603.73	166,618.07	54%	Trial production	30 September 2013	http://www.cninfo.com.cn/
Integrated forestry and paper project of Huanggang Chenming	348,510	259.96	32,214.94	9%	Not completed	2 August 2013	http://www.cninfo.com.cn/

VIII. Estimate of the operating results from January to September 2015

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 to the corresponding period of prior year and its explanation

Applicable Not applicable

IV Directors' Report

IX. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

The Company is engaged in the paper making industry, which is a light industry. The business sentiments of the industry are highly related to the macroeconomic growth. In recent years, on the one hand, with the impact of macroeconomic slowdown, demand was continuously weak in the paper making industry. On the other hand, new production capacity of the paper making industry had been released together over the past few years, resulting in the transitional overcapacity of some paper types. Due to fierce competition, product prices continued to decline, narrowing profit margins of papermaking enterprises.

In the long run, the development conditions of the paper making industry are gradually improving. Currently, with basically stable production capacity, excess capacity has become the primary problem to be resolved in the industry. As 2015 is the last year of the "Twelfth Five-Year" Plan, elimination of outdated production capacity and increasingly stringent environmental policies are forcing some small and medium-sized enterprises out of the market. To some extent, this eases the pressure of new capacity on the supply of the industry, which is conducive for enterprises to initiate a price rise. For major paper making enterprises, fully utilising advantages of capital, technology and scale to achieve a change in the growth pattern may help them gain new market share. Meanwhile, with the impact of a weak demand, raw material prices have been hovering at a low level, easing the pressure of operating costs on paper making enterprises. Eliminating outdated production capacity will remove obstacles for the industry's development, while replenishment of and substitution of advanced production capacity will bring fresh blood and drive to the industry, conducive to a higher concentration ratio to creating a favourable industry lifecycle.

Faced with increasingly fierce competition in the industry, the Company gains competitive edge by leveraging on our strong corporate strength to improve equipment and technologies, enrich product mix, upgrade product quality, and focus on research and development of high-end products. The adjustment of product mix has injected new driving force for our corporate restructuring and development, while continuous management refinement has opened up our growth bottleneck, releasing vigour to the Company. Our diversified development brings new sources of profit growth to the Company, accelerating the process of the Company to becoming a world-class paper making enterprise. As the industry is bottoming out with elimination of outdated production capacity and improvement in supply and demand fundamentals, and the benefits from the Company's integrated forestry, pulp and paper project begin to be realised, it is expected that the Company will turn around with the industrial recovery. While strengthening its principal businesses, the Company strives to diversify by positioning itself in the financial sector. Initial success has been achieved, which will become a major driving force for the future results of the Company. As the economic situation improves and the industry is gradually recovering, the Company's performance will have a steady growth.

IV Directors' Report

IX. Outlook on the future development of the Company (Cont'd)

(II) Development strategy of the Company

Adhering to our development philosophy of “creating innovative ideas, maintaining our leading position and becoming an international enterprise”, the Company strives to become a leading international paper maker which focuses on environmental protection and sustainable development. The Company accelerates our transformation and upgrade process, and implements our new round of strategic planning. Hence, a development trend focusing on principal operations as well as diversification, and environmental protection and standardised management takes shape. We also promote detailed management. Being market-oriented, the Company has been optimising our product mix with an increasing proportion of high value-added and high-end products. The Company strives to become a world-class paper making enterprise with rapid growth based on the philosophy of “High-end Positioning, Production of First-class Products”.

(III) Operating plan for the second half of 2015

In 2015, the Company will proactively adapt to the “new normal” of economic development, accelerate transformation and upgrade process, as well as enhance operation efficiency. During the second half of the year, the Company will consistently implement our working direction of “Team Building, Strict Management, Outstanding Business Performance, Achieving Good Results”. To achieve our operating goals, the Company will pay special attention to the following aspects:

1. Basic management and team building. The Company will ensure comprehensive optimisation and implementation on the system establishment and improvement. We will step up efforts in system inspection and appraisal in order to strengthen policy implementation. In addition, the Company will optimise our human resources allocation mechanism through various means such as management work reporting, management assessment, and training and examination, thus making our team building move on to a new stage.
2. Operating focus and procurement efficiency. The Company will focus on solving major issues on, among other things, efficiency management, risk control, capital utilisation and foreign operations management, aiming to achieve great improvement. Leveraging the commencement of operation of the railroad of Shouguang Chenming, the Company will also enhance the procurement at source of materials in bulk in order to lower procurement costs. With sufficient capital reserved, the Company aims to lower procurement price through advance payment and other means, thereby maximising our return. We will increase trade volume through import and export companies, and establish strategic partnerships with quality customers, thus securing quality supplies. In addition, the Company will enhance logistics management and optimise operating mode, thereby optimising logistics efficiency.
3. Production management. The Company will strengthen our system optimisation and execution: In respect of trial operation of new systems, the Company will conduct verification and make conclusion. We will identify areas for further improvement under the system and make rectification as soon as possible, and strictly implement such rectification. The Company will also standardise equipment operating parameters: With reference to the operation of similar advanced equipment in local and overseas markets, the Company will conduct comparison and adjustment in order to ensure the best operation of the equipment. The Company will accelerate adjustment on product portfolio: In order to complete the development of new products such as high-bulk white paper board, food paper and liquid packaging paper, the Company will introduce offshore high quality technical talents. In accordance with the human resources allocation standard in leading local enterprises, the Company will continue to work on position establishment and appointment through position consolidation, automation and other measures. The Company will highly focus on our environmental protection, safety and fire prevention works. We will learn from the past experience of overseas leading enterprises or our peers, aiming to reach the highest standard in the industry.

IV Directors' Report

IX. Outlook on the future development of the Company (Cont'd)

(III) Operating plan for the second half of 2015 (Cont'd)

4. Project progress. For projects under construction such as Jiangxi Chenming's 350,000 tonnes high-end packaging paper, the Company will have control at key points to ensure timely commencement of operation. For Huanggang Chenming's integrated forestry, pulp and paper project, the Company will improve its preparation works and it is going to commence construction during the year. The Company will also proactively facilitate Shouguang Chenming's 400,000 tonnes chemical pulp project, aiming to achieve substantive progress in a short period of time.
5. Financial benefits. The Financial Leasing Company will strictly control its risk exposures, aiming to achieve growth amid stability. The Finance Company will strengthen its management to provide impetus for our results growth. The Company will expand our financing channels through various means including issue of preference shares, thus lowering the finance expenses and improve our liabilities structure.

(IV) Future capital requirements, source of funds and plan for use

With the extension of the Company's industry chain and expansion of business scale, some of the new projects are unable to make profit contribution in a timely manner due to market reasons, and therefore the Company has greater demand for working capital. To this end, the Company has identified the following measures:

Firstly, the Company will raise fund through non-public offering of preference shares. This will help the Company meet our financing needs together with our business development. Issue of preference shares which may be accounted for in equity will also help reduce the Company's gearing ratio, improving the Company's capital structure and enhancing the Company's risk aversion capability.

Secondly, the Company will establish diversified financing channels. Various financing methods, such as increasing direct financing and issuing super and short term commercial paper and perpetual notes, will be used to reduce the Company's finance expenses, improve the Company's liabilities structure and ensure funding for the Company's sustainable and healthy development.

Thirdly, the Company will make progress in cross-border financing. Leveraging the financing platform of the Hong Kong market, the Company will make effort to increase the credit line of Hong Kong Chenming, avert exchange rate risks through multi-currency financing and improve the efficiency of capital use so as to reduce finance expenses.

Fourthly, the Company will capitalise on the financial advantages of our Finance Company and the Financial Leasing Company to expand the Group's financing channels. They will grow amid stability and provide new impetus for the Company's earnings growth, opening up new sources of profit growth for the Company.

Fifthly, the Company will further improve our international and domestic sales and marketing network, expand our export sales and increase our investment in products of high profit so as to increase economic benefits. The Company will take strict control measures to reduce inventories and improve contract compliance rate in order to reduce use of funds, further reducing the finance expenses. The Company will strengthen our management in household paper products, making it the Company's new source of profit growth as soon as possible.

IV Directors' Report

IX. Outlook on the future development of the Company (Cont'd)

(V) Risk factors likely to be faced and the measures to be taken

Industry risk

As a basic raw materials industry of the national economy, the paper making industry's overall efficiency has a strong correlation with economic cycles, and is therefore a cyclical industry fluctuating with the national macroeconomic performance, which will further affect the profitability of paper making enterprises. With the rapid growth of the national economy, economic globalisation and China's accession to the WTO, China's paper making industry has been facing increasingly fierce competition, and overcapacity and lower demand will have certain impact on the operating results of the Company in the future.

In light of the above, the Company will enhance the level of its equipment and technology, enrich its product portfolio, raise its product quality and put emphasis on developing high-end products to increase its competitiveness.

Policy risk

At present, the industry has entered into an important transitional period, and the mode which supported the rapid development of the paper making industry in the past has currently faced the dual pressures of resources and environment. From the point of view of China's policy, China will change the mode of growth through optimizing the layout of the paper making industry and the raw material structure and product structure, in order to promote a modern paper making industry based on recycling by integrating the forestry and paper making industry, and adjust the industry through entry requirements, environmental standards and energy saving. The development of the Company will be affected by the direction of such policies.

Elimination of outdated production capacity and stricter environment protection policy has forced some of the SMEs exited the industry. Hence, the Company is expected to record long-term revenue.

Operational risk

The major raw materials used by the Company are wood pulp and waste paper. The Company's products are mainly comprised of high-end paper, and as the State encourages the increase of the proportion of wood pulp used by the industry, wood pulp, thus, has accounted for a higher proportion of the production cost. The market price fluctuations of raw material have significantly affected the production cost of the Company. In addition to intensified market competition resulting from surging capacity in the industry in recent years, the market price fluctuation of raw materials will have an impact on the performance of the Company.

Hence, the Company will remain steadfast in the "forestry-pulp-paper integration" development path and focus on the construction of Zhanjiang Chenming pulp project, Huanggang Chenming pulp project and Shouguang chemical pulp project, thereby eliminating the limitations of upper-stream resources on the Company's development and enhancing Company's sustainable development.

Environmental protection risk

The new Environmental Protection Law took effect on 1 January 2015. More stringent environmental protection policies of the industry have been implemented. A multi-pronged approach has been adopted to promote industrial restructuring, and the paper making industry has entered into an important transitional period of development. The higher emission standard is bound to increase the Company's environmental protection cost and high entry standards may result in the slowing down of scale expansion, thus affecting its production and operation.

The Company always strives to achieve harmonious development with energy consumption and emission reduction. The Company will endeavour to develop the recycle economy through waste exchange and recycling and strive to maximise its resource utilisation. Meanwhile, the Company will make greater efforts to construct environmental friendly projects and strive to achieve its waste emission target.

IV Directors' Report

IX. Outlook on the future development of the Company (Cont'd)

(V) Risk factors likely to be faced and the measures to be taken (Cont'd)

Exchange rate risk

The value of Renminbi is affected by the domestic and international economic and political environment, and the supply and demand for Renminbi. As an import and export enterprise, the exchange rate of Renminbi against other currencies in future will affect the Company's operating results. The foreign currency transactions of the Company are mainly denominated in US dollar. The operations of raw material imports, product exports and US dollar borrowings of the Company will face the risk of exchange rate changes.

The Company lowers the proportion of imported goods procurement denominated in foreign currency. The Company uses more domestic raw materials and spare parts in its production, and increases its Renminbi settlement while decreasing its foreign exchange settlement. Meanwhile, the Company expands its overseas sales, increases repatriation on exports and repays its domestic US dollar loans in order to mitigate its exchange rate risk exposure.

X. Opinions of the Board of Directors and the Supervisory Committee regarding the "modified auditor's report" for the reporting period issued by the accountants

Applicable Not applicable

XI. Opinions of the Board regarding the "modified auditor's report" for the prior year

Applicable Not applicable

XII. Particulars of profit distribution by the Company during the reporting period

Implementation and adjustment of profit distribution proposals, especially the cash dividend proposal and proposal on conversion of capital reserves into share capital during the reporting period

Applicable Not applicable

The 2014 profit distribution plan was considered and approved in the 2014 annual general meeting convened by the Company on 15 May 2015. Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB1.40 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB271,096,765.38 (tax inclusive). The dividend distribution was implemented and completed on 14 July 2015. For details, please refer to the announcement on payment of final dividend and withholding and payment of enterprise income tax for non-resident enterprise shareholders published on the Hong Kong Stock Exchange on 23 June 2015, and the announcement on the implementation of the 2014 profit distribution plan for A share and B share published on <http://www.cninfo.com.cn> on 4 July 2015.

Particulars of Cash Dividend Policy

Was it in compliance with the requirements of the Articles of Association and the resolutions of the general meeting?	Yes
Were the dividend distribution criteria and proportion well-defined and clear?	Yes
Were the related decision making process and mechanism in place?	Yes
Did independent Directors fulfil their duties and play their role?	Yes
Were the minority shareholders given opportunities to sufficiently voice their opinion and make requests and were the legal interests of the minority shareholders fully protected?	Yes
Were conditions and procedures legal and transparent in respect of cash dividend policy with adjustments and changes?	Yes

IV Directors' Report

XIII. Proposals on profit distribution and conversion of capital reserves into share capital during this reporting period

Applicable Not applicable

The Company does not intend to distribute cash dividend and bonus share, and conduct conversion of capital reserves into share capital for the interim period.

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

Applicable Not applicable

Date of reception	Place of reception	Manner of reception	Class of parties accommodated	Parties accommodated	Main topics of discussion and information provided
13 January 2015	The Company's conference room	On-site research investigation	Institution	Guotai Junan Securities Co. Ltd.	Recent production and operation of the Company and development of the industry
13 January 2015	The Company's conference room	On-site research investigation	Institution	27 fund companies including Shenyin Wanguo, BOC Schroder Fund, HuaAn Funds, GTJA Allianz Funds, Fullgoal Fund, Zhong Ou AMC, Lion Fund, CPIC, Harfor Fund, Caitong Securities, Franklin Templeton Sealand Fund, Baoying Fund, Caitong Fund, First-Trust Fund, Tongben Investment, Oriental Capital, Minsheng Royal Fund, HFT Investment, China Life Asset Management, Yongjin Asset Management, CICC, ICBCCS, CITIC PE, China AMC, Minsen Investment etc	Recent production and operation of the Company and development of the industry
28 January 2015	The Company's conference room	On-site research investigation	Institution	Brilliance Asset Management Limited	Recent production and operation of the Company and development of the industry

V Material Matters

I. Overview of corporate governance

1. Corporate Governance in practice

The Company operated in compliance with the requirement of Companies Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the related requirements as required by the CSRC. The Company further improved and optimised its legal person governance structure in practice during the reporting period. The Board considered the state of the Company’s corporate governance was substantially in compliance with the requirements and requests of the regulatory documents such as Code of Corporate Governance for Listed Companies.

2. Corporate governance activities

During the reporting period, the Board strived to regulate the operation of the Company by improving corporate governance based on relevant special activities carried out in 2014. Pursuant to the requirements of the CSRC, the Shenzhen Stock Exchange and the Shandong Securities Regulatory Bureau, it made the following efforts to continuously improve the corporate governance level:

According to relevant provisions of the Company Law of the People’s Republic of China, the State Council Guidance Opinion on the launch of the preference shares pilot scheme and the Experimental Administrative Measures on Preference Shares, and based on the non-public issue of preference shares by the Company, the Board amended its Articles of Association.

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 enhance with the development of the Company.

3. Corporate Governance Code

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 Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Listing Rules.

- (1) 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 of A2 - Directors and Chief Executive Office in Corporate Governance Code and Corporate Governance Report under Appendix 14 to Listing Rules. However, the Directors of the Company believe that Mr. Chen Hongguo acting 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.

V Material Matters

I. Overview of corporate governance (Cont'd)

3. Corporate Governance Code (Cont'd)

(2) Communication with shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Various resolutions are proposed on each substantially separate issue at the general meetings. Save for the annual general meeting held on 15 May 2015 by the Company, an extraordinary general meeting was convened during the reporting period. Pursuant to section E1.2 of Appendix 14 to the Corporate Governance Code and Corporate Governance Report, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend.

The attendance record of Directors at each general meeting is set out below:

Name	Attendance of general meetings
Annual General Meeting for 2014	Chen Hongguo, Yin Tongyuan, Wang Xiaoqun, Wang Aiguo and Yang Guihua
First extraordinary general meeting for 2015	Yin Tongyuan and Wang Xiaoqun

Ms. Zhang Hong, the chairman of the audit committee, and Mr. Zhang Zhiyuan, the chairman of the nomination committee, were absent from the annual general meeting due to business commitments. The Company's external auditor also attended the annual general meeting as the scrutineer.

4. Securities transactions by Directors and Supervisors

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 Listing Rules as the code of conduct for Directors' securities transactions. The Company had made specific enquiry of all Directors and Supervisors and all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code for the six months ended 30 June 2015.

5. Audit Committee

The audit committee of the Company now comprises two independent non-executive Directors and one non-executive Director. The members of the audit committee are Ms. Zhang Hong, Mr. Wang Aiguo and Ms. Yang Guihua. The audit committee reviewed the accounting standards and practices adopted by the Group with the management of the Company and discussed and reviewed the interim results and interim report for the six months ended 30 June 2015 prepared in accordance with the accounting standards.

V Material Matters

II. Litigation

Material litigation and arbitration

Applicable Not applicable

The Company was not involved in any material litigation and arbitration during the reporting period.

Other litigations

Applicable Not applicable

III. Questioning from the Media

Applicable Not applicable

There was no questioning from the media during the reporting period.

IV. Matter related to bankruptcy and reorganisation

Applicable Not applicable

There was no matter related to bankruptcy and reorganisation during the reporting period.

V. Asset transactions

1. Acquisition of assets

Applicable Not applicable

There was no acquisition of assets during the reporting period.

2. Disposal of assets

Applicable Not applicable

There was no disposal of assets during the reporting period.

3. Business combination

Applicable Not applicable

There was no business combination during the reporting period.

VI. Implementation of the equity incentive plan of the Company and its effect

Applicable Not applicable

There was no implementation of the equity incentive plan of the Company during the reporting period.

V Material Matters

VII. 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	Amount of related party transactions (RMB'0000)	Percentage as the amount of similar transactions (%)	Amount of transactions approved (RMB'0000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Anhui Time Source Corporation	Associate	Sale	Machine-made paper	Market price	Market price	20,036.56	2.73%	Not applicable	Not applicable	Bank acceptance and telegraphic transfer	Not applicable	Not applicable	Not applicable
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Associate	Sale	Machine-made paper	Market price	Market price	12.31	0.00%	Not applicable	Not applicable	Bank acceptance and telegraphic transfer	Not applicable	Not applicable	Not applicable
Jiangxi Chenming Natural Gas Co., Ltd.	Under indirect control of directors, supervisors or senior management of the Company	Procurement	Energy such as natural gas and heavy oil	Market price	Market price	7,538.98	1.02%	32,000	No	Bank acceptance and telegraphic transfer	Not applicable	27 March 2015	http://www.cninfo.com.cn

2. Related party transaction connected to purchase or sale of assets

Applicable Not applicable

There was no related party transaction of the Company connected to purchase or sale of assets during the reporting period.

3. Related party transaction connected to joint external investment

Applicable Not applicable

There was no related party transaction of the Company connected to joint external investment during the reporting period.

4. Related creditors' rights and debts transactions

Applicable Not applicable

Whether non-operating related creditors' rights and debts transactions existed

Yes No

There was no non-operating related creditors' rights and debts transaction of the Company during the reporting period.

5. Other related party transactions

Applicable Not applicable

There was no other related party transaction of the Company during the reporting period.

V Material Matters

VIII. Appropriation of funds of the Company by the controlling shareholder and its related parties for non-operating purposes

Applicable Not applicable

There was no appropriation of funds of the Company by the controlling shareholder and its related parties for non-operating purposes during the reporting period.

IX. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

There was no custody of the Company during the reporting period.

(2) Contracting

Applicable Not applicable

There was no contracting of the Company during the reporting period.

(3) Leasing

Applicable Not applicable

There was no leasing of the Company during the reporting period.

2. Guarantees

Applicable Not applicable

During the reporting period, the Company did not provide any guarantee to external parties (excluding those provided to its subsidiaries) and did not provide any guarantees against the rules and regulations.

During the reporting period, the Company provided guarantee to its subsidiaries with respect to application of bank loans. The guarantee amount incurred was RMB7,047.1989 million. As at 30 June 2015, the balance of the guarantee provided by the Company to its subsidiaries amounted to RMB9,745.1122 million, representing 69.91% of the equity attributable to owners of the parent company as at 30 June 2015.

V Material Matters

IX. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Unit: RMB'0,000

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)								
Name of obligee	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	Guarantee to related parties or not
Total amount of external guarantee approved during the reporting period (A1)		0	Total amount of external guarantee provided during the reporting period (A2)					0
Total amount of external guarantee approved as at the end of the reporting period (A3)		0	Total balance of external guarantee provided as at the end of the reporting period (A4)					0
Guarantees between the Company and its subsidiaries								
Name of obligee	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	Guarantee to related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	28 March 2012	270,000	13 November 2013	13,449.92	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 October 2014	650,000	27 October 2014	157,120.90	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	27 October 2014	200,000	06 January 2015	36,577.65	General guarantee	3 years	No	No
Huanggang Chenming Arboriculture Co., Ltd.	27 October 2014	10,000	18 December 2014	3,500	General guarantee	3 years	No	No
Jilin Chenming Paper Co., Ltd.	27 October 2014	150,000	16 April 2015		General guarantee	3 years	No	No
Chenming (HK) Limited	28 March 2012	500,000	21 August 2014	98,514.55	General guarantee	3 years	No	No
Chenming (HK) Limited	27 October 2014	500,000	01 December 2014	306,188.10	General guarantee	3 years	No	No
Shandong Chenming Paper Sales Company Limited	27 October 2014	400,000	09 January 2015	258,132.22	General guarantee	3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	27 October 2014	200,000			General guarantee	3 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	22 May 2015	45,821.25	General guarantee	7 years	No	No
Haicheng Haiming Mining Company Limited	27 August 2014	60,000			General guarantee	3 years	No	No
Shandong Chenming Group Finance Co., Ltd.	29 December 2014	400,000			General guarantee	3 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	13 April 2015	51,206.63	General guarantee	10 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000			General guarantee	7 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		900,000	Total amount of guarantee provided for subsidiaries during the reporting period (B2)					704,719.89
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		4,070,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					970,511.22

V Material Matters

IX. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Guarantees provided by subsidiaries for subsidiaries								
Name of obligee	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	Guarantee to related parties or not
Guangdong Huirui Investment Co., Ltd.	16 November 2013	4,000	28 November 2013	4,000	General guarantee	2 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					0
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		4,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					4,000
Total amount of guarantee provided by the Company (the sum of the above three main categories)								
Total amount of guarantee approved during the reporting period (A1+B1+C1)		900,000	Total amount of guarantee provided during the reporting period (A2+B2+C2)					704,719.89
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		4,074,000	Total balance of guarantee provided as at the end of the reporting period (A4+B4+C4)					974,511.22
The percentage of total amount of guarantee provided (A4+B4+C4) to the net assets of the Company								69.91%
Of which:								
Amount of guarantee provided for shareholders, beneficial controllers and its related parties (D)								0
Amount of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)								888,112.32
Total amount of guarantee provided in excess of 50% of net assets (F)								277,578.56
Sum of the above three amount of guarantee (D+E+F)								1,165,690.88

(1) External guarantees against the rules and regulations

Applicable Not applicable

There was no external guarantee provided by the Company which was against the rules and regulations during the reporting period.

3. Other material contracts

Applicable Not applicable

Name of the company entering into contract	Name of party involved in the contract	Subject matter	Date of the contract entered into	Book value of subject asset of the contract (if any) (RMB'0,000)	Appraised value of the subject asset of the contract (if any) (RMB'0,000)	Name of appraisal institute (if any)	Appraisal date (if any)	Pricing basis	Transaction price (RMB'0,000)	Related party transaction or not	Related party relationship	Progress as at the end of the reporting period
Shandong Chenming Paper Holdings Limited	Jinan Hi-Tech Holding Group Co., Ltd	Construction project of A7-2 plot of the Han Yu Jin Gu	9 May 2014	Not applicable	Not applicable	Not applicable	Not applicable	Market price	36,000	No	Not applicable	In progress

4. Other material transactions

Applicable Not applicable

There was no other material transaction of the Company during the reporting period.

V Material Matters

X. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made during the reporting period or prior periods but subsisting to the reporting period

√ Applicable Not applicable

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking on shareholding structure reformation					
Undertaking made in offering documents or shareholding alternation documents					
Undertaking made during asset reconstruction					
Undertaking made on initial public offering or refinancing	Shouguang Chenming Holdings Co., Ltd.	(1) Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") shall not engage, whether solely, jointly, or by representing itself or any other persons or companies, and shall not procure its associates (as defined in The Listing Rules of Hong Kong Stock Exchange) to engage, in any business which competes with the business of the Company and its subsidiaries ("Chenming Group" or "we") directly or indirectly, in any country and region which our business exists (or any part of the world if in any form of electronics business), or in any business that directly or indirectly competes with Chenming Group's business which we operate from time to time (including but not limited to any business in the form of sole proprietorship, joint ventures or acquisitions, or holding interests directly or indirectly in such enterprises, or by any other means); (2) in the event that Shouguang Chenming Holdings is required by its business to, whether solely, jointly, or by representing itself or any other persons or companies, engage in business which directly or indirectly competes against the business of Chenming Group, or obtain any business opportunity which directly or indirectly competes against the business of Chenming Group, it shall endeavour to procure that Chenming Group shall have priority to obtain the right to operate such business or to obtain such business opportunity; (3) if Shouguang Chenming Holdings is in breach of the abovementioned undertakings, it shall indemnify the Company for any loss caused by such breach and the Company shall have the right to acquire all businesses of Shouguang Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) Shouguang Chenming Holdings shall not make use of its position as the controlling shareholder (as defined in The Listing Rules of Hong Kong Stock Exchange) of our Group to jeopardise the legal interests of Chenming Group and its shareholders with other persons or companies or on their behalf.	22 May 2008	During the period when Chenming Holdings was the major shareholder of the Company	Strictly implemented

V Material Matters

X. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made during the reporting period or prior periods but subsisting to the reporting period (Cont'd)

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Shouguang Chenming Holdings Co., Ltd.	(1) According to the plan on defective properties of the Company, Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Shouguang Chenming Holdings will purchase it(them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Shouguang Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Shouguang Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Strictly implemented

Other undertakings made to minority shareholders of the Company

Does the undertaking performed timely? Yes

XI. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

The interim financial report is unaudited.

XII. Punishment and rectification

Applicable Not applicable

There was no punishment and rectification of the Company during the reporting period.

XIII. Risk of delisting due to non-compliance

Applicable Not applicable

The Company was not exposed to the risk of delisting due to non-compliance during the reporting period.

V Material Matters

XIV. Purchase, sale and redemption of shares

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

XV. Other matters of significance

√ Applicable □ Not applicable

1. Approval of Registration on Medium-term Notes and Super & Short-term Commercial Papers

Under the Notice of Acceptance of Registration (Zhong Shi Zhu Xie [2015] No. MTN141) issued by the National Association of Financial Market Institutional Investors, the issue of medium-term notes by the Company has been approved and registered with an amount of RMB2.6 billion, which shall be valid for a period of two years from the date of such notice. The issue may be made in tranches during the validity period.

Under the Notice of Acceptance of Registration (Zhong Shi Zhu Xie [2015] No. SCP104) issued by the National Association of Financial Market Institutional Investors, the issue of super & short-term commercial papers by the Company has been approved and registered with an amount of RMB13.8 billion, which shall be valid for a period of two years from the date of such notice. The issue may be made in tranches during the validity period.

2. Capital injection to Shandong Chenming Financial Leasing Co., Ltd.

In order to facilitate the Financial Leasing Company to engage in project financing and leasing business, and increase the Company's overall strength, comprehensive competitiveness and profit, Chenming (HK) intended to increase the capital of the Financial Leasing Company by RMB5.0 billion by instalments with its own funds. After the completion of the capital increase, the registered capital of the Financial Leasing Company will change to RMB9.072 billion from RMB4.072 billion. As at the end of the reporting period, the registered capital of the Financial Leasing Company amounted to RMB5.872 billion.

3. Information disclosure index for the first half of 2015

Announcement No.	Subject matter	Date of publication	Publication website and index
2015-001	Announcement on Additional Resolutions Proposed at the 2015 First Extraordinary General Meeting	29 January 2015	http://www.cninfo.com.cn
2015-002	Supplemental Notice of 2015 First Extraordinary General Meeting	29 January 2015	http://www.cninfo.com.cn
2015-003	Second supplementary notice of the 2015 First Domestic Listed Share Class Meeting and 2015 First Overseas Listed Share Class Meeting	29 January 2015	http://www.cninfo.com.cn
2015-004	Announcement on Resolutions of the 2015 First Extraordinary General Meeting	14 February 2015	http://www.cninfo.com.cn
2015-005	Announcement on Resolutions of the 2015 First Class Meeting for Holders of Domestic Listed Shares (A shares and B shares) and Resolutions of the 2015 First Class Meeting for Holders of Overseas Listed Shares (H shares)	14 February 2015	http://www.cninfo.com.cn
2015-006	Announcement on Receipt of CSRC Notice of Acceptance of Application for Administrative Approval	03 March 2015	http://www.cninfo.com.cn
2015-007	Results of the Eighth Extraordinary Meeting of the Seventh Session of the Board	27 March 2015	http://www.cninfo.com.cn

V Material Matters

XIV. Other matters of significance (Cont'd)

3. Information disclosure index for the first half of 2015 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2015-008	Announcement of Annual Results for the Year Ended 31 December 2014	27 March 2015	http://www.cninfo.com.cn
2015-009	Announcement on Investment in a Subsidiary	27 March 2015	http://www.cninfo.com.cn
2015-010	Announcement on Provision of Guarantee for Comprehensive Credit Line of Wholly-Owned Subsidiaries	27 March 2015	http://www.cninfo.com.cn
2015-011	Announcement on Expected Ordinary Connected Transactions in 2015	27 March 2015	http://www.cninfo.com.cn
2015-012	Notice of 2014 Annual General Meeting	27 March 2015	http://www.cninfo.com.cn
2015-013	Results of the Ninth Extraordinary Meeting of the Seventh Session of the Supervisory Committee	27 March 2015	http://www.cninfo.com.cn
2015-014	Announcement in relation to External Investment	02 April 2015	http://www.cninfo.com.cn
2015-015	Announcement in relation to External Investment	02 April 2015	http://www.cninfo.com.cn
2015-016	Shandong Chenming Paper Holdings Limited: Announcement on Result of the Issue of 2015 First Tranche of Short-term Commercial Paper	24 April 2015	http://www.cninfo.com.cn
2015-017	Results of the Ninth Extraordinary Meeting of the Seventh Session of the Board	28 April 2015	http://www.cninfo.com.cn
2015-018	2015 First Quarter Report	28 April 2015	http://www.cninfo.com.cn
2015-019	Announcement on Equity Transfer at Nil Consideration between Wholly-owned Subsidiaries	28 April 2015	http://www.cninfo.com.cn
2015-020	Announcement in Respect of Resignation of Senior Management	28 April 2015	http://www.cninfo.com.cn
2015-021	Result of the Issue of 2015 Second Tranche of Short-term Commercial Paper	28 April 2015	http://www.cninfo.com.cn
2015-022	Supplementary notice of 2014 Annual General Meeting	29 April 2015	http://www.cninfo.com.cn
2015-023	Warning on reduction of shareholding by shareholders	08 May 2015	http://www.cninfo.com.cn
2015-024	Results of the 2014 Annual General Meeting	16 May 2015	http://www.cninfo.com.cn
2015-025	Results of the Sixth Extraordinary Meeting of the Seventh Session of the Board	06 June 2015	http://www.cninfo.com.cn
2015-026	Amendments to the Proposed Issue of Non-Public Preference Shares	06 June 2015	http://www.cninfo.com.cn
2015-027	Notice of 2015 Second Extraordinary General Meeting	06 June 2015	http://www.cninfo.com.cn
2015-028	Announcement in Respect of Reply on Application for Non-Public Issue of Preference Shares	09 June 2015	http://www.cninfo.com.cn
2015-029	Announcement in Respect of Supplementary Disclosure Required under the Reply from CSRC on Application for Non-Public Issue of Preference Shares	09 June 2015	http://www.cninfo.com.cn
2015-030	Announcement on Approval of Registration on Medium-term Notes and Super & Short-term Commercial Papers	20 June 2015	http://www.cninfo.com.cn
2015-031	Announcement on 2015 Dividend Payment in respect of "11 Chenming Bond"	30 June 2015	http://www.cninfo.com.cn

VI Changes in Share Capital and Shareholders

I. Changes in shares

Unit: Share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amounts	Percentage	New issue	Bonus issue	Shares converted from reserve	Others	Sub-total	Amounts	Percentage
I. Restricted shares	8,241,219	0.42%	0	0	0	0	0	8,241,219	0.42%
Shares held by other domestic investors	8,241,219	0.42%	0	0	0	0	0	8,241,219	0.42%
Shares held by domestic natural persons	8,241,219	0.42%	0	0	0	0	0	8,241,219	0.42%
II. Non-restricted shares	1,928,164,248	99.58%	0	0	0	0	0	1,928,164,248	99.58%
1. RMB ordinary shares	1,105,037,237	57.07%	0	0	0	0	0	1,105,037,237	57.07%
2. Domestic listed foreign shares	470,923,511	24.32%	0	0	0	0	0	470,923,511	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%	0	0	0	0	0	352,203,500	18.19%
III. Total number of shares	1,936,405,467	100.00%	0	0	0	0	0	1,936,405,467	100.00%

The reasons for such changes

Applicable Not applicable

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable

The effects of changes in shareholding on financial indicators such as basic earnings per share, diluted earnings per share and net assets per share attributable to shareholders of ordinary shares of the Company for the latest year and the latest period

Applicable Not applicable

Other information considered necessary by the Company or required by the securities regulatory authorities to be disclosed

Applicable Not applicable

Changes in the total number of shares and structure of shareholders and the structure of the assets and liabilities of the Company

Applicable Not applicable

VI Changes in Share Capital and Shareholders

II. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period 110,656, of which 82,801 were holders of A shares, 27,342 holders of B shares and 513 holders of H shares. Total number of shareholders of preference shares with restored voting right as at the end of the reporting period (if any) 0

Shareholdings of shareholders of ordinary shares interested in more than 5% of the shares of the Company or top ten shareholders of ordinary shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Share pledged or locked-up	
							Status of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.11%	350,705,450	70,950	0	350,705,450		
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	0	293,003,657	Pledged	146,500,000
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED – DONG FANG HONG CHINA ADVANTAGE FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	Others	1.19%	23,000,010	23,000,010	0	23,000,010		
AGRICULTURAL BANK OF CHINA LIMITED – BAOYING TRANSITIONAL MOMENTUM FLEXIBLE ALLOCATION HYBRID SECURITIE INVESTMENT FUND	Others	1.08%	20,846,115	20,846,115	0	20,846,115		
CHINA CONSTRUCTION BANK CORPORATION – ZHONG OU NEW BLUE CHIP FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	Others	0.89%	17,261,756	17,261,756	0	17,261,756		
INDUSTRIAL BANK CO., LTD. – ZHONG OU NEW TREND EQUITY SECURITIES INVESTMENT FUND (LOF)	Others	0.79%	15,369,990	15,369,990	0	15,369,990		
RONGTONG NEW BLUE CHIP SECURITIES INVESTMENT FUND	Others	0.72%	14,000,000	5,999,988	0	14,000,000		
VALUE PARTNERS CLASSIC FUND	Overseas legal person	0.70%	13,643,695	13,643,695	0	13,643,695		
JIN Xing	Domestic nature person	0.47%	9,018,200	161,800	0	9,018,200		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	-3,338,747	0	8,608,238		

Connected relationship or connected 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. They are not persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each others.

VI Changes in Share Capital and Shareholders

II. Total number of shareholders and shareholdings (Cont'd)

Shareholdings of the top ten shareholders of ordinary shares of non-restricted shares

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
HKSCC NOMINEES LIMITED	350,705,450	Overseas listed foreign shares	350,705,450
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED – DONG FANG HONG CHINA ADVANTAGE FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	23,000,010	RMB ordinary shares	23,000,010
AGRICULTURAL BANK OF CHINA LIMITED – BAOYING TRANSITIONAL MOMENTUM FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	20,846,115	RMB ordinary shares	20,846,115
CHINA CONSTRUCTION BANK CORPORATION – ZHONG OU NEW BLUE CHIP FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	17,261,756	RMB ordinary shares	17,261,756
INDUSTRIAL BANK CO., LTD. – ZHONG OU NEW TREND EQUITY SECURITIES INVESTMENT FUND (LOF)	15,369,990	RMB ordinary shares	15,369,990
RONGTONG NEW BLUE CHIP SECURITIES INVESTMENT FUND	14,000,000	RMB ordinary shares	14,000,000
VALUE PARTNERS CLASSIC FUND	13,643,695	Domestic listed foreign shares	13,643,695
JIN Xing	9,018,200	RMB ordinary shares	1,555,600
		Domestic listed foreign shares	7,462,600
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	Domestic listed foreign shares	8,608,238

Connected relationship or connected party relationship among the top ten shareholders of ordinary shares of non-restricted shares, and between the top ten shareholders of ordinary shares of non-restricted shares and the top ten shareholders of ordinary shares

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

Whether an agreed repurchase transaction was entered into during the reporting period by the top 10 shareholders of ordinary shares and top 10 shareholders of non-restricted shares of the Company

Yes No

The top 10 shareholders of ordinary shares and top 10 shareholders of non-restricted shares of the Company did not enter any agreed repurchase transaction during the reporting period.

VI Changes in Share Capital and Shareholders

III. Change of controlling shareholders or beneficial controllers (Cont'd)

The Change of controlling shareholders during the reporting period

Applicable Not applicable

There was no change of controlling shareholders of the Company during the reporting period.

Change of beneficial owner during the reporting period

Applicable Not applicable

There was no change of beneficial owner of the Company during the reporting period.

IV. Plan on increase of shareholding proposed or implemented by shareholders of the Company and their persons acting in concert during the reporting period

Applicable Not applicable

As far as the Company is aware, there was no plan on increase of shareholding proposed or implemented by shareholders of the Company and their persons acting in concert during the reporting period.

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

As at 30 June 2015, 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 SFO (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
SHOUGUANG CHENMING HOLDINGS CO., LTD	293,003,657	15.13	26.32
	A shares (L)		
THE NATIONAL SOCIAL SECURITY FUND	35,270,000	1.82	10.01
	H shares (L)		
Deutsche Bank Aktiengesellschaft	21,796,000	1.13	6.19
	H shares (L)		
	480,000	0.02	0.14
	H shares (S)		
	8,248,500	0.43	2.34
	H shares (P)		

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

Save as disclosed above, as at 30 June 2015, 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.

VII Preference Shares

On 29 December 2014, the resolution on the proposal on non-public offer of preference shares and related resolutions were considered and approved at the fifth extraordinary general meeting of the seventh session of the Board of the Company.

On 11 February 2015, the Company received the Reply on Issues Regarding the Non-public Offer of Preference Shares by Shandong Chenming Paper Holdings Limited (Lu Quo Zi Chan Quan Zi [2015] No. 4) issued by Stated-owned Assets Supervision and Administration Commission of Shandong Province, which agreed the non-public offer of not more than 45.00 million preference shares by the Company.

On 13 February 2015, the Company convened the 2015 First Extraordinary General Meeting, the 2015 First Class Meeting for Holders of Domestic Listed Shares (A shares and B shares) and the 2015 First Class Meeting for Holders of Overseas Listed Shares (H shares), at which the resolution on the non-public offer of preference share proposal and related resolutions were considered and approved respectively.

On 2 March 2015, the Company received CSRC Notice of acceptance of application for administrative approval (No. 150373) from China Securities Regulatory Commission (hereinafter referred to as “CSRC”). Having examined the information submitted by the Company in support of its application for administrative approval for Confirmation of Issue of Preference Shares by Listed Company, CSRC was of the opinion that the information in support of application was complete and complied with legal requirements, and decided to accept the said application for administrative approval.

On 15 May 2015, the Company and its sponsor for the non-public issue of the preference shares received Reply on Application for Non-Public Issue of Preference Shares by Shandong Chenming Paper Holdings Limited (CSRC Notice of Reply on Administrative Approval-requiring Projects (No. 150373) (the “Reply”) from CSRC. Explanation and analysis had been made by the Company on relevant issues in accordance therewith.

On 5 June 2015, the Company convened the sixth meeting of the seventh Board, at which the resolution on the amendments to the non-public offer of preference share proposal and disclosed the proposal as amended on the same date.

On 9 June 2015, the Company published the Announcement in Respect of Reply on Application for Non-Public Issue of Preference Shares and the Announcement in Respect of Supplementary Disclosure Required under the Reply from CSRC on Application for Issue of Non-Public Preference Shares. Materials for the supplementary disclosure required were sent to the CSRC within two business days.

On 21 August 2015, the application for non-public issue of preference shares of the Company was reviewed and approved by the Public Offering Review Committee of the CSRC.

VIII Directors, Supervisors and Senior Management

I. Changes in shareholdings of Directors, Supervisors and Senior Management

There was no change in shareholdings of Directors, Supervisors and senior management of the Company during the reporting period. Please see the annual report for 2014 for details.

II. Changes of Directors, Supervisors and Senior Management of the Company

Name	Position	Type	Date	Reason
Shao Zhenzhong	Deputy general manager	Resignation	27 April 2015	For personal reasons.
Chang Liting	Deputy general manager	Expiry of term of office	27 April 2015	Retirement.

III. Equity interests held by Directors, Supervisors and Senior Management filed in compliance with SFO of Hong Kong

As at 30 June 2015, the interests held by each of the Directors, Supervisors and Chief Executives of the Company in 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)
Chen Hongguo (Note 1)	Chairman and Executive Director	6,863,875
Yin Tongyuan	Executive Director	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Hou Huancai	Executive Director	628,915
Zhou Shaohua	Executive Director	123,007
Gao Junjie	Chairman of Supervisory Committee	39,606

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 6,434,527 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. As a result, Shouguang Henglian was deemed to be controlled by Chen Hongguo. As such, the 231,000,000 shares of Chenming Holdings (approximately 13.71% of the total share capital of Chenming Holdings) held by Shouguang Henglian were also deemed to be held by Chen Hongguo.

VIII Directors, Supervisors and Senior Management

Save as disclosed in the above, as at 30 June 2015, 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 as contained in Appendix 10 to the Listing Rules.

As at 30 June 2015, 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.

IX Financial Report

I. Auditors' Report

Is the interim report audited

Yes No

The interim financial report is unaudited.

II. Financial Statements

The unit in the financial statements of the financial report is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

30 June 2015

	Unit: RMB	
Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	6,992,524,403.46	5,475,658,186.10
Bills receivable	3,235,015,656.47	3,047,541,556.15
Accounts receivable	3,950,725,119.36	3,489,409,369.20
Prepayments	1,586,665,921.49	1,838,017,454.90
Other receivables	2,480,908,390.56	1,776,467,886.07
Inventories	5,251,609,376.93	5,420,740,468.60
Non-current assets due within one year	625,936,558.28	865,738,333.65
Other current assets	1,515,951,658.64	1,656,602,232.09
Total current assets	25,639,337,085.19	23,570,175,486.76
NON-CURRENT ASSETS:		
Available-for-sale financial assets	409,000,000.00	73,000,000.00
Long-term receivables	5,035,760,955.94	1,420,598,667.99
Long-term equity investments	83,942,816.67	36,087,848.12
Investment property	16,866,059.89	17,735,187.91
Fixed assets	24,698,413,796.75	24,744,731,705.04
Construction in progress	4,345,421,714.36	3,709,270,828.53
Construction materials	16,661,915.35	22,955,982.38
Intangible assets	1,478,885,698.10	1,319,104,425.04
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	170,188,608.23	173,690,747.83
Deferred income tax assets	640,922,517.72	620,267,636.44
Other non-current assets	1,194,124,242.00	1,094,124,242.00
Total non-current assets	38,110,472,112.18	33,251,851,058.45
Total assets	63,749,809,197.37	56,822,026,545.21



IX Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	22,353,701,292.50	20,470,296,592.92
Bills payable	2,495,752,255.20	1,598,110,792.85
Accounts payable	2,911,506,069.22	3,408,366,113.93
Advance receipts	286,878,004.93	270,056,726.88
Staff remuneration payables	180,874,418.61	153,926,042.30
Taxes payable	187,093,051.84	161,100,088.94
Interest payable	246,392,305.46	150,047,305.50
Dividend payable	271,096,765.38	
Other payables	1,145,101,448.59	783,790,884.61
Non-current liabilities due within one year	1,229,998,100.00	1,099,968,900.00
Other current liabilities	3,632,120,000.00	
Total current liabilities	34,940,513,711.73	28,095,663,447.93
NON-CURRENT LIABILITIES:		
Long-term borrowings	4,467,061,483.45	4,378,290,245.19
Bonds payable	5,781,747,447.67	5,777,131,308.01
Special payables	161,983,516.66	161,983,516.66
Deferred income	1,463,023,929.34	1,476,121,434.78
Other non-current liabilities	2,588,775,681.58	2,584,768,359.64
Total non-current liabilities	14,462,592,058.70	14,378,294,864.28
TOTAL LIABILITIES	49,403,105,770.43	42,473,958,312.21
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Capital reserves	6,149,138,276.81	6,149,136,873.41
Other comprehensive income	49,780,458.01	33,763,168.13
Surplus reserves	1,132,116,106.40	1,132,116,106.40
Retained profit	4,671,212,991.34	4,665,921,686.21
Total equity attributable to equity holders of the company	13,938,653,299.56	13,917,343,301.15
Minority interest	408,050,127.38	430,724,931.85
Total owners' equity	14,346,703,426.94	14,348,068,233.00
TOTAL LIABILITIES AND OWNERS' EQUITY	63,749,809,197.37	56,822,026,545.21

Legal Representative: Chen Hongguo Financial controller: Dong Lianming Head of the financial department: Liang Tingkun

IX Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	3,267,417,680.15	2,345,637,944.73
Bills receivable	1,328,129,615.72	3,516,397,335.06
Accounts receivable	2,771,397,234.19	3,503,819,172.94
Prepayments	1,882,683,149.20	1,734,892,571.69
Other receivables	10,917,955,044.33	9,312,981,273.16
Inventories	846,562,208.45	824,854,551.21
Non-current assets due within one year		300,000,000.00
Other current assets	68,209,049.61	114,216,338.90
Total current assets	21,082,353,981.65	21,652,799,187.69
NON-CURRENT ASSETS:		
Available-for-sale financial assets	373,000,000.00	73,000,000.00
Long-term equity investments	12,526,731,131.61	12,370,935,132.02
Investment property	16,866,059.89	17,735,187.91
Fixed assets	3,498,268,158.05	3,350,685,307.94
Construction in progress	82,672,707.11	323,543,539.92
Construction materials	1,541,694.94	1,564,277.42
Intangible assets	313,017,487.23	246,581,452.71
Deferred income tax assets	115,013,108.94	41,033,875.05
Other non-current assets	900,000,000.00	900,000,000.00
Total non-current assets	17,827,110,347.77	17,325,078,772.97
TOTAL ASSETS	38,909,464,329.42	38,977,877,960.66
CURRENT LIABILITIES:		
Short-term borrowings	5,646,708,970.65	9,143,654,360.01
Bills payable	2,098,817,187.81	680,548,319.01
Accounts payable	622,982,789.95	693,506,846.35
Advance receipts	1,408,055.14	1,724,744.50
Staff remuneration payables	95,030,839.83	75,683,362.25
Taxes payable	31,008,200.55	30,908,886.06
Interest payable	246,392,305.46	150,047,305.50
Dividend payable	271,096,765.38	
Other payables	2,586,008,948.24	4,141,133,979.84
Non-current liabilities due within one year	866,816,000.00	494,760,000.00
Other current liabilities	3,632,120,000.00	
Total current liabilities	16,098,390,063.01	15,411,967,803.52

IX Financial Report

II. Financial Statements (Cont'd)

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

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	350,692,035.94	867,832,035.94
Bonds payable	5,781,747,447.67	5,777,131,308.01
Deferred income	63,085,753.49	44,507,433.25
Other non-current liabilities	2,588,775,681.58	2,584,768,359.64
Total non-current liabilities	8,784,300,918.68	9,274,239,136.84
Total liabilities	24,882,690,981.69	24,686,206,940.36
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Capital reserves	5,938,840,660.10	5,938,839,256.70
Surplus reserves	1,119,926,524.49	1,119,926,524.49
Retained profit	5,031,600,696.14	5,296,499,772.11
Total owners' equity	14,026,773,347.73	14,291,671,020.30
TOTAL LIABILITIES AND OWNERS' EQUITY	38,909,464,329.42	38,977,877,960.66

Legal Representative: Chen Hongguo Financial controller: Dong Lianming Head of the financial department: Liang Tingkun

IX Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	9,718,697,677.76	9,082,020,579.01
Including: Revenue	9,718,697,677.76	9,082,020,579.01
II. Total operating costs	9,407,786,957.20	9,082,153,213.06
Including: Operating costs	7,370,384,661.31	7,378,998,628.31
Business taxes and surcharges	51,233,976.66	35,500,467.78
Sales expenses	551,073,823.71	524,593,811.50
Administrative expenses	654,253,969.26	500,133,881.63
Finance expenses	745,472,279.11	626,611,788.47
Loss on impairment of assets	35,368,247.15	16,314,635.37
Plus: Gain on change in fair value (“-” denotes loss)	-2,177,906.88	967,670.22
Investment income (“-” denotes loss)	46,632,746.32	21,218,247.82
Including: Investment income from associates and joint ventures	-2,145,031.45	-1,890,171.00
III. Operating profit (“-” denotes loss)	355,365,560.00	22,053,283.99
Plus: Non-operating income	75,090,038.49	253,711,372.78
Including: Gain on disposal of non-current assets	7,042,678.94	82,529,609.62
Less: Non-operating expenses	3,331,029.84	14,028,105.87
Including: Loss on disposal of non-current assets	2,683,749.34	8,764,674.26
IV. Total profit (“-” denotes total loss)	427,124,568.65	261,736,550.90
Less: Income tax expenses	173,411,302.61	34,033,045.12
V. Net profit (“-” denotes net loss)	253,713,266.04	227,703,505.78
Net profit attributable to owners of the Company	276,388,070.51	242,461,095.02
Minority interest	-22,674,804.47	-14,757,589.24
VI. Other comprehensive income after tax, net	16,017,289.88	-2,305,777.92
Other comprehensive income after tax attributable to owners of the Company, net	16,017,289.88	-2,305,777.92
(II) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods	16,017,289.88	-2,305,777.92
Translation difference of financial statements denominated in foreign currency	16,017,289.88	-2,305,777.92
VII. Total comprehensive income	269,730,555.92	225,397,727.86
Total comprehensive income attributable to owners of the Company	292,405,360.39	240,155,317.10
Total comprehensive income attributable to minority interest	-22,674,804.47	-14,757,589.24
VIII. Earnings per share:		
(I) Basic earnings per share	0.14	0.12
(II) Diluted earnings per share	0.14	0.12

Legal Representative: Chen Hongguo Financial controller: Dong Lianming Head of the financial department: Liang Tingkun

IX Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Revenue	3,168,439,943.39	3,996,792,004.38
Less: Operating costs	2,599,359,718.51	3,157,273,029.32
Business taxes and surcharges	13,228,944.39	16,249,023.49
Selling expenses	132,390,470.24	141,537,803.94
Administrative expenses	247,053,467.37	263,404,356.79
Finance expenses	655,455,057.16	419,085,682.08
Loss on impairment of assets	613,708.24	531,463.30
Investment income (“-” denotes loss)	409,332,599.58	228,032,037.93
Including: Investment income from associates and joint ventures	-347,400.41	-74,651.88
II. Operating profit (“-” denotes loss)	-70,328,822.94	226,742,683.39
Plus: Non-operating income	4,623,094.90	52,625,942.79
Including: Gain on disposal of non-current assets	2,762,502.62	1,152,350.23
Less: Non-operating expenses	2,075,816.44	2,636,144.44
Including: Loss on disposal of non-current assets	1,922,928.98	207,851.60
III. Total profit (“-” denotes total loss)	-67,781,544.48	276,732,481.74
Less: Income tax expenses	-73,979,233.89	885,932.82
IV. Net profit (“-” denotes net loss)	6,197,689.41	275,846,548.92
V. Other comprehensive income after tax, net		
VI. Total comprehensive income	6,197,689.41	275,846,548.92

Legal Representative: Chen Hongguo Financial controller: Dong Lianming Head of the financial department: Liang Tingkun

IX 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	9,898,058,035.83	9,887,593,678.02
Tax rebates received		509,758.13
Cash received relating to other operating activities	571,126,879.30	236,297,041.43
Subtotal of cash inflows from operating activities	10,469,184,915.13	10,124,400,477.58
Cash paid for goods and services	7,576,299,500.64	7,174,237,200.77
Cash paid to and for employees	440,902,131.38	438,554,968.19
Payments of taxes	479,492,280.63	453,797,498.68
Cash paid relating to other operating activities	4,195,246,637.21	772,114,548.81
Subtotal of cash outflows from operating activities	12,691,940,549.86	8,838,704,216.45
Net cash flows from operating activities	-2,222,755,634.73	1,285,696,261.13
II. Cash flows from investing activities:		
Cash received from investments	100,000,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	111,852.36	114,959,960.80
Net cash received from disposal of subsidiaries and other business units		75,035,211.41
Cash received relating to other investing activities	31,438,021.33	230,000,000.00
Subtotal of cash inflows from investing activities	131,549,873.69	419,995,172.21
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	947,028,823.98	1,214,448,290.91
Cash paid on investments	386,000,000.00	3,000,000.00
Cash paid relating to other investing activities		1,000,000,000.00
Subtotal of cash outflows from investing activities	1,333,028,823.98	2,217,448,290.91
Net cash flows from investing activities	-1,201,478,950.29	-1,797,453,118.70

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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 borrowings	17,281,871,535.62	10,114,432,956.75
Cash received from bond issue	3,585,600,000.00	
Cash received relating to other financing activities		68,000,000.00
Subtotal of cash inflows from financing activities	20,867,471,535.62	10,182,432,956.75
Cash repayments of amounts borrowed	15,175,740,399.14	8,173,866,573.80
Cash paid for dividend and profit distribution or interest payment	771,500,046.59	653,495,183.98
Including: dividend and profit paid to minority interest by subsidiaries		2,091,495.75
Cash paid relating to other financing activities	1,767,785,037.29	645,581,019.54
Subtotal of cash outflows from financing activities	17,715,025,483.02	9,472,942,777.32
Net cash flows from financing activities	3,152,446,052.60	709,490,179.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents	20,869,712.49	-12,913,419.68
V. Net increase in cash and cash equivalents	-250,918,819.93	184,819,902.18
Plus: Balance of cash and cash equivalents as at the beginning of the period	976,096,861.30	726,532,928.96
VI. Balance of cash and cash equivalents as at the end of the period	725,178,041.37	911,352,831.14

Legal Representative: Chen Hongguo Financial controller: Dong Lianming Head of the financial department: Liang Tingkun

IX 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	3,565,908,328.69	3,549,147,836.05
Cash received relating to other operating activities	81,122,254.98	82,491,417.97
Subtotal of cash inflows from operating activities	3,647,030,583.67	3,631,639,254.02
Cash paid for goods and services	1,806,037,967.56	1,533,483,679.27
Cash paid to and for employees	190,552,619.28	217,060,276.98
Payments of taxes	61,089,661.71	182,972,526.03
Cash paid relating to other operating activities	73,119,210.01	127,363,732.10
Subtotal of cash outflows from operating activities	2,130,799,458.56	2,060,880,214.38
Net cash flows from operating activities	1,516,231,125.11	1,570,759,039.64
II. Cash flows from investing activities:		
Cash received from investments	300,000,000.00	800,000,000.00
Cash received from investment income	903,625.62	13,613,768.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	140.00	17,069.00
Cash received relating to other investing activities	21,611,333.23	
Subtotal of cash inflows from investing activities	322,515,098.85	813,630,837.88
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	50,797,899.17	80,853,295.53
Cash paid on investments	459,143,400.00	1,703,929,592.00
Cash paid relating to other investing activities		1,000,000,000.00
Subtotal of cash outflows from investing activities	509,941,299.17	2,784,782,887.53
Net cash flows from investing activities	-187,426,200.32	-1,971,152,049.65

IX 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 borrowings	5,161,426,356.80	5,861,716,631.35
Cash received from bond issue	3,585,600,000.00	
Subtotal of cash inflows from financing activities	8,747,026,356.80	5,861,716,631.35
Cash repayments of amounts borrowed	8,803,455,745.75	4,734,961,076.26
Cash paid for dividend and profit distribution or interest payment	370,381,029.51	288,024,703.93
Cash paid relating to other financing activities	883,402,412.60	379,346,431.66
Subtotal of cash outflows from financing activities	10,057,239,187.86	5,402,332,211.85
Net cash flows from financing activities	-1,310,212,831.06	459,384,419.50
IV. Effect of foreign exchange rate changes on cash and cash equivalents	19,785,229.09	-6,379,154.41
V. Net increase in cash and cash equivalents	38,377,322.82	52,612,255.08
Plus: Balance of cash and cash equivalents as at the beginning of the period	40,590,357.33	64,392,029.09
VI. Balance of cash and cash equivalents as at the end of the period	78,967,680.15	117,004,284.17

Legal Representative: Chen Hongguo Financial controller: Dong Lianming Head of the financial department: Liang Tingkun

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amounts for the period

Unit: RMB

Item	For the reporting period							Total owners' equity		
	Equity attributable to owners of the Company									
	Other equity instruments			Less: treasury shares	Other comprehensive income	General		Total owners' equity		
	Share capital	Preference shares	Perpetual bonds			Others	Capital reserves		Supplies reserves	risk provisions
I. Balance as at the end of the prior period	1,936,405,467.00				6,149,136,873.41	33,763,168.13	1,132,116,106.40	4,665,921,686.21	430,724,951.85	14,348,068,233.00
II. Balance as at the beginning of the period	1,936,405,467.00				6,149,136,873.41	33,763,168.13	1,132,116,106.40	4,665,921,686.21	430,724,951.85	14,348,068,233.00
III. Changes in the period ("-" denotes decrease)					1,403.40	16,017,289.88		5,291,305.13	-22,674,804.47	-1,364,806.06
(I) Total comprehensive income						16,017,289.88		276,388,070.51	-22,674,804.47	269,730,555.92
(II) Capital paid in and reduced by owners					1,403.40					1,403.40
1. Ordinary shares paid by shareholders					1,403.40					1,403.40
(III) Profit distribution								-271,086,765.38		-271,086,765.38
1. Transfer to surplus reserves										
2. Transfer to general risk provision										
3. Distribution to owners (or shareholders)								-271,086,765.38		-271,086,765.38
IV. Balance as at the end of the period	1,936,405,467.00				6,149,138,276.81	49,780,458.01	1,132,116,106.40	4,671,212,991.34	408,050,127.38	14,346,703,426.94

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity (Cont'd)

Amounts for the prior period

Unit: RMB

Item	Other equity instruments				Equity attributable to owners of the Company				Retained profit	Minority interest	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Other			
I. Balance as at the end of the prior period	1,975,471,967.00				6,204,682,028.94	30,954,881.40	16,934,073.59	1,132,116,106.40	4,741,638,941.58	598,465,306.78	14,638,853,532.89
II. Balance as at the beginning of the period	1,975,471,967.00				6,204,682,028.94	30,954,881.40	16,934,073.59	1,132,116,106.40	4,741,638,941.58	598,465,306.78	14,638,853,532.89
III. Changes in the period ("-" denotes decrease)	-39,066,500.00				-55,599,816.41	-30,954,881.40	-2,278,577.92		-338,460,545.08	-130,602,452.09	-535,653,000.10
(I) Total comprehensive income							-2,278,577.92		242,461,095.02	-14,757,599.24	225,424,927.86
(II) Capital paid in and reduced by owners	-39,066,500.00				-55,599,816.41	-30,954,881.40				-61,919,669.40	-125,825,094.41
1. Ordinary shares paid by shareholders	-39,066,500.00				-55,572,616.41	-30,954,881.40				-61,919,669.40	-125,825,094.41
4. Others					-27,200.00						-27,200.00
(III) Profit distribution									-580,921,640.10	-53,991,193.45	-634,852,833.55
1. Transfer to surplus reserves											
2. Transfer to general risk provision											
3. Distribution to owners (or shareholders)											
4. Others											
IV. Balance as at the end of the period	1,936,405,467.00				6,149,082,212.53		14,655,495.67	1,132,116,106.40	4,403,178,396.50	467,862,854.69	14,103,300,532.79

Legal Representative: Chen Hongguo

Financial controller: Dong Lianming

Head of the financial department: Liang Tingkun



II. Financial Statements (Cont'd)

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

Amounts for the period

Unit: RMB

Item	Other equity instruments							For the period			Total owners' equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit		
I. Balance as at the end of the prior period	1,936,405,467.00				5,938,839,256.70				1,119,926,524.49	5,296,499,772.11	6,197,689.41	14,291,671,020.30
II. Balance as at the beginning of the period	1,936,405,467.00				5,938,839,256.70				1,119,926,524.49	5,296,499,772.11	6,197,689.41	14,291,671,020.30
III. Changes in the period ("-" denotes decrease)					1,403.40					-264,889,075.97	6,197,689.41	-264,889,075.97
(I) Total comprehensive income											1,403.40	1,403.40
(II) Capital paid in and reduced by owners					1,403.40							1,403.40
1. Ordinary shares paid by shareholders					1,403.40							1,403.40
(III) Profit distribution										-271,096,765.38		-271,096,765.38
1. Transfer to surplus reserves												
2. Distribution to owners (or shareholders)										-271,096,765.38		-271,096,765.38
3. Others												
IV. Balance as at the end of the period	1,936,405,467.00				5,938,840,660.10				1,119,926,524.49	5,031,600,696.14	6,197,689.41	14,026,773,347.73

II. Financial Statements (Cont'd)

8. Statement of changes in owners' equity of the Company (Cont'd)

Amounts for the prior period

Unit: RMB

Item	Other equity instruments				For the prior period			Retained profit	Surplus reserves	Special reserves	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income				
I. Balance as at the end of the prior period	1,975,471,967.00				6,005,426,779.17	30,954,891.40		1,119,926,524.49	4,796,391,156.43		13,868,261,535.69
II. Balance as at the beginning of the period	1,975,471,967.00				6,005,426,779.17	30,954,891.40		1,119,926,524.49	4,796,391,156.43		13,868,261,535.69
III. Changes in the period ("-" denotes decrease)	-39,066,500.00				-66,614,983.35	-30,954,891.40			-305,075,091.18		-379,801,883.13
(I) Total comprehensive income	-39,066,500.00				-66,614,983.35	-30,954,891.40			275,846,548.92		201,119,956.97
(II) Capital paid in and reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution											
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
IV. Balance as at the end of the period	1,936,405,467.00				5,938,811,795.82			1,119,926,524.49	4,493,316,065.25		13,468,459,852.56

Legal Representative: Chen Hongguo

Financial controller: Dong Lianming

Head of the financial department: Liang Tingkun

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III. General Information of the Company

Shandong Chenming Paper Holdings Limited (hereinafter referred to as the “Company”) was incorporated in May 1993 in Shouguang City, Shandong Province, with its headquarters at No. 2199 Nongsheng Road East, Shouguang City, Shandong Province.

Its predecessor, Shandong Shouguang Paper Mill Corporation, was reformed as Shandong Shouguang Paper Making, Printing and Packaging Group Company Limited through “offering to specific investors” in May 1993, with registered capital of RMB66,647,400 and total share capital of 66,647,400 shares. Its shareholding structure is as follows: 46,497,400 sponsor’s state-owned shares accounting for 69.76% of total share capital, 1,558,500 domestic legal person shares accounting for 2.34% of total share capital and 18,591,500 staff shares, accounting for 27.90% of total share capital.

On 21 August 1993, replied by the Reply on Changing Shandong Shouguang Papermaking, Printing and Packaging (Group) Incorporated Company as Shandong Shouguang Papermaking (Group) Incorporated Company (Shou Gai Fa [1993] No. 23) verified and issued by the Shandong Shouguang Office for Restructuring Economic System, Shandong Shouguang Papermaking, Printing and Packaging (Group) Incorporated Company was changed as Shandong Shouguang Papermaking (Group) Incorporated Company, with the relevant industrial and commercial alteration registration procedures completed on 8 October 1993. On 4 December 1996, according to the Letter on Agreeing to Determine Shandong Shouguang Papermaking Group Incorporated Company (Lu Ti Gai Han Zi [1996] No. 123) verified and issued by the Shandong Commission for Restructuring Economic System and the Shandong Incorporated Company Approval Certificate (Lu Zheng Gu Zi [1996] No. 98) verified and issued by the People’s Government of Shandong Province, it was agreed to change Shandong Shouguang Papermaking Group Incorporated Company as Shandong Chenming Paper Holdings Limited (present name of the Company).

On 27 October 1996, at the third general meeting of the Company, the Company passed the profit distribution plan to deliver 3.5 bonus shares per 10 shares for the year of 1995, and the proposal of converting such above shares into state-owned shares as well. After such bonus share issue and conversion into capital, the Company’s share capital was changed from 66,647,400 shares into 99,840,990 shares.

In December 1996, with approval by the Letter on Recommending Shandong Shouguang Papermaking Group Incorporated Company to Issue B Shares (Lu Zheng Zi [1996] No. 270) verified and issued by the People’s Government of Shandong Province and Zheng Wei [1996] No. 59 of the Securities Committee of the State Council, the Company was changed as the incorporated company established by share offer.

On 4 February 1997, the Company held the fourth general meeting, which passed the proposal that the Company absorbed and merged Shouguang Yongli Paper Co., Ltd. and the profit distribution plan to deliver 4 bonus shares per 10 shares for 1996. After bonus shares distribution, the Company’s share capital was changed from 99,840,990 shares into 158,855,665 shares.

On 30 April 1997, according to approval by the Letter on Recommending Shandong Shouguang Papermaking Group Incorporated Company to Issue B Shares (Lu Zheng Zi [1996] No. 270) verified and issued by the People’s Government of Shandong Province, the Reply on Shandong Chenming Paper Co., Ltd. to Issue Foreign Shares Listed in China (Zheng Wei Fa [1997] No. 26) verified and issued by the Securities Committee of the State Council, and Shen Zheng Fa [1997] No. 188 of the Shenzhen Stock Exchange, the Company issued 115,000,000 domestic listed foreign shares (B shares), which were listed on Shenzhen Stock Exchange on 26 May 1997. After issuance, the Company’s total share capital was increased from 158,855,665 shares to 273,855,665 shares. The Company was changed as the foreign-invested incorporated company by the Reply on Changing Shandong Chenming Paper Group Incorporated Company as the Foreign-invested Incorporated Company ([1997] Wai Jing Mao Zi Er Han Zi No. 415) verified and issued by the original Ministry of Foreign Trade and Economic Cooperation.

On 22 November 1997, the Company held the extraordinary general meeting in 1997 and passed the Proposal of Converting Capital Reserve into Share Capital by discussion, to convert capital reserve into share capital of 109,542,266 shares at the ratio of 10:4 according to the Company’s share capital of 273,855,665 shares on 30 June 1997. Upon conversion, the Company’s total share capital was changed to 383,397,931 shares.

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III. General Information of the Company (Cont'd)

With approval by the Notice about Approving Application of Shandong Chenming Paper Group Incorporated Company to Issue Shares (Zheng Jian Gong Si Zi [2000] No. 151) verified and issued by the China Securities Regulatory Commission on 30 September 2000 and the Notice of Listing (Sheng Zheng Shang [2000] No. 151) verified and issued by the Shenzhen Stock Exchange on 15 November 2000, the Company issued 70 million RMB ordinary shares (A shares), which were listed and traded on Shenzhen Stock Exchange on 20 November 2000. After issuance, the Company's total share capital was increased from 383,397,931 shares to 453,397,931 shares.

In May 2001, with approval by the Notice on Approving Non-listed Foreign Shares of Shandong Chenming Paper Group Incorporated Company for Circulation (Zheng Jian Gong Si Zi [2001] No. 44) verified and issued by the China Securities Regulatory Commission on 19 April 2001, 26,709,591 original non-tradable foreign legal person shares held by Guanghai Company were converted into B shares and listed on Shenzhen Stock Exchange. Listed tradable B shares of the Company were increased to 187,709,591 shares.

On 28 June 2001, the Company held 2000 general meeting and passed the year 2000 profit distribution plan by discussion. It presented 1 bonus share per 10 shares to all shareholders based on the total share capital of 453,397,931 shares at the end of 2000, to increase 45,339,793 shares in total. After the bonus shares distribution, the Company's total share capital was increased to 498,737,724 shares.

In May 2003, the Company implemented the 2002 profit distribution to present 2 bonus shares per 10 shares, and converted into 6 share capitals per 10 capital reserves to increase 398,990,179 shares in total. After the bonus shares distribution and conversion, the Company's total share capital was increased from 498,737,724 shares to 897,727,903 shares.

On 15 September 2004, with approval by the Notice on Approving Shandong Chenming Paper Group Incorporated Company to Publicly Issue Convertible Bonds ([2004] No. 147) verified and issued by the China Securities Regulatory Commission, the Company publicly issued 20 million convertible bonds with face value of RMB100, total issuance of RMB2 billion and term of five years, and listed and traded on Shenzhen Stock Exchange on 30 September 2004. The conversion period lasted from 15 March 2005 to 15 September 2009. The bond was called Chenming Convertible Bond as its short name, with the convertible bond code of 125488.

On 29 April 2005, the Company held 2004 general meeting and passed the 2004 profit distribution plan by discussion. It converted into 3 share capitals per 10 capital reserves based on the total share capital of 897,727,903 shares at the end of 2004. The Company's change of share capital was replied by the Reply on Agreeing Capital Increase of Shandong Chenming Paper Group Incorporated Company (Shang Zi Pi [2005] No. 1364) verified and issued by the Ministry of Commerce of the People's Republic of China. According to the above resolution and reply, the Company implemented the distribution plan to deliver 2 bonus shares per 10 shares to all shareholders and converting into 3 capital shares per 10 capital reserves based on the total share capital of 897,728,913 shares on 19 May 2005, the date of record (as of 19 May 2005, the Company converted into share capital of 1,010 shares from convertible bonds). After the bonus shares distribution and conversion, the Company's total share capital was increased to 1,346,593,369 shares.

On 6 April 2007, the Company's 21st meeting of the fourth session of the board of directors discussed to pass the Proposal on Exercising Redemption Right for Convertible Bonds under Redemptive Condition but Not Converted. It decided that the Company could redeem the Chenming convertible bonds which were not converted before the date of redemption according to procedures agreed in the Prospectuses and 105% of face value (including the current interests) after actually meeting relevant redemptive condition of the Prospectuses of convertible bonds. On 14 May 2007, the Company converted the Chenming Convertible Bonds and total shares were increased to 1,706,345,941 shares.

Replied by Zheng Jian Xu Ke [2008] No. 290 document of the Reply on Approving Shandong Chenming Paper Group Incorporated Company to Issue Foreign Shares by the China Securities Regulatory Commission, and with reply by the Stock Exchange of Hong Kong Ltd. (hereinafter referred to as the Stock Exchange of Hong Kong), the Company was approved to publicly issue the overseas listed foreign shares (H shares). The Company publicly offered 355,700,000 H shares all over the world and listed for trading on the main board of Stock Exchange of Hong Kong on 18 June 2008. The share was called Chenming Paper as its short name with the stock code of HK1812. After offering, the Company's total shares were increased to 2,062,045,941 shares.

IX Financial Report

III. General Information of the Company (Cont'd)

Pursuant to resolutions of the 2012 Third Extraordinary General Meeting, resolutions of the 2012 First Class Meeting for Holders of Domestic Listed Share (A shares and B shares), resolutions of the 2012 First Class Meeting for Holders of Overseas Listed Share (H shares) and the Articles of Association (as amended), the Company applied for the reduction of share capital of RMB86,573,974, including a decrease of 86,573,974 domestic listed foreign shares (B shares) at RMB1 per share. From 7 March 2013 to 11 December 2013, the Company repurchased 86,573,974 domestic listed foreign shares (B shares), and the repurchased shares were cancelled on 24 December 2013. The share capital of the Company was RMB1,975,471,967 upon such change.

Pursuant to resolutions of the 2013 First Extraordinary General Meeting, resolutions of the 2013 First Class Meeting for Holders of Domestic Listed Share (A shares and B shares), resolutions of the 2013 First Class Meeting for Holders of Overseas Listed Share (H shares) and the Articles of Association (as amended), the Company applied for the reduction of share capital of RMB39,066,500, including a decrease of 39,066,500 overseas listed foreign shares (H shares) at RMB1 per share. From 11 December 2013 to 9 May 2014, the Company repurchased 39,066,500 overseas listed foreign shares (H shares), and the repurchased shares were cancelled on 14 May 2014. The share capital of the Company was RMB1,936,405,467 upon such change.

The Registration No. of the Business License for Enterprise Legal Person is 370000400001170.

The Company has a long business period. In the opinion of the Board of the Company, the Company is capable of operating subsidiaries of a limited business period as a going concern upon expiry of their business period.

The financial statements were considered and approved by the board of directors of the Company on 27 August 2015.

The Company and its subsidiaries (hereinafter referred to as the (“Group”)) are principally engaged in 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, equipment financial and operating leasing, etc.

Subsidiaries of the Company included in the scope of consolidation for the first half of 2015 totalled 51. For details, please refer to this Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had 2 additional companies included compared to the prior year. For details, please refer to this Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

The Group’s financial statements are prepared on a going concern basis and based on actual transactions and events, in accordance with the accounting standards for business enterprises promulgated by the Ministry of Finance of PRC ((Order of Ministry of Finance No. 33 Issue and Order of Ministry of Finance No. 76 Amendment) and 41 specific accounting standards as promulgated and amended on and after February 15 2006, the 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 2014) 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. Going concern

No facts or circumstances comprise a material uncertainty about the Company’s going concern basis within 12 months since the end of the reporting period.

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V. Significant Accounting Policies and Accounting Estimates

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

The financial statements have been prepared by the Company in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 30 June 2015 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2015. 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 2014 and the notes thereto.

2. Accounting period

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

3. Operating cycle

Ordinary operating cycle refers to the period from acquisition of assets used for processing by the Group until their realisation in cash or cash equivalents. The operating cycle of the Group lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

Our subsidiaries, including Zhanjiang Chenming Arboriculture Co., Ltd., Yangjiang Chenming Arboriculture Co., Ltd., Nanchang Chenming Arboriculture Co., Ltd., Huanggang Chenming Arboriculture Co., Ltd. and Chenming Arboriculture Co., Ltd., were engaged in arboriculture cultivating, plantation and sale. Their ordinary operating cycle lasts for over 1 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 (“USD” or “US\$”), Japanese yen (“JPY”) and Euro (“EUR”) as their respective reporting currency according to the general economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

Business combinations refer to the transactions or events in which two or more separate enterprises merged as a single reporting entity. Business combinations are divided into 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 debt 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 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.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

5. Accounting treatment(s) of business combination under common control and not under common control (Cont'd)

(2) Business combination not under common control (Cont'd)

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred tax assets due to non-fulfilment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognised in the profit or loss of the period.

For a business combination not under common control is finished by a stage-up approach with several transactions, these several transactions will be judged whether they belong to “transactions in a basket” in accordance with the judgement standards on “transactions in a basket” as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”(see Note V. 6 (2)). If they belong to “transactions in a basket”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note V. 13 “Long-term equity investments”, and if they do not belong to “transactions in a basket”, they are accounted for in separate financial statements and consolidated financial reports:

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquiree prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time of disposal (i.e. to be transferred to investment income for the period, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree).

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree (i.e. to be transferred to investment income at the acquisition date, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree) is transferred to investment income in the period of the acquisition date.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

6. Preparation of consolidated financial statements

(1) Basis for 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” refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all of its subsidiaries. A subsidiary is an entity controlled by the Company.

The Company will conduct reassessment in the event there are changes in actual condition and situation causing changes in relevant elements involved in the definition of control above.

Subsidiaries are consolidated from the date on which the Company 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.

(2) Basis for preparation of the consolidated financial statements

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

The shareholders' 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 interest is presented in the consolidated income statement under the “net profit” line item as “minority interest”. 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 interest.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

6. Preparation of consolidated financial statements (Cont'd)

(2) Basis for preparation of the consolidated financial statements (Cont'd)

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i.e. to be transferred to investment income, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to “Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments” or “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. See Note V. 13 “Long-term equity investments” or Note V. 10 “Financial instruments” for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to “transactions in a basket”. Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: (i) these transactions are entered into at the same time or after considering their impacts on each other; (ii) these transactions as a whole can reach complete business results; (iii) the occurrence of a transaction depends on at least the occurrence of an other transaction; (iv) an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in “partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary” (see Note V. 13 (2) ④) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

7. Classification of joint arrangements and accounting treatment for joint ventures

A joint arrangement refers to an arrangement of two or more parties have joint control. In accordance with the Group's rights and obligations under a joint arrangement, the Group classifies joint arrangements into: joint ventures and joint operations. Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement. Joint ventures refer to a joint arrangement during which the Group only is entitled to net assets of this arrangement.

The Group treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note V.13. (2) ②“long-term equity investments by using equity method of accounting”.

The Group shall, as a joint venture, recognise the assets held and obligations assumed solely by the Group, and recognise assets held and obligations assumed jointly by the Group in appropriation to the share of the Company; recognise revenue from disposal of the share of joint operations of the Group; recognise fees solely occurred by Group and recognise fees from joint operations in appropriation to the share of the Group.

When the Group, as a joint venture, invests or sells assets (the assets dose not constitute a business, the same below) to or purchase assets from joint operations, the Group shall only recognise the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to the third party. If the occurrence of these assets meet the impairment loss of asset as set our in “Accounting Standard for Business Enterprises No. 8 – Asset Impairment”, the Company shall recognise the full amount of this loss in relation to the Group invests in or sells assets to joint operations; the Group recognise the loss according to the Group's share of commitment in relation to the Group purchase assets from joint operations.

8. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Group 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.

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

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Group, when initially recognised, are translated into functional currency at the prevailing spot exchange rate on the date of exchange, i.e. the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter, while the 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 financial statements

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 (generally, a spot exchange rate is the middle price quoted by the People's Bank of China on the day of transaction) on the balance sheet date. All differences are included in the consolidated income statement, except for: (i) the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets which are qualified for capitalisation; and (ii) other carrying amounts of the amortisation costs, the differences arising from changes of the foreign currency items available for sale.

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into “other comprehensive income”; disposal of foreign operations shall be included into profits and losses on disposal in the current period.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

(2) Basis for translation of foreign currency financial statements (Cont'd)

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 comprehensive income.

(3) 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 foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into "other comprehensive income" under "translation reserve"; disposal of foreign operations 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 compliance with the following requirements: 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 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 comprehensive income. 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 operations 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.

On disposal of the entire owners' equity in a foreign operation of the Company, or upon a loss of control over a foreign operation due to disposal of certain equity investment or other reasons, the Company transfers the exchange differences arising on translation of financial statements of this foreign operation attributable to owners' equity of parent company presented under owners' equity in the balance sheet, to profit or loss in the period in which the disposal took place.

In case of partial disposal of equity investment or other reason that result in reduction in shareholding in a foreign operation without losing control over it, the proportionate share of exchange differences arising from the translation of financial statements will attributable to minority interests and will not recognised in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the exchange differences arising from the translation of financial statements of foreign operations is reclassified to profit or loss.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments

Financial asset or financial liability will be recognised when the Group became one of the parties under a financial instrument contract. Financial assets and financial liabilities are initially recognised at fair value, except for equity instruments that are not quoted in an active market, the fair value of which cannot be reliably measured and over relevant investees of which the Company does not have control, joint control or significant influence, and debt financing instruments subsequently measured at amortised cost using the effective interest method. For financial assets and 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 assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognised.

(1) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. 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.

(2) Classification, recognition and measurement of financial assets

Conventionally traded financial assets shall be recognised and derecognised at the trading date. Financial assets shall be classified into loans and accounts receivable, available-for-sale financial assets and others for initial recognition.

① *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 are classified as loans and receivables by the Company.

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 amortisation are charged to profit or loss in the current period.

② *Available-for-sale financial assets*

Available-for-sale financial assets represent equity instruments of relevant investees over which the Company does not have control, joint control or significant influence.

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, 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. However, equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably are subsequently measured at cost.

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

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(3) Impairment of financial assets

In addition to financial assets at fair value through profit or loss for the current period, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assess the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in the collective assessment for impairment.

① *Impairment of loans and receivables*

The carrying amount of financial assets measured as costs or amortised costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognised as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognised shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortised cost as at the reversal date assuming there is no provision for impairment.

② *Impairment of available-for-sale financial assets*

In the event that decline in fair value of the available-for-sale equity instrument is regarded as “severe decline” or “non-temporary decline” on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument. In particular, “severe decline” refers to accumulative decline in fair value is more than 20%. “Non-temporary decline” refers to the fair value decreased continuously for more than 12 months. The continuous decreasing period is determined on the basis of the drop of fair value accumulated over 10%.

When the available-for-sale financial assets impair, the accumulated loss originally included in the other comprehensive income arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortised amounts, current fair value and the impairment loss originally included in the profit or loss.

After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognised shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognised as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(4) 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.

For financial assets that are sold or transferred with recourse or endorsement, the Company need to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognised. If the risk and rewards of ownership of the financial asset have been retained, the financial assets shall not be derecognised. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall assess whether the control over the financial asset is retained, and the financial assets shall be accounting for according to the above paragraphs.

(5) Classification and measurement of financial liabilities

Financial liabilities are classified at initial recognition: at fair value and changes are carried through profit or loss as financial liabilities and other financial liabilities. 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 and subsequently measured at amortised cost using the effective interest method, and relevant gain or loss arising from derecognition or amortisation are included in current profit or loss.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(6) 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.

(7) Offset of Financial Assets and Financial Liabilities

If the Group owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Company plans to realise the financial assets or to clear off the financial liabilities by net amount method, the amount of the offsetting financial assets and financial liabilities shall be reported in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

(8) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The issuance (including refinancing), repurchase, sale or cancellation of equity instruments by the Company is accounted for movement in equity. The Group does not recognise the movement in fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

Various distributions (excluding dividends) made by the Group to holders of equity instruments reduces owners' equity. The Group does not recognise the movement in fair value of equity instruments.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

11. Accounts receivable

(1) Accounts receivable individually significant and provided for bad debts separately

Basis of determination or criterion of amount for individually 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 individually 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.

(2) Accounts receivable provided for bad debts on credit risk features portfolio basis

Name of portfolio	Method for making bad debt provision
Specific fund portfolio	Other method
Ageing portfolio	Ageing analysis

Use of ageing analysis for making bad debt provision in the portfolio

Applicable Not applicable

Ageing	Ratio of accounts receivable provision	Ratio of other accounts receivable provision
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	100.00%	100.00%

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

Name of portfolio	Ratio of accounts receivable provision	Ratio of other accounts receivable provision
Specific fund portfolio	0.00%	0.00%

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

11. Accounts receivable (Cont'd)

(3) Accounts receivable individually insignificant but provided for bad debt separately

Reasons for making bad debt provisions separately

Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Group. If there is objective evidence indicating that the accounts receivable are impaired, then impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts, such as: 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.

Provision for bad debts

Impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts

(4) Reversal of provision for bad debts

If there are evidences indicating that the value of the account receivable is recovered and that recovery is connected to the event subsequent to the recognition of the loss, the impairment loss previously recognised will be reversed and recorded into profit or loss for the period. However, the carrying amount so reversed shall not exceed the amortised cost of the account receivable on the date of reversal on the assumption that no impairment loss has been made.

12. Inventories

(1) Classification of inventories

Inventories mainly include raw materials, work in progress, goods in stock, development products and consumable biological assets etc.

(2) Pricing of inventories received and dispatched

Inventories are measured at their actual cost when obtained. Cost of an inventory consists of purchase costs, processing costs and other costs. When used and dispatched, inventories will be calculated with weighted average method.

The inventories of land development companies under the Company are initially measured at cost. The costs of developing products include preconstruction costs, expenditures for auxiliary facilities, expenses on construction and installation, borrowing costs incurred before the completion of the subject project and other related expenses during the course of the development. Once the inventories are delivered, the actual costs will be determined using specific measurement methods.

Consumable biological assets refer to biological assets held for sale which include growing timber. Consumable biological assets without a stock are stated at cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair values shall be recognised as profit or loss in the current period. 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 batch averaging method.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

12. Inventories (Cont'd)

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

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.

At the balance sheet date, inventories are calculated at the lower of cost and net realisable value. Usually, 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. For large quantity and low value items of inventories, provision may be made based on categories of inventories. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

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.

(4) We implement permanent inventory system as our inventory stock taking system.

13. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note 5. 10. "Financial instruments".

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

(1) Determination of 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 under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, 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 under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", 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 under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognised as a result of the previously held equity investment accounted for using equity method on the date of combination or recognised for available-for-sale financial assets will not be accounted for.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. For business combination resulted in an enterprise not under common control by acquiring equity of the acquiree under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquiree and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

Agent fees incurred by the absorbing party or 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.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

(1) Determination of investment cost (Cont'd)

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 Company 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 Company, 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. For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the relevant cost for long-term equity investment shall be the aggregate of fair value of previously held equity investment and additional investment cost determined according to “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”.

(2) Subsequent measurement and method for profit or loss recognition

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. 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. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. 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.

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.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

(2) Subsequent measurement and method for profit or loss recognition (Cont'd)

② *Long-term equity investments accounted for using the equity method (Cont'd)*

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Group's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. 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 the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognised accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealised gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognised accordingly. However, any unrealised loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 "Business combination". All profit or loss related to the transaction shall be accounted for.

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.

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

(2) Subsequent measurement and method for profit or loss recognition (Cont'd)

③ *Acquisition of minority interest*

Upon the preparation of the consolidated financial statements, since acquisition of minority interest 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.

④ *Disposal of long-term equity investments*

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of 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 accounted for in accordance with the relevant accounting policies as described in Note V. 6. (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.

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners' equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognised for the movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment accounted for using cost method with the remaining equity interest after disposal also accounted for using cost method, other comprehensive income recognised using equity method or the recognition and measurement standard of financial instruments before obtaining control over the investee shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee, and transferred to profit or loss for the current period on pro rata basis. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period on pro rata basis.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

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

(2) Subsequent measurement and method for profit or loss recognition (Cont'd)

④ *Disposal of long-term equity investments (Cont'd)*

In the event of loss of control over investee due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognised using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the investee, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when the control over investee is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognised under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Group disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to "transactions in a basket", each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognised as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

14. Investment Property

Investment property is measured at cost.

Investment property refer to real estate held to earn rentals or for capital appreciation, or both.

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 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 V.20 "Impairment of long-term assets".

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.

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Investment property is measured at cost during its conversion. 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.

15. Fixed assets

(1) Conditions for recognition

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. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. 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.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

15. Fixed assets (Cont'd)

(2) Method for depreciation

Category	Method for depreciation	Useful lives of depreciation (Year)	Estimated residual value	Annual depreciation rate
Housing and building structure	Straight-line method	20-40	5.00%-10.00%	2.25%-4.75%
Machinery and equipment	Straight-line method	8-20	5.00%-10.00%	4.5%-11.88%
Transportation equipment	Straight-line method	5-8	5.00%-10.00%	11.25%-19.00%
Electronic equipment and others	Straight-line method	5	5.00%-10.00%	18.00%-19.00%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the stage and in the condition expected at the end of its useful life.

(3) Methods of impairment test and provision of fixed assets

The method for impaired test of fixed assets and measurement of impairment provision are detailed in Note V.20 "Impairment of long-term assets".

(4) Recognition, accounting and depreciation method of fixed assets acquired under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. For fixed assets acquired under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

(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 Chenming Paper 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.

Fixed assets are derecognised when there is no economic benefit arising from disposal or expected use or disposal of fixed assets. 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.

16. Construction in progress

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 reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note V.20 "Impairment of long-term asset".

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

17. Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, when expenditures for the asset and borrowing costs are being incurred, 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, such borrowing costs shall be capitalised as part of the cost of that asset; and capitalisation shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognised as expense in the period in which they are incurred.

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.

During the capitalisation period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalised. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

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.

18. Intangible assets

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company.

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 Company 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 a finite 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 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 a finite 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, Chenming Paper shall estimate the useful life of that asset and apply the accounting policies accordingly.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

18. Intangible assets (Cont'd)

(2) Research and expenditure

Research and development expenditure of the Group was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase are recognised as profit or loss in the current period.

Expenses incurred during the development phase 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 phase of the intangible asset can be measured reliably.

If the expenses incurred during the research phase and the development phase cannot be distinguished separately, all development expenses incurred are accounted for in the profit or loss for the current period.

(3) Methods of impairment test and provision of intangible assets

The method for impaired test of intangible assets and measurement of impairment provision are detailed in Note V.20 "Impairment of long-term assets".

19. 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 of the Company mainly include expenses on improvement of fixed assets and woodland rent. Long-term prepaid expenses are amortised over the estimated benefit period using the straight-line method.

20. Impairment of long-term assets

The Company will judge if there is any indication of impairment as at the balance sheet date in respect of non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment property measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, 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.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

20. Impairment of long-term assets (Cont'd)

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.

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.

21. Employee benefits

Staff remuneration of the Group mainly includes short-term staff remuneration, post-employment benefits and termination benefits, in which:

Short-term remuneration mainly includes salaries, bonuses, allowance and subsidies, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs and non-monetary welfare etc. Short-term remuneration incurred during the accounting period in which the Company's staff provided services for the Company is recognised as liability and included in profit or loss for the current period or related asset costs. Of which, non-monetary welfare is measured at fair value.

Post-employment benefits mainly include defined contribution plan. Defined contribution plan mainly includes pension insurance premium and unemployment insurance premium. Relevant contribution amount is included in related asset costs or profit or loss for the current period during the period in which the expenses incurred.

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognise employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; and the Company recognise cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. However, if the compensation for termination of employment is not expected to be fully paid within 12 months from the reporting period, it shall be accounted for other long-term staff remuneration.

The early retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the scheduled retirement date, shall be recognised (as compensation for termination of employment) in the current profit or loss by the Group if the recognition principles for provisions are satisfied.

The Group does not provide any other long-term employee benefit for its staff.

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V. Significant Accounting Policies and Accounting Estimates (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 Company; (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.

23. Revenue

(1) Revenue from sales of goods

Revenue is recognised when Chenming Paper 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. Confirmation time for sales revenue: In terms of domestic sales, confirmation will be made on the day when goods are delivered to the clients. While in terms of overseas sales, confirmation will be made on the day when goods are loaded on board and declared.

(2) Revenue from the rendering of services

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.

(3) Revenue from rendering of services

Revenue from rendering of services is recognised as income on the accrual basis in accordance with the underlying contracts or agreements.

(4) Interest income

Interest income is calculated based on the time during which the Group's monetary fund, and the effective interest rates.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

24. Government grants

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. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

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. Government grants are generally recognised when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under disclosure of government information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; and (3) the date of payment be specified in related documents and the payment thereof be covered by corresponding budget to ensure such grants will be paid on time as specified.

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.

25. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current income tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

25. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(2) Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognised as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

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 Company 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.

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.

Chenming Paper 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.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, Chenming Paper shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

(3) Income tax expense

Income tax expense comprises current income tax expense and deferred income tax expense.

Current income tax expense (current income tax income) and deferred income tax expense (deferred income tax income) are included in profit or loss for the current period, except for: recognised as other comprehensive income or current income tax and deferred income tax related to transactions or events that are directly recognised in other comprehensive income or owners' equity, which are recognised directly in owners' equity, and deferred income tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

25. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(4) Offset of income tax

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Group, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

26. Lease

(1) Accounting method for operating lease

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

(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 method for financing lease

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

On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognised as unrecognised financing expenses. In addition, initial direct costs attributable to leased items incurred during the process of lease negotiation and signing of lease agreement shall be included in the value of leased assets. The balance of minimum lease payment after deducting unrecognised financing expenses shall be accounted for long-term liability and long-term liability due within one year.

Unrecognised financing expenses shall be recognised as financing expenses for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

26. Lease (Cont'd)

(2) Accounting method for financing lease (Cont'd)

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

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial direct costs at the beginning date of the lease. The unsecured balance shall be recorded. The aggregate of minimum lease receivable, initial direct costs and unsecured balance and the different between their present values shall be recognised as unrealised financing income. The balance of lease receivable after deducting unrecognised financing income shall be accounted for long-term debt and long-term debt due within one year.

Unrecognised financing income shall be recognised as financing income for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

27. Discontinued operation

Discontinued operation refers to the operation disposed or classified as held-for-sale by the Company and presented separately under operation segments and financial statements, which has fulfilled one of the following criteria: ① it represents an independent key operation or key operating region; ② it is part of the proposed disposal plan on an independent key operation or proposed disposal in key operating region; or ③ it only establishes for acquisition of subsidiary through disposal.

28. Repurchase of shares

Share repurchase consideration paid and transaction costs to reduce the owner's equity, repurchase, transfer or cancellation of Chenming Paper's shares, the gains or losses are not recognised.

In respect of transfer of treasury shares, the difference between the actual amount received and the carrying amount of treasury shares shall be included in capital reserve. When insufficient to dilute, capital reserve will be offset against the surplus reserve and retained profits. Treasury shares are cancelled at par value and by the number of shares cancelled to reduce the share capital. The difference between the book balance and the nominal value of the treasury shares shall be offset against the capital reserve. When insufficient to dilute, capital reserve will be offset against the surplus reserve and retained profits.

29. Changes in Significant Accounting Policies and Estimates

(1) Changes in Accounting Policies

Applicable Not applicable

(2) Changes in significant accounting estimates

Applicable Not applicable

IX Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

30. Critical accounting judgments and estimates

The Group needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately calculated during the application of the Group's accounting policies. Such judgments, estimates and assumptions are made based on the historical experiences of the Company's management and taking into account other relevant factors, which may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the outcome from such estimate uncertainties may differ from the current estimation of the Company's management, which may cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

The Group regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continued operation. A revision to accounting estimates is recognised in the period in which the estimate is revised if it only affects that period. A revision is recognised in the period of the revision and future periods if it affects both current and future periods.

At the balance sheet date, the critical areas where Group needs to make judgments, estimates and assumptions as to the items amount of financial statements are set out below:

(1) Classification of leases

The Group classifies its leases as operating lease and financing lease in accordance with "Accounting Standard for Business Enterprises No. 21 – Leases". When classifying leases, the management needs to analyse and judge whether all risks and returns relating to the ownership of leased out assets have transferred to the lessee, or whether the Company has obliged to all risks and returns relating to the ownership of leased assets.

(2) Provision for bad debts

The Group adopts the allowance method to account for bad debt loss under the accounting policies of accounts receivable. Impairment of accounts receivable is based on the recoverability of assessed accounts receivable. Given the management's judgment and estimate required for impairment of accounts receivable, the difference between the actual outcome and original estimate will affect the carrying amount of accounts receivable and provision and reversal of bad debts of accounts receivable during the estimate revision period.

(3) Allowance for inventories

Under the accounting policies of inventories and by measuring at the lower of cost and net realisable value, the Group makes allowance for inventories which have costs higher than net realisable value or become obsolete and slow-moving. Write-down of inventories to their net realisable values is based on the sale ability of the evaluated inventory and their net realisable values. Given the management's judgments and estimates required for inventory impairment on the basis of definite evidence, purpose of holding the inventories and other factors, the difference between the actual outcome and original estimate will affect the carrying amount of inventories and provision and reversal of bad debts of inventories allowance during the estimate revision period.

(4) Fair value of consumable biological assets

A consumable biological asset is measured at fair value when there is a stock. A stock is judged to be formed when the consumable biological asset - timber survives well after a growth period and the merchantable timber exceeds 0.8 cubic metres.

The fair value of a consumable biological asset is discounted using expected cash flow and estimated and measured using income approach.

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V. Significant Accounting Policies and Accounting Estimates (Cont'd)

30. Critical accounting judgments and estimates (Cont'd)

(5) Impairment of available-for-sale financial assets

In respect of impairment of available-for-sale financial assets, whether impairment loss shall be recognised in income statement significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, the Company shall assess the excess of cost of the investee's identifiable net assets attributable to the investment over fair value and the duration.

(6) Provision for impairment of non-financial non-current assets

At the balance sheet date, the Group makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their carrying amount cannot be recovered.

When the carrying amount of an asset or asset groups is higher than the recoverable amount, being 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, it indicates impairment.

The net amount of the fair value less costs of disposal is determined by making reference to the price in a sale agreement in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such assets (or asset groups) and the discount rate applied in calculating the discount. In estimating the recoverable amount, the Company may adopt all relevant materials including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

The test shall be performed at least once a year as to whether there is any impairment. This requires an estimate for the present value of the future cash flows of the asset groups or sets of asset groups to which goodwill is allocated. In estimating the present value of the future cash flows, the Group needs to estimate the cash flows generated from the future asset groups or sets of asset groups. Meanwhile, the present value of future cash flows is determined using an appropriately selected discount rate.

(7) Depreciation and amortisation

The Group shall provide depreciation and amortisation for investment property, fixed assets and intangible assets over their useful lives and after taking into account of their residual value, using straight-line method. The Group shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Group according to its previous experiences on the similar assets and estimated technical innovation. If there is any material change in the previously made estimate, the depreciation and amortisation will be adjusted over the future period.

(8) Deferred income tax assets

It is probable that all unused tax loss will be recognised as the deferred income tax assets to the extent there will be sufficient taxable profits against which the deductible loss is available. This requires the Company's management to apply numerous judgments to estimate the time and amount generated from the future taxable profits so as to determine the amount of deferred income tax assets with reference to the tax planning strategy.

(9) Income tax

There are some uncertainties in tax treatment and calculation for some transactions of the Group during its ordinary course of business. The approval from the tax authority is required for pre-tax expending of some items. Any difference between the final recognition outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during their final recognition period.

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VI. Taxation

1. Main Tax Types and Tax Rates

Tax type	Basis of taxation	Tax rate
Value added tax	Taxable income	17% for general and 13% for sales of gas and water. Value-added tax is computed on the difference after deduction of input value-added tax
Business tax	Taxable revenue	3%-5% of taxable revenue
Urban maintenance and construction tax	Actual payment of turnover tax	7% of actual payment of turnover tax
Enterprise income tax	Actual payment of turnover tax	25% of taxable income, 15% for high-tech enterprises and 20% for small-size enterprises
Educational surcharges	Actual payment of turnover tax	3% of actual payment of turnover tax
Local educational surcharges	Actual payment of turnover tax	2% of actual payment of turnover tax

Disclosure on the different enterprise income tax rate for entity subject to taxation

Entity subject to taxation	Income tax rate
Shandong Chenming Paper Holdings Limited	15%
Jiangxi Chenming Paper Co., Ltd.	15%
Chenming (HK) Limited	16.5%
Huanggang Chenming Arboriculture Co., Ltd.	Exempted
Zhanjiang Chenming Arboriculture Co., Ltd.	Exempted
Yangjiang Chenming Arboriculture Co., Ltd.	Exempted
Nanchang Chenming Arboriculture Co., Ltd.	Exempted

2. Tax Incentives

(1) Enterprise Income Tax

Pursuant to the requirements of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) dated 16 March 2007, the Company is recognised as a high and new technology enterprise which needs the major support of the state as approved by State Taxation Administration of Shouguang, Shandong. An enterprise income tax rate of 15% is applicable to the Company from 1 January 2012 to 31 December 2014.

Pursuant to the requirements of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) dated 16 March 2007, Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, is recognised as a high and new technology enterprise which needs the major support of the state as approved by State Taxation Administration of Nanchang Economic and Technological Development Zone, Jiangxi. An enterprise income tax rate of 15% is applicable to Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, from 1 January 2013 to 31 December 2015.

Pursuant to the requirements of Rule 27 of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and Rule 86 of Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), subsidiaries of the Company, namely, Zhanjiang Chenming Arboriculture Co., Ltd., Yangjiang Chenming Arboriculture Co., Ltd., Nanchang Chenming Arboriculture Co., Ltd., Huanggang Chenming Arboriculture Co., Ltd. and Chenming Arboriculture Co., Ltd. are engaged in arboriculture cultivating and thus exempt from corporate 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 2015 was 16.5%.

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

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VI. Taxation (Cont'd)

2. Tax Incentives (Cont'd)

(2) 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. Zhanjiang Chenming 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 2015.

Pursuant to the related requirements of the “Notice of the Ministry of Finance and the State Administration of Taxation on Issue Regarding Exemption from VAT for Certain Products that Comprehensively Utilise Resources” (No. Cai Shui [1995] No. 44) as issued by and the State Administration of Taxation and the document No. Cai Shui [2001] No. 72, Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products that apply integrated use of resources and is subject to an immediate VAT refund policy.

VII. Notes to items of the Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,674,558.52	1,437,037.09
Bank deposit	722,503,482.85	974,659,824.21
Other monetary funds	6,267,346,362.09	4,499,561,324.80
Total	6,992,524,403.46	5,475,658,186.10
Of which: Total deposits in overseas banks	1,367,769,714.96	853,450,001.81

Others:

- ① Other monetary funds of RMB2,586,193,038.47 (31 December 2014: RMB1,592,569,467.98) were the guarantee deposit for the application for bank acceptance with the banks by the Group.
- ② Other monetary funds of RMB1,702,534,395.77 (31 December 2014: RMB710,024,934.09) were the guarantee deposit for the application for letter of credit with the banks by the Group.
- ③ Other monetary funds of RMB1,834,118,927.85 (31 December 2014: RMB1,685,461,808.73) were the guarantee deposit for the application for guarantees with the banks by the Group.
- ④ Other monetary funds of RMB40,000,000.00 (31 December 2014: RMB473,405,114.01) were the guarantee deposit for the application for loans with the banks by the Group.
- ⑤ Other monetary funds of RMB104,500,000.00 (31 December 2014: RMB38,100,000) were the statutory reserve deposit at the bank of China by the Group.

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

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	3,234,933,632.95	2,990,068,579.33
Commercial acceptance bills	82,023.52	57,472,976.82
Total	3,235,015,656.47	3,047,541,556.15

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

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptance bills	757,983,993.12
Total	757,983,993.12

(3) Outstanding bills receivable endorsed or discounted by the Company as at the end of the period

Unit: RMB

Item	Derecognised amount as at the end of the period
Bank acceptance bills	8,764,631,578.49
Total	8,764,631,578.49

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Book value	Book balance		Opening balance		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable that are individually significant and provided for bad debts separately	41,818,754.94	0.99%	41,818,754.94	100.00%	0.00	48,363,962.78	1.29%	48,363,962.78	100.00%	0.00
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	4,199,971,263.72	99.01%	249,246,144.36	5.93%	3,950,725,119.36	3,705,668,686.18	98.71%	216,259,316.98	5.84%	3,489,409,369.20
Total	4,241,790,018.66	100.00%	291,064,899.30	6.86%	3,950,725,119.36	3,754,032,648.96	100.00%	264,623,279.76	7.05%	3,489,409,369.20

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

3. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Accounts receivable that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

Unit: RMB

Receivable (by entity)	Accounts receivable	Closing balance		Reason for provision
		Bad debt provision	Percentage	
FOSHAN SHUNDE XINGCHEN PAPER CO., LTD.	26,754,065.23	26,754,065.23	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
BEIJING HUAXIA CULTURE MEDIA CO., LTD.	11,644,496.00	11,644,496.00	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
JIANGXI LONGMING ENTERPRISE CO., LTD.	1,763,987.74	1,763,987.74	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
NANCHANG XINGBO PAPER CO., LTD.	1,656,205.97	1,656,205.97	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
Total	41,818,754.94	41,818,754.94	—	—

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

Applicable Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance	
		Bad debt provision	Percentage
Within 1 year	3,770,149,075.16	188,591,311.76	5.00%
1-2 years	89,349,057.87	8,784,329.03	10.00%
2-3 years	44,712,258.88	8,942,451.77	20.00%
Over 3 years	42,928,051.80	42,928,051.80	100.00%
Total	3,947,138,443.71	249,246,144.36	6.31%

Explanation on the basis of recognition of the portfolio:

Accounts receivable using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

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

3. Accounts receivable (Cont'd)

(2) Top five accounts receivable according to closing balance of debtors

Name of entity	Relationship with the Company	Amount	Term	As a percentage of the total of accounts receivable
SHANXI PRINTING MATERIALS COMPANY	Non-related party	75,777,277.52	Within 1 year	1.79%
ANHUI TIME SOURCE CORPORATION	Related party	56,493,413.75	Within 1 year	1.33%
YUNNAN PRINTING MATERIALS CO., LTD.	Non-related party	47,150,337.49	Within 1 year	1.11%
ZHEJIANG XINHUA PRINTING MATERIALS CO., LTD.	Non-related party	45,196,935.34	Within 1 year	1.07%
SHANGHAI CHANGYI ADHESIVE PRODUCTS CO., LTD.	Non-related party	44,659,694.15	Within 1 year	1.05%
Total	—	269,277,658.25	—	6.35%

4. Prepayments

(1) Presentation of prepayments according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	931,099,642.10	58.68%	858,757,969.24	46.72%
1-2 years	655,566,279.39	41.32%	979,259,485.66	53.28%
Total	1,586,665,921.49	—	1,838,017,454.90	—

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

4. Prepayments (Cont'd)

(2) Top five prepayments according to closing balance of prepaid parties

Name of entity	Relationship with the Company	Amount	Term	Reason for being unsettled
JIANGSU XINHAI PORT ENGINEERING CO., LTD.	Non-related party	533,320,000.00	1-2 years	Prepayments for construction fee according to the agreed contract
GUANGDONG LEPENG TRADING CO., LTD.	Non-related party	75,857,027.88	Within 1 year	Prepayments for goods according to the agreed contract
ZHANJIANG MINGLI TRADING CO., LTD.	Non-related party	54,091,348.41	Within 1 year	Prepayments for goods according to the agreed contract
ZHANJIANG XINCHEN TRADING CO., LTD	Non-related party	20,886,639.66	Within 1 year	Prepayments for goods according to the agreed contract
GUANGZHOU DINGSHENG INDUSTRY & TRADE CO., LTD.	Non-related party	14,099,402.84	Within 1 year	Prepayments for goods according to the agreed contract
Total	--	698,254,418.79	--	--

5. Other receivables

(1) Disclosure of other receivables according to category

Unit: RMB

Category	Book balance		Closing balance		Book value	Book balance		Opening balance		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Other receivables that are individually significant and are provided for bad debts separately	8,837,136.79	0.35%	8,837,136.79	100.00%	0.00	8,755,053.51	0.47%	8,755,053.51	100.00%	0.00
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	2,543,590,181.23	99.54%	62,681,780.67	2.46%	2,480,908,390.56	1,830,724,220.90	98.87%	54,256,334.83	2.96%	1,776,467,886.07
Other receivables that are individually insignificant and are provided for bad debts separately	2,942,648.45	0.12%	2,942,648.45	100.00%	0.00	12,150,098.81	0.66%	12,150,098.81	100.00%	0.00
Total	2,555,369,966.47	100.00%	74,461,575.91	2.91%	2,480,908,390.56	1,851,629,373.22	100.00%	75,161,487.15	4.06%	1,776,467,886.07

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

5. Other receivables (Cont'd)

(1) Disclosure of other receivables according to category (Cont'd)

Other receivables that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

Unit: RMB

Other receivables (by entity)	Other receivables	Closing balance	
		Bad debt provision	Percentage
AHLSTROM FINLAND	2,820,742.72	2,820,742.72	100.00%
QUANHUA PRECISION CORP. LTD.	2,253,993.04	2,253,993.04	100.00%
ELOF HANSSON GROUP OF SWEDEN	1,495,105.87	1,495,105.87	100.00%
QINGDAO SECOND AUTOMOTIVE AND TRANSPORTATION LOGISTICS BRANCH COMPANY	1,137,295.16	1,137,295.16	100.00%
ZIBO KAIHONG ENERGY CO., LTD.	1,130,000.00	1,130,000.00	100.00%
Total	8,837,136.79	8,837,136.79	—

Other receivables using ageing analysis for making bad debt provision in the portfolio:

Applicable Not applicable

Unit: RMB

Ageing	Other receivables	Closing balance	
		Bad debt provision	Percentage
Within 1 year	102,751,347.44	5,784,161.08	5.00%
1-2 years	13,079,241.96	1,307,924.18	10.00%
2-3 years	10,999,780.85	2,199,956.18	20.00%
Over 3 years	53,389,749.23	53,389,749.23	100.00%
Total	180,220,119.49	62,681,790.67	34.78%

Notes for the basic of determining such portfolio:

Other receivables using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

Applicable Not applicable

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

5. Other receivables (Cont'd)

(2) Top five other receivables according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivables
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Borrowings and interests	1,253,967,971.74	Within 1 year and 1-2 years	49.07%
Shandong Jianghe Paper Co. Ltd.	Open credit	293,371,945.91	1-2 years	11.48%
Weifang Water Investment Co., Ltd	1 year financial leasing payment	251,079,773.06	Within 1 year	9.83%
Zibo Evergrande Pan-China Real Estate Co., Ltd.	1 year financial leasing payment	200,000,000.00	Within 1 year	7.83%
Shandong Weineng Green Energy Co., Ltd.	1 year financial leasing payment	100,000,000.00	Within 1 year	3.91%
Total	—	2,098,419,690.71	—	82.12%

6. Inventories

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Raw materials	1,788,903,290.32		1,788,903,290.32	2,117,477,615.09		2,117,477,615.09
Work-in-process products	69,788,649.18		69,788,649.18	53,378,096.76		53,378,096.76
Goods in stock	1,609,715,492.28		1,609,715,492.28	1,539,604,250.80	5,319,730.37	1,534,284,520.43
Consumable biological assets	1,475,189,938.29		1,475,189,938.29	1,407,588,229.46		1,407,588,229.46
Developing products	308,012,006.86		308,012,006.86	308,012,006.86		308,012,006.86
Total	5,251,609,376.93		5,251,609,376.93	5,426,060,198.97	5,319,730.37	5,420,740,468.60

(2) Impairment provision for inventories

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Goods in stock	5,319,730.37			5,319,730.37		
Total	5,319,730.37			5,319,730.37		

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

7. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	625,936,558.28	765,738,333.65
Entrusted loans due within one year		100,000,000.00
Total	625,936,558.28	865,738,333.65

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Non-credited VAT	1,441,427,346.87	1,545,685,356.01
Prepaid income tax	74,524,311.77	110,916,876.08
Total	1,515,951,658.64	1,656,602,232.09

9. Available-for-sale financial assets

(1) Particulars of available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments:	410,450,000.00	1,450,000.00	409,000,000.00	74,450,000.00	1,450,000.00	73,000,000.00
At cost	410,450,000.00	1,450,000.00	409,000,000.00	74,450,000.00	1,450,000.00	73,000,000.00
Total	410,450,000.00	1,450,000.00	409,000,000.00	74,450,000.00	1,450,000.00	73,000,000.00

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

9. Available-for-sale financial assets (Cont'd)

(2) Available-for-sale financial assets measured at cost as at the end of the period

Unit: RMB

Investee	Book balance			Provision for impairment			Equity interest in the investee held by the Company (%)	Cash dividends for the period	
	Opening balance	Increase for the period	Decrease for the period	Closing balance	Opening balance	Increase for the period			Decrease for the period
Qingzhou Chenming Denaturation Amylum Co., Ltd.	900,000.00			900,000.00	900,000.00			900,000.00	30.00%
Shandong Paper Making & Printing Enterprises Corporation	200,000.00			200,000.00	200,000.00			200,000.00	2.00%
Jinan Shangyou Commercial Co., Ltd.	350,000.00			350,000.00	350,000.00			350,000.00	5.00%
Zhejiang Province Guangyu Media Printing Co., Ltd.	2,000,000.00			2,000,000.00					9.96%
Shouguang Mihe Water Co., Ltd.	20,000,000.00			20,000,000.00					19.46%
Anhui Time Source Corporation	1,000,000.00			1,000,000.00					10.00%
Shandong Hongqiao Venture Capital Co., Ltd.	50,000,000.00			50,000,000.00					16.67%
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.		300,000,000.00		300,000,000.00					30.00%
Shanghai Leadbank Asset Management Co., Ltd.		36,000,000.00		36,000,000.00					3.00%
Total	74,450,000.00	336,000,000.00		410,450,000.00	1,450,000.00			1,450,000.00	—

(3) Changes in impairment of available-for-sale assets during the reporting period

Unit: RMB

Type of available-for-sale assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Opening balance of provision for impairment	1,450,000.00		1,450,000.00
Closing balance of provision for impairment	1,450,000.00		1,450,000.00

10. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Closing balance		Book value	Opening balance		Book value	Range of discount rate
	Book balance	Bad debt provision		Book balance	Bad debt provision		
Finance leasing payments	5,566,341,664.00		5,566,341,664.00	1,653,634,718.65		1,653,634,718.65	6.15%-8.00%
Less: unrealised finance income	530,580,708.06		530,580,708.06	233,036,050.66		233,036,050.66	
Total	5,035,760,955.94		5,035,760,955.94	1,420,598,667.99		1,420,598,667.99	—

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

11. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Increase/decrease for the period					Closing balance	Closing balance of provision
				Profit/loss of investment recognised under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared	Provision for impairment		
I. Joint venture										
Shouguang Chenming Huisen New Building Materials Co., Ltd.	2,999,787.98			-4,925.72						2,994,862.26
Subtotal	2,999,787.98			-4,925.72						2,994,862.26
II. Associate										
Arjo Wiggins Chenming Specialty Paper Co., Ltd.										
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	4,662,786.59			-342,474.69						4,320,311.90
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)		50,000,000.00								50,000,000.00
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	22,610,293.87			-2,533,440.72						20,076,853.15
Jiangxi Chenming Port Co., Ltd.	5,814,979.68			735,809.68						6,550,789.36
Subtotal	33,088,060.14	50,000,000.00		-2,140,105.73						80,947,954.41
Total	36,087,848.12	50,000,000.00		-2,145,031.45						83,942,816.67

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12. Investment property

(1) Investment property measured at cost

Unit: RMB

Item	Housing and building structure	Total
I. Original carrying amount	38,291,395.70	38,291,395.70
1. Opening balance	38,291,395.70	38,291,395.70
2. Increase for the period		
3. Decrease for the period		
4. Closing balance	38,291,395.70	38,291,395.70
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	20,556,207.79	20,556,207.79
2. Increase for the period	869,128.02	869,128.02
Provision or amortisation	869,128.02	869,128.02
3. Decrease for the period		
4. Closing balance	21,425,335.81	21,425,335.81
IV. Book value		
1. Closing book value	16,866,059.89	16,866,059.89
2. Opening book value	17,735,187.91	17,735,187.91

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

13. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Electronic equipment and others	Vehicles	Total
I. Original carrying amount					
1. Opening balance	5,423,155,935.77	28,939,108,616.14	438,322,796.07	274,029,373.55	35,074,616,721.53
2. Increase for the period	341,189,437.36	422,277,405.59	11,312,386.38	4,030,286.99	778,809,516.32
(1) Acquisition		205,259,909.19	11,312,386.38	4,030,286.99	220,602,582.56
(2) Transferred from construction in progress	341,189,437.36	217,017,496.40			558,206,933.76
3. Decrease for the period	52,831,179.54	111,301,805.98	4,237,308.30	19,254,454.05	187,624,747.87
(1) Disposal or retirement	52,831,179.54	111,301,805.98	4,237,308.30	19,254,454.05	187,624,747.87
4. Closing balance	5,711,514,193.59	29,250,084,215.75	445,397,874.15	258,805,206.49	35,665,801,489.98
II. Accumulated depreciation					
1. Opening balance	929,355,284.32	9,040,169,521.06	222,581,317.26	111,558,893.85	10,303,665,016.49
2. Increase for the period	79,052,689.44	606,953,008.71	14,234,049.36	10,163,115.08	710,402,862.59
(1) Provision	79,052,689.44	606,953,008.71	14,234,049.36	10,163,115.08	710,402,862.59
3. Decrease for the period	5,364,346.75	58,213,500.14	2,989,496.23	6,332,842.73	72,900,185.85
(1) Disposal or retirement	5,364,346.75	58,213,500.14	2,989,496.23	6,332,842.73	72,900,185.85
4. Closing balance	1,003,043,627.01	9,588,909,029.63	233,825,870.39	115,389,166.20	10,941,167,693.23
III. Provision for impairment					
1. Opening balance	26,220,000.00				26,220,000.00
2. Increase for the period					
3. Decrease for the period					
4. Closing balance	26,220,000.00				26,220,000.00
IV. Book value					
1. Closing book value	4,682,250,566.58	19,661,175,186.12	211,572,003.76	143,416,040.29	24,698,413,796.75
2. Opening book value	4,467,580,651.45	19,898,939,095.08	215,741,478.81	162,470,479.70	24,744,731,705.04

Note: Fixed assets originally valued at RMB68,566,564.48 were internally classified under construction-in-progress by the Company.

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value
Machinery equipment	59,287,663.46	5,006,141.71		54,281,521.75
Housing and building structure	17,543,318.35	2,049,140.24		15,494,178.11
Total	76,830,981.81	7,055,281.95		69,775,699.86



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

13. Fixed assets (Cont'd)

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Item	Book value	Reason for not yet obtaining property right certificates
Shandong Chenming Paper Holdings Limited	194,357,963.84	Processing
Shouguang Meilun Paper Co., Ltd.	731,548,529.04	Processing
Jiangxi Chenming Paper Co., Ltd.	15,494,178.11	Processing
Fuyu Chenming Paper Co., Ltd.	42,373,077.78	Processing
Zhanjiang Chenming Pulp & Paper Co., Ltd.	1,017,773,284.89	Processing
Jilin Chenming Paper Co., Ltd.	457,321,153.37	Processing
Total	2,458,868,187.03	

14. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Book balance	Closing balance		Opening balance		Book value
		Provision for impairment	Book value	Provision for impairment	Book value	
Railway project (parent company)	54,611,317.68		54,611,317.68	223,918,721.46		223,918,721.46
Desulphurisation, denitrification and de-dusted project of power plant (parent company and Meilun)				140,526,292.16		140,526,292.16
Biomass vaporisation upgrade project (Zhanjiang Chenming)	152,428,899.32		152,428,899.32	113,499,021.38		113,499,021.38
New small-sized paper cutting workshop (Zhanjiang Chenming)	19,072,406.97		19,072,406.97	94,353,419.69		94,353,419.69
700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	63,998,482.95		63,998,482.95	142,846,027.30		142,846,027.30
190,000 tonne high-end cultural paper project (Zhanjiang Chenming)	1,666,180,701.67		1,666,180,701.67	950,143,385.07		950,143,385.07
MVR+ multi-effect evaporation plant project (Zhanjiang Chenming)	53,642,719.82		53,642,719.82	29,259,003.60		29,259,003.60
450 tonnes/day mechanical pulp project (Zhanjiang Chenming)	132,531,359.91		132,531,359.91	28,937,113.23		28,937,113.23
Brick plant project (Jilin Chenming)	958,941.60		958,941.60	33,526,397.51		33,526,397.51
7800 paper machine press section upgrade (Jiangxi Chenming)	13,990,230.09		13,990,230.09	13,990,230.09		13,990,230.09
Food packaging paper project (Jiangxi Chenming)	1,108,899,127.45		1,108,899,127.45	919,552,099.41		919,552,099.41
BTMP upgrade (Jiangxi Chenming)	79,604,688.80		79,604,688.80	41,214,162.60		41,214,162.60
Mid-water renovation project (Jiangxi Chenming)	34,852,600.86		34,852,600.86	16,903,145.03		16,903,145.03
Denitrification project (Qianneng Electric Power)				41,968,651.72		41,968,651.72
Magnesite mining (Haicheng Haiming)	403,032,824.11		403,032,824.11	474,178,142.31		474,178,142.31
Forestry pulp integration project (Huanggang Chenming)	322,149,429.52		322,149,429.52	319,549,872.05		319,549,872.05
Others	239,467,983.60		239,467,983.60	124,905,143.92		124,905,143.92
Total	4,345,421,714.36		4,345,421,714.36	3,709,270,828.53		3,709,270,828.53



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

14. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects for the period

Unit: RMB

Item name	Budget	Opening balance	Increase for the period	Transfer to fixed asset for the period	Other deductions for the period	Closing balance	Accumulated investment to budget	Construction in progress	Accumulated capitalised interest	Of which: capitalised interest amount for the period	Capitalisation rate of the interest amount for the period	Source of fund
Railway project (parent company)	240,000,000.00	223,916,721.46	51,264,042.81	220,571,446.59		54,611,317.68	93%	93%	12,381,635.90	459,400.16	6.00%	Self-raised and borrowings
Desalination, desulfurization and de-ashed project of power plant (parent company and Mellur)	143,000,000.00	140,526,292.16	2,275,084.90	142,801,577.06			Completed	Completed	5,666,664.46	1,715,823.60	6.00%	Self-raised and borrowings
Biomass vaporisation project (Zhenjiang Chemming)	263,000,000.00	113,499,021.38	38,929,877.94			152,428,899.32	43%	43%	3,761,157.37	2,517,446.12	6.00%	Self-raised and borrowings
New small-sized paper cutting workshop (Zhenjiang Chemming)	111,000,000.00	94,333,419.69	9,454,663.07	84,735,682.79		19,072,406.97	85%	85%	841,027.89	433,668.48	6.00%	Self-raised and borrowings
700,000 tonne pulp equipment upgrade (Zhenjiang Chemming)	226,000,000.00	142,846,027.20			7,684,544.35	63,999,482.95	63%	63%	9,939,146.74			Self-raised and borrowings
180,000 tonne high-end cultural paper project (Zhenjiang Chemming)	3,097,000,000.00	950,143,385.07	716,037,316.80			1,666,180,701.87	54%	54%	10,882,330.74	10,882,330.74	6.00%	Self-raised and borrowings
M/R multi-effect evaporation plant project (Zhenjiang Chemming)	230,000,000.00	29,259,003.60	24,383,716.22			53,642,719.82	13%	13%	1,045,055.32	1,045,055.32	6.00%	Self-raised and borrowings
450 tonnes/day mechanical pulp project (Zhenjiang Chemming)	80,000,000.00	28,937,113.23	108,594,246.68			132,531,359.91	36%	36%	1,172,324.03	1,172,324.03	6.00%	Self-raised and borrowings
Brick plant project (Jiang Chemming)	36,000,000.00	33,526,367.51	1,609,557.18	34,177,013.09		968,841.60	93%	93%				Self-raised
7800 paper machine press section upgrade (Jiang Chemming)	16,000,000.00	13,940,230.09				13,940,230.09	87%	87%				Self-raised
Food packaging paper project (Jiangxi Chemming)	1,246,000,000.00	919,552,089.41	188,347,028.04			1,108,899,127.45	89%	89%	60,850,434.95	38,843,768.21	6.00%	Borrowings
BTMP renovation project (Jiangxi Chemming)	97,000,000.00	41,214,162.60	38,380,526.20			79,604,688.80	42%	42%	3,559,517.23	1,931,140.92	6.00%	Borrowings
Mid-water renovation project (Jiangxi Chemming)	33,000,000.00	16,933,145.03	17,949,455.83			34,882,600.86	43%	43%	880,390.02	540,280.42	6.00%	Borrowings
Desulfurization project (Qiangren Electric Power)	42,000,000.00	41,988,651.72		41,988,651.72			Completed	Completed				Self-raised
Magnesite mining (Haicheng Haining)	500,000,000.00	474,178,142.31	31,079,572.60		10,224,880.80	403,022,824.11	95%	95%	21,519,293.50			Self-raised and borrowings
Forestry pulp integration project (Huanggang Chemming)	3,463,000,000.00	319,549,872.05	2,699,557.47			322,149,429.52	9%	9%				Self-raised
Others		124,935,143.92	148,515,622.20	33,982,782.51		239,467,983.61			977,184.95	581,489.71		Self-raised and borrowings
Total		3,708,270,626.53	1,375,450,254.74	588,206,833.76	161,072,655.15	4,345,421,714.36	—	—	133,188,121.10	601,027,329.91		—



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

15. Materials for project

Unit: RMB

Item	Closing balance	Opening balance
Special materials	16,506,506.35	22,810,138.46
Special equipment	155,409.00	145,843.92
Total	16,661,915.35	22,955,982.38

16. Intangible assets

Unit: RMB

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	1,521,545,407.58	21,645,247.47	1,543,190,655.05
2. Increase for the period	175,948,913.16	391,034.48	176,339,947.64
(1) Acquisition	175,948,913.16	391,034.48	176,339,947.64
3. Decrease for the period			
4. Closing balance	1,697,494,320.74	22,036,281.95	1,719,530,602.69
II. Accumulated amortisation			
1. Opening balance	207,729,903.04	16,356,326.97	224,086,230.01
2. Increase for the period	15,866,111.54	692,563.04	16,558,674.58
(1) Provision	15,866,111.54	692,563.04	16,558,674.58
3. Decrease for the period			
4. Closing balance	223,596,014.58	17,048,890.01	240,644,904.59
IV. Book value			
1. Closing book value	1,473,898,306.16	4,987,391.93	1,478,885,698.10
2. Opening book value	1,313,815,504.54	5,288,920.50	1,319,104,425.04

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17. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
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

(2) Provision for impairment of goodwill

Goodwill arose from business combination not under common control during prior years.

On the balance sheet date, the management of the Company assessed the recoverable amount of cash-generating unit which results in goodwill, in order to determine whether to make provision for impairment loss accordingly. The recoverable amount of cash-generating unit was determined based on the estimated cash flow in the financial budget for the next five years by the management, and the time value of currency was estimated using the discount rate of 8.32% (2014: 8.32%). Results of impairment test showed that no provision for impairment loss was necessary to be made for goodwill.

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

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	161,793,438.27	248,312.00	3,374,802.28		158,666,947.99
Others	11,897,309.56		375,649.32		11,521,660.24
Total	173,690,747.83	248,312.00	3,750,451.60		170,188,608.23

19. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	370,069,879.65	86,863,890.57	340,772,888.98	79,501,792.10
Unrealised profit arising from intra-group transactions	119,365,269.04	29,841,317.26	110,493,658.36	27,623,414.59
Deductible loss	2,152,727,006.05	479,052,642.49	1,858,290,693.47	451,519,833.69
Outstanding payables	120,278,937.99	23,324,851.69	106,430,519.52	20,362,747.08
Deferred income	114,613,170.77	21,839,815.71	184,861,975.76	41,259,848.98
Total	2,877,054,263.50	640,922,517.72	2,600,849,736.09	620,267,636.44

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	31,138,506.70	31,495,183.10
Deductible loss	448,088,199.65	457,830,039.77
Total	479,226,706.35	489,325,222.87

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

19. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(3) Expiry of deductible loss of unrecognised deferred income tax assets falls in the periods as follows

Unit: RMB

Year	Closing amount	Opening amount	Remark
2015		37,886,444.37	
2016	59,767,165.56	59,767,165.56	
2017	116,596,801.25	116,596,801.25	
2018	140,521,936.04	140,521,936.04	
2019	103,066,581.34	103,057,692.55	
2020	28,135,715.46		
Total	448,088,199.65	457,830,039.77	—

20. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loans	900,000,000.00	900,000,000.00
Payments for real estate	262,000,000.00	162,000,000.00
Payments for land	32,124,242.00	32,124,242.00
Total	1,194,124,242.00	1,094,124,242.00

21. Short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	521,292,800.00	584,082,701.72
Guarantee borrowings	8,753,350,934.25	9,628,636,791.99
Credit borrowings	13,079,057,558.25	10,257,577,099.21
Total	22,353,701,292.50	20,470,296,592.92

Notes on types of short-term borrowings:

- ① Guarantee borrowings were the borrowings obtained by subsidiaries of the Group from financial institutions when the Company acted as their guarantor.
- ② The Group had no short-term borrowings due and outstanding.

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

22. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bills	2,495,752,255.20	1,598,110,792.85
Total	2,495,752,255.20	1,598,110,792.85

Unpaid bills payable due as at the end of the period amounted to nil.

23. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,345,811,085.05	2,965,990,209.36
1-2 years	341,297,068.70	228,866,967.30
2-3 years	118,166,058.24	112,980,731.55
Over 3 years	106,231,857.23	100,528,205.72
Total	2,911,506,069.22	3,408,366,113.93

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Opening balance
SHANDONG HEXIN CHEMICAL GROUP CO., LTD.	38,832,143.38	Temporarily outstanding
QINGDAO XUHUI HYDROGEN PEROXIDE CO., LTD.	15,511,475.73	Temporarily outstanding
TIANJIN GREEN-ANGEL RENEWABLE RESOURCE RECOVERY CO., LTD.	12,918,968.18	Temporarily outstanding
SHANDONG XINLI POWER CO., LTD.	10,803,703.06	Temporarily outstanding
Total	78,066,290.35	—

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

24. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	264,252,877.17	255,718,680.43
1-2 years	22,625,127.76	14,338,046.45
Total	286,878,004.93	270,056,726.88

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reason for being outstanding or not being carried forward
MOTAMED TEJART SEKONJ CO.	20,797,493.77	No delivery requirement from the counterparty
AVA CELLULOSE COMPANY	7,502,713.92	No delivery requirement from the counterparty
JUANCHENG HUA AO RENEWABLE ENERGY TECHNOLOGY CO., LTD.	1,550,000.00	No delivery requirement from the counterparty
WEIFANG LEHUI STARCH TRADING CO., LTD.	1,052,427.59	No delivery requirement from the counterparty
Total	30,902,635.28	—

25. Staff remuneration payables

(1) Particulars of Staff remuneration payables

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	152,531,447.83	409,344,287.81	381,493,460.83	180,382,274.81
II. Retirement benefit plan - defined contribution scheme	1,382,519.32	56,541,207.89	57,443,658.56	480,068.65
III. Lay off welfare	12,075.15	564,419.60	564,419.60	12,075.15
Total	153,926,042.30	466,449,915.30	439,501,538.99	180,874,418.61

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

25. Staff remuneration payables (Cont'd)

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Salaries, bonuses, allowance and subsidies	96,539,011.57	335,998,682.19	310,256,845.87	122,280,847.89
II. Staff welfare		17,471,228.28	17,471,228.28	
III. Social insurance premium	8,257,271.23	21,829,711.81	24,555,990.04	5,530,993.00
Of which: Medical insurance premium	7,283,773.84	16,729,449.93	19,462,436.80	4,550,786.97
Work-related injury insurance premium	5,552.06	3,174,029.94	3,171,186.37	8,395.63
Maternity insurance premium	967,945.33	1,926,231.94	1,922,366.87	971,810.40
IV. Housing provident funds	7,688,871.47	27,519,381.70	26,353,098.53	8,855,154.64
V. Union funds and workers education	21,241,698.02	6,525,283.83	2,856,298.11	24,910,683.74
VI. Other	18,804,595.54			18,804,595.54
Total	152,531,447.83	409,344,287.81	381,493,460.83	180,382,274.81

(3) Particulars of defined contribution scheme

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Pension insurance	1,303,789.76	52,935,308.16	53,823,695.15	415,402.75
2. Unemployment insurance	78,729.56	3,605,899.74	3,619,963.40	64,665.90
Total	1,382,519.32	56,541,207.89	57,443,658.56	480,068.65

26. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	44,500,489.85	27,861,717.80
Business tax	3,210,165.89	5,993,146.04
Enterprise income tax	115,792,001.91	88,084,906.73
Individual income tax	713,362.03	14,783,877.45
Urban maintenance and construction tax	3,571,908.95	2,479,631.43
Educational surcharges and others	3,667,947.20	2,397,509.16
Land use tax	8,950,192.60	11,103,517.24
Property tax	5,373,963.50	6,146,726.60
Stamp duty	1,313,019.91	2,249,056.49
Total	187,093,051.84	161,100,088.94

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

27. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	229,597,777.74	62,417,222.24
Interest on medium-term notes	119,527.72	27,455,083.26
Interest on privately placed bonds	16,675,000.00	60,175,000.00
Total	246,392,305.46	150,047,305.50

28. Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
Dividend on ordinary shares	271,096,765.38	
Total	271,096,765.38	

29. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	776,793,883.38	578,321,880.79
1-2 years	240,965,864.80	149,759,077.76
2-3 years	77,725,163.59	20,710,865.78
Over 3 years	49,616,536.82	34,999,060.28
Total	1,145,101,448.59	783,790,884.61



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

29. Other payables (Cont'd)

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for being outstanding or not being carried forward
LIAONING BEIHAI INDUSTRIES GROUP CO., LTD.	33,070,700.00	Debt investments as agreed by shareholders of subsidiaries
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT COMPANY LIMITED	19,831,479.17	Debt investments as agreed by shareholders of subsidiaries
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding
CHINA RAILWAY NO. 10 ENGINEERING GROUP CO., LTD.	3,500,000.00	Temporarily outstanding
Total	65,202,179.17	—

30. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,229,998,100.00	1,099,968,900.00
Total	1,229,998,100.00	1,099,968,900.00

31. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term commercial paper	3,632,120,000.00	
Total	3,632,120,000.00	

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

32. Long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,655,265,709.91	2,790,688,300.00
Guarantee borrowings	1,181,832,068.00	1,274,978,809.25
Credit borrowings	1,859,961,805.54	1,412,592,035.94
Less: Long-term borrowings due within 1 year	1,229,998,100.00	1,099,968,900.00
Total	4,467,061,483.45	4,378,290,245.19

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
11 Chenming debt	1,995,862,156.18	1,993,899,974.62
12 Chenming debt	3,785,885,291.49	3,783,231,333.39
Total	5,781,747,447.67	5,777,131,308.01

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Others	Closing balance
11 Chenming debt	2,000,000,000.00	2011/07/06	5 years	1,982,000,000.00	1,993,899,974.62		59,500,000.00	1,962,181.56			1,995,862,156.18
12 Chenming debt	3,800,000,000.00	2012/02/26	5 years	3,773,400,000.00	3,783,231,333.39		107,350,000.00	2,653,958.10			3,785,885,291.49
Total	—	—	—	5,755,400,000.00	5,777,131,308.01		166,850,000.00	4,616,139.66			5,781,747,447.67

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

34. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Huanggang Chenming integrated forestry, pulp and paper project	161,983,516.66			161,983,516.66	Special government grant for the integrated forestry, pulp and paper project
Total	161,983,516.66			161,983,516.66	—

35. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grant	1,476,121,434.78	27,188,466.07	40,285,971.51	1,463,023,929.34	
Total	1,476,121,434.78	27,188,466.07	40,285,971.51	1,463,023,929.34	—

Items in respect of government grant:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Amount included in non-operating income	Closing balance	Asset-related/ income-related
Special subsidy funds for environmental protection	1,001,623,109.60		28,148,226.98	973,474,882.62	Asset-related
Project fund for National technological support scheme	5,832,271.70		246,226.65	5,586,045.05	Asset-related
Special subsidy fund for Songhuajiang environmental protection project	25,883,079.72		515,000.04	25,368,079.68	Asset-related
Modification of alkaline recycling system	4,700,609.23			4,700,609.23	Asset-related
Sewage treatment and water conservation reconfiguration project	10,918,732.67	2,000,000.00	519,599.54	12,399,133.13	Asset-related
Financial grants for technological modification project	114,303,225.21			114,303,225.21	Asset-related
Zhanjiang integrated forestry, pulp and paper project	266,329,668.36		6,145,803.05	260,183,865.31	Asset-related
Interest subsidy	30,907,617.74		792,408.33	30,115,209.41	Asset-related
Railway line change compensation	14,250,000.00	18,278,000.00		32,528,000.00	Asset-related
Others	1,373,120.55	6,910,466.07	3,918,706.92	4,364,879.7	Asset-related
Total	1,476,121,434.78	27,188,466.07	40,285,971.51	1,463,023,929.34	—

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

36. Other Non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	1,092,946,061.11	1,091,270,700.55
Privately placed bonds	1,495,829,620.47	1,493,497,659.09
Total	2,588,775,681.58	2,584,768,359.64

37. Share capital

Item	Opening balance	Increase/decrease for the period (+, -)				Subtotal	Closing balance
		Issue of new shares	Bonus shares	Shares converted from reserve	Others		
RMB ordinary shares (A shares)	1,113,278,456.00						1,113,278,456.00
Domestic listed foreign shares (B shares)	470,923,511.00						470,923,511.00
Overseas listed foreign shares (H shares)	352,203,500.00						352,203,500.00
Total number of shares	1,936,405,467.00						1,936,405,467.00

38. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	5,478,814,366.20	1,403.40		5,478,815,769.60
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,136,873.41	1,403.40		6,149,138,276.81

Note on the increase/decrease for the period: the Company received income arising from disposal of 463 odd lots for equity distributions by China Securities Depository and Clearing Co., Ltd, with capital premium under capital reserves up by RMB1,403.40.

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

39. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before Income tax for the period	Amount for the period			Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax		
II. Other comprehensive income to be reclassified to profit or loss in subsequent periods	33,763,168.13	16,017,289.88			16,017,289.88		49,780,458.01
Exchange differences on translation of foreign operations	33,763,168.13	16,017,289.88			16,017,289.88		49,780,458.01
Total other comprehensive income	33,763,168.13	16,017,289.88			16,017,289.88		49,780,458.01

40. Surplus reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	1,132,116,106.40			1,132,116,106.40
Total	1,132,116,106.40			1,132,116,106.40

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

The Company can transfer the discretionary surplus reserve upon the transfer of statutory surplus reserve. Once approved, the discretionary surplus reserve can be used to offset loss for prior years or increase the share capital.

41. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	4,665,921,686.21	4,741,638,941.58
Retained profit as at the beginning of the year after adjustment	4,665,921,686.21	4,741,638,941.58
Plus: Net profit for year attributable to shareholders of the parent company	276,388,070.51	242,379,341.87
Dividend on ordinary shares payable	271,096,765.38	580,921,640.10
Retained profit as at the end of the period	4,671,212,991.34	4,403,096,643.35

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

42. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88
Other activities	180,459,517.72	115,823,710.04	120,399,215.76	57,920,162.43
Total	9,718,697,677.76	7,370,384,661.31	9,082,020,579.01	7,378,998,628.31

(2) Principal activities (by industry)

Unit: RMB

Industry name	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
I. Machine-made paper	8,868,460,907.69	6,966,238,393.81	8,545,843,565.79	7,004,509,499.62
II. Electricity and steam	180,357,434.35	123,066,649.13	198,681,459.85	144,716,153.44
III. Construction materials	102,073,407.08	83,247,439.35	94,627,856.04	76,921,331.07
IV. Paper chemicals	49,824,616.83	37,848,419.37	42,387,862.87	27,967,694.33
V. Hotel	13,576,184.58	3,305,692.10	14,901,686.03	3,398,372.51
VI. Others	323,945,609.51	40,854,357.51	65,178,932.67	63,565,414.91
Total	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88

(3) Principal activities (by products)

Unit: RMB

Product name	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Light weight coated paper	326,115,470.96	279,821,845.40	348,081,994.57	316,335,859.11
Duplex press paper	2,180,961,187.95	1,657,673,349.40	1,441,112,796.55	1,134,551,552.38
Writing paper	107,445,824.99	86,557,656.08	82,378,061.06	62,326,659.34
Coated paper	2,096,633,394.41	1,599,511,246.83	2,185,259,143.15	1,820,063,708.25
Newsprint paper	478,061,938.68	373,295,620.43	519,433,041.74	385,119,601.80
Paperboard	134,207,618.47	133,491,068.66	375,085,910.27	356,635,077.75
White paper board	874,197,258.30	680,079,684.48	940,339,733.70	758,413,648.95
Other machine-made paper	2,670,838,213.93	2,155,807,922.53	2,654,152,884.75	2,171,063,392.04
Electricity and steam	180,357,434.35	123,066,649.13	198,681,459.85	144,716,153.44
Construction materials	102,073,407.08	83,247,439.35	94,627,856.04	76,921,331.07
Paper chemicals	49,824,616.83	37,848,419.37	42,387,862.87	27,967,694.33
Hotel	13,576,184.58	3,305,692.10	14,901,686.03	3,398,372.51
Others	323,945,609.51	40,854,357.51	65,178,932.67	63,565,414.91
Total	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88



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

42. Revenue and operating costs (Cont'd)

(4) Principal activities (by geographical areas)

Unit: RMB

Region	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	7,791,146,285.63	5,690,144,127.24	7,170,230,465.09	5,592,480,772.13
Other countries and regions	1,747,091,874.41	1,564,416,824.03	1,791,390,898.16	1,728,597,693.75
Total	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88

(5) Revenue from top 5 customers of the Company

Unit: RMB

Name of customers	Revenue from principal activities	Percentage of the total revenue of the Company
ANHUI TIME SOURCE CORPORATION	171,252,662.89	1.76%
GUANGZHOU QIRUN PAPER CO., LTD.	153,089,835.94	1.58%
SUN HING PAPER COMPANY LIMITED	128,615,773.07	1.32%
QINGZHOU BODA PAPER INDUSTRY TRADE CO., LTD.	93,684,212.54	0.96%
SHANXI PRINTING MATERIALS COMPANY	92,748,188.10	0.95%
Total	639,390,672.54	6.57%

43. Business taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Business tax	19,400,227.56	7,697,521.89
Urban maintenance and construction tax	16,740,456.80	15,024,834.72
Educational surcharges	12,358,128.23	10,916,129.06
Water engineering fund	1,783,828.10	1,762,616.71
Others	951,335.97	99,365.40
Total	51,233,976.66	35,500,467.78

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

44. Selling and distribution expenses

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Wages and surcharges	66,708,475.58	57,340,886.65
Depreciation expenses	7,557,306.43	6,550,079.09
Office expenses	2,654,553.22	2,862,634.37
Utilities expenses	731,477.06	2,966,516.84
Transportation expenses	385,939,578.36	362,833,373.61
Cargo handling charges	8,831,019.32	10,095,500.94
Travel expenses	11,318,593.17	18,572,630.54
Business hospitality expenses	30,516,524.35	26,772,603.81
Warehouse expenses	1,237,873.64	2,282,782.55
Rental expenses	3,696,435.77	3,481,975.81
Others	31,881,986.81	30,834,827.29
Total	551,073,823.71	524,593,811.50

45. General and administrative expenses

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Wages and surcharges	105,419,008.08	106,906,249.56
Labour insurance premium	16,700,430.65	14,862,809.78
Insurance premium	12,324,495.70	8,827,642.09
Depreciation expenses	28,262,329.34	26,501,576.92
Waste disposal expenses	9,665,816.77	12,254,789.79
Hospitality expenses	11,185,607.21	9,912,486.52
Amortisation of intangible assets	15,314,635.35	16,447,714.13
Technological development expenses	278,819,214.56	186,069,011.06
Tax	53,206,906.69	45,082,265.72
Production interruption loss	27,688,971.32	12,826,530.73
Others	95,666,553.59	60,442,805.33
Total	654,253,969.26	500,133,881.63

46. Finance expenses

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Interest expenses	859,956,368.86	738,288,648.90
Less: interest income	135,953,439.72	110,234,151.75
capitalised interest amount	65,915,001.73	108,362,453.17
Foreign exchange gains and losses	11,682,749.13	67,827,125.18
Others	75,701,602.57	39,092,619.31
Total	745,472,279.11	626,611,788.47

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

47. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on bad debts	35,368,247.15	16,314,635.37
Total	35,368,247.15	16,314,635.37

48. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Consumable biological assets measured at fair value	-2,177,906.88	967,670.22
Total	-2,177,906.88	967,670.22

49. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-2,145,031.45	-1,890,171.00
Investment gain on disposal of long-term equity investments		-8,613,803.41
Income on external entrusted loans	48,777,777.77	31,722,222.23
Total	46,632,746.32	21,218,247.82

50. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total gain on disposal of non-current assets	7,042,678.94	82,529,609.62	7,042,678.94
Of which: Gain on disposal of fixed assets	7,042,678.94	2,063,679.26	7,042,678.94
Gain on disposal of intangible assets		80,465,930.36	
Gain on debt restructuring	23,308.47	3,061,355.81	23,308.47
Government grants	58,824,671.63	101,272,967.41	58,824,671.63
Income from Wuhan relocation		35,817,460.19	
Special payables for Jilin		23,895,319.77	
Others	9,199,379.45	7,134,759.98	9,199,379.45
Total	75,090,038.49	253,711,372.78	75,090,038.49

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

50. Non-operating income (Cont'd)

Government grants included in profit or loss for the period:

Unit: RMB

Grants item	Amount for the period	Amount for the prior period	Asset-related/income-related
Amortised deferred income	40,285,971.51	12,511,278.48	Asset-related
Grants income	18,538,700.12	88,251,830.80	Income-related
Value-added tax refund		509,758.13	Income-related
Total	58,824,671.63	101,272,867.41	—

51. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total loss on disposal of non-current assets	2,683,749.34	8,764,674.26	2,683,749.34
Of which: loss on disposal of fixed assets	2,683,749.34	8,764,674.26	2,683,749.34
Loss on debt restructuring		2,437,729.14	
Others	647,280.50	2,825,702.47	647,280.50
Total	3,331,029.84	14,028,105.87	3,331,029.84

52. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	191,848,281.24	89,458,831.33
Deferred income tax expenses	-18,436,978.63	-55,425,786.21
Total	173,411,302.61	34,033,045.12

53. Other comprehensive income

For details, please see Note VII. 38.

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

54. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Finance support fund	18,538,700.12	88,938,673.30
Interest income	135,953,439.72	110,234,151.75
External security deposit of financial leasing companies	401,299,619.20	
Open credit, and income from default penalty and fine	15,335,120.26	37,124,216.38
Total	571,126,879.30	236,297,041.43

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expense and open credit	840,721,979.08	772,114,548.81
Net increase in principal receivables relating to finance lease business	3,354,524,658.13	
Total	4,195,246,637.21	772,114,548.81

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Compensation for demolition in Jilin		100,000,000.00
Government grants	30,104,688.00	30,000,000.00
Special subsidy funds		100,000,000.00
Interest income on entrusted loans	1,333,333.33	
Total	31,438,021.33	230,000,000.00

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Entrusted loans to external entities		1,000,000,000.00
Total		1,000,000,000.00

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

54. Items on statements of cash flow (Cont'd)

(5) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest-free loan received by Jiangxi Chenming from the government		68,000,000.00
Total		68,000,000.00

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Acquisition of personal equity interest by Chenming Power		21,055,491.00
Increase in restricted bank deposits	1,767,785,037.29	624,525,528.54
Total	1,767,785,037.29	645,581,019.54

55. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1.Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	253,713,266.04	227,703,505.78
Plus: Provision for impairment of assets	35,368,247.15	16,314,635.37
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	711,271,990.61	690,604,514.36
Amortisation of intangible assets	16,558,674.58	27,243,687.93
Amortisation of long-term prepaid expenses	3,502,139.60	2,788,501.58
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-4,358,929.60	-73,764,935.36
Loss on changes in fair value (“-” denotes gain)	2,177,906.88	-967,670.22
Finance expenses (“-” denotes gain)	859,956,368.86	738,288,648.90
Investment loss (“-” denotes gain)	-46,632,746.32	-21,218,247.82
Decrease in deferred income tax assets (“-” denotes increase)	-20,654,881.28	-55,636,757.52
Decrease in inventories (“-” denotes increase)	169,131,091.67	-422,542,327.27
Decrease in operating receivables (“-” denotes increase)	-4,362,330,469.00	-27,817,205.10
Increase in operating payables (“-” denotes decrease)	159,541,706.08	184,699,910.50
Net cash flows from operating activities	-2,222,755,634.73	1,285,696,261.13
2.Major investing and financing activities not involving cash settlements:	—	—
3.Net change in cash and cash equivalents:	—	—
Closing balance of cash	725,178,041.37	911,352,831.14
Less: Opening balance of cash	976,096,861.30	726,532,928.96
Net increase in cash and cash equivalents	-250,918,819.93	184,819,902.18

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

55. Supplementary information on cash flow statement (Cont'd)

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	725,178,041.37	976,096,861.30
Of which: Treasury cash	2,674,558.52	1,437,037.09
Bank deposit that can be used for payment at any time	722,503,482.85	974,659,821.21
II. Balance of cash and cash equivalent as at end of period	725,178,041.37	976,096,861.30

Notes: ① As at 30 June 2015, restricted monetary funds amounted to RMB6,267,346,362.09 (31 December 2014: RMB4,499,561,324.80).

② Restricted cash and cash equivalents is not included in cash.

56. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	6,267,346,362.09	As pledges for bank borrowings, guarantee deposits for bank acceptance bills and letter of credit deposits, and deposit reserves
Bills receivable	757,983,993.12	As collaterals for short-term borrowings, and bills payable
Fixed assets	4,630,422,015.73	As collaterals for bank borrowings
Intangible assets	312,678,357.56	As collaterals for bank borrowings
Total	11,968,430,728.50	—

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

57. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Of which: USD	54,429,818.79	6.1136	332,762,140.15
EUR	2,163,428.35	6.8699	14,862,536.45
HKD	334,441.61	0.7886	263,744.00
JPY	233,385,826.00	0.050052	11,681,427.36
GBP	68,921.84	9.6422	664,558.17
Accounts receivable			
Of which: USD	39,866,132.99	6.1136	243,725,590.63
EUR	2,080,726.47	6.8699	14,294,382.78
JPY	161,737,447.00	0.0501	8,095,282.70
Long-term borrowings			
Of which: USD	384,466,000.00	6.1136	2,350,471,337.60
EUR	67,000,000.00	6.8699	460,283,300.00
Accounts payable			—
Of which: USD	47,050,786.30	6.1136	287,649,687.10
EUR	3,606,626.07	6.8699	24,777,160.46
Short-term borrowings			
Of which: USD	977,890,454.76	6.1136	5,978,431,084.22
EUR	379,489,903.27	6.8699	2,607,057,686.47
JPY	1,218,680,000.00	0.050052	60,997,371.36

- (2) Explanation on overseas operating entities (including major overseas operating entities), shall disclose their overseas principal places of business, reporting currency and basis. Reasons shall be disclosed if there is any change in the reporting currency.

√ Applicable □ Not applicable

Name of subsidiary	Principal place of business	Place of incorporation	Reporting currency
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD
Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Korean Won

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VIII. Change in scope of consolidation

1. Change in scope of consolidation due to other reasons

During the reporting period, the Company invested and established two companies namely Jinan Chenming Investment Management Co., Ltd. and Chenming Paper Korea Co., Ltd.

In order to expand the customer base of the Finance Company, fully utilise the investment and financing functions of Finance Company and enhance its profitability, the Company established a wholly-owned subsidiary, namely Jinan Chenming Investment Management Co., Ltd., in Jinan. The registered capital of Jinan Chenming is RMB100.00 million, and Jinan Chenming has been consolidated into the financial statements of the Company since January 2015.

In order to strengthen the overseas sales of the Company, further increase the market share of the Company's products in Korea and establish a wider and more comprehensive sales network, the Company established a wholly-owned subsidiary, namely Chenming Paper Korea Co., Ltd., in Korea. The registered capital of Chenming Korea is US\$1.00 million, and Chenming Korea has been consolidated into the financial statements of the Company since April 2015.

IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper manufacturing	50.93%		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power	100.00%		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper manufacture	75.00%		Establishment
Haicheng Haiming Mining Co., Ltd.	Haicheng, China	Haicheng, China	Mining	60.00%		Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper manufacture	51.00%	49.00%	Establishment
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper manufacture	100.00%		Merger and acquisition
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	70.00%		Establishment
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper manufacture	100.00%		Establishment
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Trade of paper	100.00%		Establishment
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	100.00%		Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper manufacture	75.00%		Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper manufacture	100.00%		Establishment
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp	100.00%		Establishment
Huanggang Chenming Arboriculture Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	100.00%		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper manufacture	100.00%		Establishment
Shouguang Shun Da Customs Declaration Co, Ltd.	Shouguang, China	Shouguang, China	Customs declaration	100.00%		Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper	100.00%		Establishment
Chenming International Co., Ltd.	Los Angeles, the United States	Los Angeles, the United States	Trade of paper	100.00%		Establishment
Shouguang Chenming Hongxin Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging	100.00%		Establishment
Shouguang Chenming Industrial Logistics Co., Ltd.	Shouguang, China	Shouguang, China	Logistics	100.00%		Establishment
Shouguang Chenming Jiatai Property Management Co., Ltd.	Shouguang, China	Shouguang, China	Property management	100.00%		Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	100.00%		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	100.00%		Establishment
Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Trade of paper	100.00%		Establishment
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Trade of paper	100.00%		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	100.00%		Merger and acquisition
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper	100.00%		Establishment
Shandong Chenming Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	80.00%	20.00%	Establishment
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	100.00%		Establishment
Qingdao Chenming International Logistics Co., Ltd.	Qingdao, China	Qingdao, China	Logistics	30.00%	70.00%	Establishment
Zhanjiang Chenming Arboriculture Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture		100.00%	Establishment
Yangjiang Chenming Arboriculture Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture		100.00%	Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment		51.00%	Merger and acquisition
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Pulp		100.00%	Establishment
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials		100.00%	Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Electric Power		51.00%	Establishment
Jilin Chenming Machinery Manufacturing Co., Limited	Jilin, China	Jilin, China	Machinery manufacturing		100.00%	Establishment
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall Materials		100.00%	Establishment
Shouguang Chenming Cement Co., Limited	Shouguang, China	Shouguang, China	Cement		100.00%	Establishment
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panel		100.00%	Merger and acquisition
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board		100.00%	Merger and acquisition
Nanchang Chenming Arboriculture Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture		100.00%	Establishment
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging		100.00%	Merger and acquisition
Shouguang Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal		100.00%	Merger and acquisition
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and sales of waste and obsolete materials		100.00%	Merger and acquisition
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics		100.00%	Merger and acquisition
Wuxi Song Ling Paper Co., Ltd.	Wuxi, China	Wuxi, China	Paper manufacture		100.00%	Merger and acquisition
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment		100.00%	Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing		100.00%	Establishment
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Export of paper	100.00%		Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority interests	Gain or loss attributable to minority interests during the period	Dividend to minority interests declared during the period	Closing balance of minority interests
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	49.07%	-14,837,216.23		177,157,936.71
Shouguang Chenming Art Paper Co., Ltd.	25.00%	-1,949,570.64		30,018,349.08
Shandong Grand View Hotel Co., Ltd.	30.00%	-3,288,047.54		-26,280,915.72
Hailaer Chenming Paper Co., Ltd.	25.00%	-30,092.25		15,016,364.47
Haicheng Haiming Mining Co., Ltd.	40.00%			96,000,000.00
Guangdong Huirui Investment Co., Ltd.	49.00%	-2,569,877.81		116,138,392.85

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Non-current assets		Closing balance		Non-current liabilities		Opening balance		Non-current liabilities		
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Current assets	Current liabilities	Total assets	Current liabilities	Total liabilities	
Wuluan Chemming Hanyang Paper Holdings Co., Ltd.	1,897,937,549.37	1,414,171,464.27	3,312,109,013.64	2,718,187,881.19	2,994,240,294.76	1,559,637,606.19	1,419,006,574.94	2,978,644,181.13	2,621,126,071.09	8,505,849.24	2,629,631,920.33
Shouguang Chemming Art Paper Co., Ltd.	381,493,710.03	799,785,536.60	1,181,279,246.63	1,061,205,850.35	1,061,205,850.35	294,635,745.00	819,868,366.27	1,114,504,111.27	966,632,432.45		966,632,432.45
Shandong Grand View Hotel Co., Ltd.	17,091,070.57	231,050,604.10	248,141,674.67	335,744,727.08	335,744,727.08	11,107,146.29	229,688,471.01	240,795,617.30	317,498,511.24		317,498,511.24
Hallaer Chemming Paper Co., Ltd.	22,858,239.35	41,823,416.58	64,681,655.93	4,616,198.05	4,616,198.05	22,878,688.35	41,823,416.58	64,702,024.93	4,516,198.05		4,516,198.05
Haiheng Haiming Mining Co., Ltd.	10,289,303.69	519,881,543.45	529,970,847.14	289,970,847.14	289,970,847.14	7,833,989.36	486,500,236.27	494,334,225.63	254,334,225.63		254,334,225.63
Guangdong Huihui Investment Co., Ltd.	889,293,595.08	514,343.63	889,807,938.71	88,140,810.45	632,790,810.45	1,170,292,476.52	626,555.39	1,170,919,031.91	10,667,255.05	916,000,000.00	926,667,255.05

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries (Cont'd)

Unit: RMB

Name of subsidiary	Amount for the period				Amount for the prior period			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	504,601,887.41	-31,143,541.92	-31,143,541.92	-268,479,365.20	388,107,042.65	-43,072,801.22	-43,072,801.22	151,322,621.93
Shouguang Chenming Art Paper Co., Ltd.	295,354,809.85	-7,798,282.54	-7,798,282.54	193,199,052.24	230,288,213.32	-588,613.87	-588,613.87	85,739,220.13
Shandong Grand View Hotel Co., Ltd.	16,833,253.63	-10,960,158.47	-10,960,158.47	89,407,600.37	17,937,917.48	-12,201,527.81	-12,201,527.81	3,917,533.83
Hailaer Chenming Paper Co., Ltd.		-120,369.00	-120,369.00	-20,369.00		-473,111.30	-473,111.30	-23,111.30
Haicheng Haiming Mining Co., Ltd.				107,237,545.29				-3,663,018.96
Guangdong Huirui Investment Co., Ltd.		-5,244,648.60	-5,244,648.60	6,427.64		-1,466,366.56	-1,466,366.56	-99,741,192.83

2. Interest in joint arrangements or associates

(1) Major joint ventures or associates

Name of joint venture or associate	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method for investments of joint ventures or associates
				Direct	Indirect	
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang, China	Shouguang, China	Construction materials	50.00%		Equity method
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper manufacture	30.00%		Equity method
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Nanchang, China	Nanchang, China	Printing	21.16%		Equity method
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Wuhan, China	Wuhan, China	Real estate development	40.00%		Equity method
Jiangxi Chenming Port Co., Ltd.	Nanchang, China	Nanchang, China	Handling and transportation of goods and storage	40.00%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investments	33.33%		Equity method

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IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

	Unit: RMB	
	Closing balance/ Amount for the period Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Opening balance/ Amount for the prior period Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.
Current assets	6,623,320.13	4,493,895.83
Of which: Cash and cash equivalents	822,875.37	2,450,044.70
Non-current assets	2,119,960.67	1,613,798.14
Total assets	8,743,280.80	6,107,693.97
Current liabilities	2,753,556.28	108,118.00
Total liabilities	2,753,556.28	108,118.00
Equity interest attributable to shareholders of the parent company	5,989,724.52	5,999,575.97
Share of net assets based on shareholding	2,994,862.26	2,999,787.99
Carrying amount of investment in joint ventures	2,994,862.26	2,999,787.99
Finance expenses	-395.35	-7,037.86
Net profit	-9,851.45	-424.03
Total comprehensive income	-9,851.45	-424.03

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IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

	Closing balance/Amount for the period			Opening balance/Amount for the prior period		
	Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Jiangxi Chenming Port Co., Ltd.	Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Jiangxi Chenming Port Co., Ltd.
Current assets	35,686,323.18	1,542,869,553.88	25,765,613.78	34,431,533.02	1,157,970,131.09	8,473,980.97
Non-current assets	15,801,814.20	14,252,021.85	46,898,670.85	17,470,498.79	11,277,947.09	47,257,698.90
Total assets	51,488,137.38	1,557,121,575.73	72,664,284.63	51,902,031.81	1,169,248,078.18	55,731,679.87
Current liabilities	31,070,784.31	582,922,589.71	56,287,311.23	29,866,178.33	593,911,543.51	41,194,230.66
Non-current liabilities		924,006,853.14			518,810,800.00	
Total liabilities	31,070,784.31	1,506,929,442.85	56,287,311.23	29,866,178.33	1,112,722,343.51	41,194,230.66
Equity interest attributable to shareholders of the parent company	20,417,353.07	50,192,132.88	16,376,973.40	22,035,853.48	56,525,734.67	14,537,449.21
Share of net assets based on shareholding	4,320,311.90	20,076,853.15	6,550,789.36	4,662,786.59	22,610,293.87	5,814,979.68
Carrying amount of investment in associates	4,320,311.90	20,076,853.15	6,550,789.36	4,662,786.59	22,610,293.87	5,814,979.68
Revenue	10,680,633.81		35,462,629.99	22,626,028.80		2,786,061.08
Net profit	-1,540,788.41	-6,333,601.79	1,839,524.19	-389,395.82	-12,153,281.78	-532,550.79
Total comprehensive income	-1,540,788.41	-6,333,601.79	1,839,524.19	-389,395.82	-12,153,281.78	-532,550.79

(4) Excess loss of joint ventures or associates

Unit: RMB

Name of joint venture or associate	Accumulated unrecognised loss incurred for prior periods	Unrecognised loss (or share of net profit) for the period	Accumulated unrecognised loss as at the end of the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.		7,308,869.16	7,308,869.16

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X. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Nature of business	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Shouguang Chenming Holdings Co., Ltd	Shouguang City	Investment in paper manufacture, electricity and steam, etc. with its self-owned funds	RMB 1,685.42 million	15.13%	15.13%

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office.

2. Subsidiaries of the Company

Please refer to Note IX. 1. Interest in subsidiaries for details of subsidiaries of the Company.

3. Joint ventures and associates of the Company

Please refer to Note IX. 2. Interest in joint ventures or associates for details of joint ventures and associates of the Company.

Balance of related-party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

Name of joint venture or associate	Relation with the Company
Anhui Time Source Corporation	An associate of the Company
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	An associate of the Company

4. Other related parties

Name of other related party	Relation with the Company
Shouguang Hengtai Enterprise Investment Company Limited	A company invested by the senior management of the Company
Jiangxi Chenming Natural Gas Co., Ltd.	A company indirectly controlled by the senior management of the Company

Shouguang Hengtai Enterprise Investment Company Limited (“Hengtai Enterprise”) was a company under the joint control of certain Directors, Supervisors and senior management of the Company held by Mr. Chen Hongguo, the chairman and general manager of the Company, as to 60.36% and by Mr. Yin Tongyuan, the vice chairman, Mr. Gao Junjie, the chairman of the Supervisory Committee, Ms. Li Xueqin, a deputy general manager, and other Directors, Supervisors and members of the senior management as to 37.28%.

Jiangxi Chenming Natural Gas Co., Ltd. is a controlling subsidiary of Hengtai Enterprise.

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X. Related parties and related party transactions (Cont'd)

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods and receipt of services

Unit: RMB

Related party	Details of related party transactions	Amount for the period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Purchase of energy	75,389,778.88	320,000,000.00	No	0.00

Table on sales of goods and provision of services

Unit: RMB

Related party	Details of related party transactions	Amount for the period	Amount for the prior period
Anhui Time Source Corporation	Sales of paper	200,365,615.54	148,237,093.34
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Sales of paper	123,096.60	0.00

(2) Guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	73,363,200.00	13 November 2013	12 November 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	61,136,000.00	16 June 2014	15 June 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	27 October 2014	26 October 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	183,408,000.00	28 October 2014	27 October 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,911,461.98	28 October 2014	19 October 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	11 November 2014	6 November 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,568,000.00	21 November 2014	20 November 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	75,000,000.00	19 December 2014	18 December 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	122,272,000.00	30 December 2014	29 December 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	55,000,000.00	6 January 2015	5 July 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	15 January 2015	14 July 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	15 January 2015	14 January 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	27 January 2015	8 January 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	28 January 2015	8 January 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	31 January 2015	8 January 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	17 February 2015	14 August 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	10 March 2015	3 September 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	150,000,000.00	26 March 2015	25 March 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	30 March 2015	29 March 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	13 April 2015	12 April 2015	No

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X. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	15 May 2015	14 May 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	3 June 2015	27 October 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	89,747,648.00	5 June 2015	27 October 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	29 June 2015	28 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	59,301,920.00	29 June 2015	28 June 2017	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	6 January 2015	5 January 2016	No
Jiangxi Chenming Paper Co., Ltd.	65,776,479.99	3 February 2015	31 July 2015	No
Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	21 April 2015	20 April 2016	No
Huanggang Chenming Arboriculture Co., Ltd.	20,000,000.00	18 December 2014	17 December 2017	No
Huanggang Chenming Arboriculture Co., Ltd.	15,000,000.00	20 April 2015	20 April 2018	No
Shandong Chenming Paper Sales Co., Ltd.	1,693,256,388.06	9 January 2015	18 December 2015	No
Shandong Chenming Paper Sales Co., Ltd.	218,065,768.59	12 May 2015	11 November 2015	No
Shandong Chenming Paper Sales Co., Ltd.	670,000,000.00	6 March 2015	20 November 2015	No
Chenming (HK) Limited	219,783,920.00	2 April 2014	27 March 2016	No
Chenming (HK) Limited	185,792,304.00	21 August 2014	19 August 2015	No
Chenming (HK) Limited	212,753,280.00	22 August 2014	19 August 2015	No
Chenming (HK) Limited	183,408,000.00	16 September 2014	4 September 2015	No
Chenming (HK) Limited	183,408,000.00	24 October 2014	14 October 2015	No
Chenming (HK) Limited	282,876,272.00	1 December 2014	29 November 2015	No
Chenming (HK) Limited	275,112,000.00	3 December 2014	28 November 2015	No
Chenming (HK) Limited	182,674,368.00	17 December 2014	14 December 2015	No
Chenming (HK) Limited	79,904,752.00	7 January 2015	6 July 2015	No
Chenming (HK) Limited	97,206,240.00	14 January 2015	21 December 2015	No
Chenming (HK) Limited	54,250,875.40	23 January 2015	17 July 2015	No
Chenming (HK) Limited	893,087,000.00	13 February 2015	3 February 2016	No
Chenming (HK) Limited	90,481,280.00	10 February 2015	9 February 2016	No
Chenming (HK) Limited	116,769,760.00	3 February 2015	1 February 2016	No
Chenming (HK) Limited	186,174,290.00	10 March 2015	19 February 2016	No
Chenming (HK) Limited	170,365,643.38	26 March 2015	6 December 2015	No
Chenming (HK) Limited	96,594,880.00	26 March 2015	6 March 2015	No
Chenming (HK) Limited	240,446,500.00	23 April 2015	18 April 2016	No
Chenming (HK) Limited	103,048,500.00	27 April 2015	20 April 2016	No
Chenming (HK) Limited	192,888,682.56	7 May 2015	29 February 2016	No
Shandong Chenming Financial Leasing Co., Ltd.	458,212,500.00	22 May 2015	26 March 2018	No
Shouguang Meilun Paper Co., Ltd.	107,758,216.00	13 April 2015	10 October 2015	No
Shouguang Meilun Paper Co., Ltd.	119,308,072.28	12 May 2015	11 November 2015	No
Shouguang Meilun Paper Co., Ltd.	285,000,000.00	9 February 2015	8 August 2015	No
Guangdong Huirui Investment Co., Ltd.	40,000,000.00	28 November 2013	27 November 2015	No

IX Financial Report

X. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related parties loans

Unit: RMB

Related party	Loan amount	Starting date	Expiry date	Explanation
Loan to Wuhan Chenming Wan Xing Real Estate Co., Ltd	350,000,000.00	5 January 2014	5 January 2017	Expenditure for real estate development to be undertaken by the Company under agreement

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Anhui Time Source Corporation	56,493,413.75	2,824,670.69	53,968,115.20	2,698,405.76
Other receivables	Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,290,901.12	1,290,901.12	1,290,901.12	1,290,901.12
	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	1,253,967,971.74		959,825,877.41	

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Jiangxi Chenming Natural Gas Co., Ltd.	5,299,520.52	
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	24,478,614.71	23,572,279.17
	Shouguang Chenming Holdings Co., Ltd		209,980,923.16

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XI. Undertaking and contingency

1. Capital commitment

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	1,850,084,703.32	1,862,762,913.64
Huirui BT Project	2,600,000,000.00	3,000,000,000.00
Total	4,450,084,703.32	4,862,762,913.64

2. Operating lease commitments

As at the balance sheet date, the Company had entered into irrevocable operating lease contracts with external parties as follows:

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after the balance sheet date	11,459,656.80	16,835,729.16
The second year after the balance sheet date	14,226,725.64	14,161,003.48
The third year after the balance sheet date	13,959,231.66	14,443,483.94
In the years thereafter	552,996,957.89	560,010,105.37
Total	592,642,572.00	605,450,321.95

IX Financial Report

XII. Notes to major financial statement items of the parent company

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Type	Closing balance		Bad debt provision		Opening balance Carrying amount	Book balance		期初餘額		Carrying amount
	Amounts	Percentage	Amounts	Percentage of provision		Amounts	Percentage	Amounts	Percentage of provision	
Accounts receivable that are provided for bad debts on portfolio basis based on credit risk features	2,775,305,524.60	100.00%	3,908,290.41	0.14%	2,771,397,234.19	3,507,799,132.77	100.00%	3,979,959.83	0.11%	3,503,819,172.94
Total	2,775,305,524.60	100.00%	3,908,290.41	0.14%	2,771,397,234.19	3,507,799,132.77	100.00%	3,979,959.83	0.11%	3,503,819,172.94

Accounts receivable that are individually significant and are provided for bad debt separately as at the end of the period:

Applicable Not applicable

Accounts receivable using ageing analysis for making bad debt provision in the portfolio:

Applicable Not applicable

Accounts receivable using percentage of amount outstanding for making bad debt provision in the portfolio:

Applicable Not applicable

Accounts receivable using other methods for making bad debt provision in the portfolio:

(2) Top five accounts receivable based on closing balance by debtor

Unit: RMB

Name of entity	Relation with the Company	Amount	Term	Percentage of total accounts receivable
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	1,805,152,373.18	Within 1 year	65.04%
Shandong Chenming Paper Sales Co., Ltd.	Related party within the scope of consolidation	472,919,341.62	Within 1 year	17.04%
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Related party within the scope of consolidation	239,319,704.07	Within 1 year	8.62%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	236,535,172.70	Within 1 year	8.52%
Shandong Chenming Panels Co., Ltd.	Related party within the scope of consolidation	17,203,039.06	Within 1 year	0.62%
Total	—	2,771,129,630.63	—	99.85%

IX Financial Report

XII. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables

(1) Other receivables by types

Unit: RMB

Type	Book balance		Closing balance			Book balance		Opening balance		
	Amounts	Percentage	Amounts	Percentage of provision	Carrying amount	Amounts	Percentage	Amounts	Percentage of provision	Carrying amount
Other receivables that are individually significant and are provided for bad debts separately	8,837,136.79	0.08%	8,837,136.79	100.00%	0.00	8,755,053.51	0.09%	8,755,053.51	100.00%	0.00
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	10,959,686,408.38	99.89%	41,731,364.05	0.38%	10,917,955,044.33	9,344,901,892.47	99.78%	31,920,619.31	0.34%	9,312,981,273.16
Other receivables that are individually insignificant but are provided for bad debts separately	2,942,648.45	0.03%	2,942,648.45	100.00%	0.00	12,150,098.81	0.13%	12,150,098.81	100.00%	0.00
Total	10,971,466,193.62	100.00%	53,511,149.29	100.00%	10,917,955,044.33	9,365,807,044.79	100.00%	52,825,771.63	100.00%	9,312,981,273.16

Other receivables that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

Other receivables using ageing analysis for making bad debt provision in the portfolio:

Applicable Not applicable

Age	Other receivables	Closing balance Bad debt provision	Percentage of provision
Items under within 1 year			
Within 1 year	27,075,867.58	1,353,793.38	5.00%
Sub-total of within 1 year	27,075,867.58	1,353,793.38	5.00%
1 to 2 years	9,372,745.84	937,274.58	10.00%
2 to 3 years	8,628,205.57	1,725,641.11	20.00%
Over 3 years	49,494,440.21	49,494,440.21	100.00%
Total	94,571,259.20	53,511,149.28	

Other receivables using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

Applicable Not applicable

IX Financial Report

XII. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(2) Top five other receivables based on closing balance by debtor

Unit: RMB

Name of entity	Nature	Closing balance	Age	Percentage of total closing balance of other receivables	Closing balance of bad debt provision
Shouguang Meilun Paper Co., Ltd.	Borrowings	6,090,273,078.55	Within 1 year	55.51%	
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Borrowings	1,007,015,000.00	Within 1 year	9.18%	
Jilin Chenming Paper Co., Ltd.	Borrowings	632,884,430.53	Within 1 year	5.77%	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Borrowings	609,656,454.63	Within 1 year	5.56%	
Shandong Grand View Hotel Co., Ltd.	Borrowings	316,131,279.22	1 to 2 years	2.88%	
Total	—	8,655,960,242.93	—	78.90%	

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance Provision for impairment	Book value	Book balance	Opening balance Provision for impairment	Book value
Interest in subsidiaries	12,469,415,957.45		12,469,415,957.45	12,363,272,557.45		12,363,272,557.45
Interest in associates and joint ventures	57,315,174.16		57,315,174.16	7,662,574.57		7,662,574.57
Total	12,526,731,131.61		12,526,731,131.61	12,370,935,132.02		12,370,935,132.02

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XII. Notes to major financial statement items of the parent company (Cont'd)

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

(1) Interest in subsidiaries

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Unit: RMB	
					Provision for impairment for the period	Closing balance of provision for impairment
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43			157,810,117.43		
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	202,824,716.34			202,824,716.34		
Hailaer Chenming Paper Co., Ltd.	12,000,000.00			12,000,000.00		
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40			822,867,646.40		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Jilin Chenming Paper Co., Ltd.	1,501,350,000.00			1,501,350,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	3,000,000,000.00			3,000,000,000.00		
Chenming (HK) Limited	183,472,902.00			183,472,902.00		
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00			10,000,000.00		
Fuyu Chenming Paper Co., Ltd.	208,000,000.00			208,000,000.00		
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80			113,616,063.80		
Huanggang Chenming Arboriculture Co., Ltd.	70,000,000.00			70,000,000.00		
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00			200,000,000.00		
Shouguang Meilun Paper Co., Ltd.	4,646,349,570.28			4,646,349,570.28		
Chenming International Co., Ltd.	19,861,955.00			19,861,955.00		
Shouguang Shun Da Customs Declaration Co., Ltd.	1,500,000.00			1,500,000.00		
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00			100,000,000.00		
Shouguang Chenming Import and Export Trade Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Jiatai Property Management Co., Ltd.	1,000,000.00			1,000,000.00		
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00			2,000,000.00		
Shouguang Chenming Industrial Logistics Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Hongxin Packaging Co., Ltd.	1,000,000.00			1,000,000.00		
Chenming Paper Japan Co., Ltd.	9,306,351.20			9,306,351.20		
Haicheng Haiming Mining Co., Ltd.	144,000,000.00			144,000,000.00		
Chenming GmbH	4,083,235.00			4,083,235.00		
Shouguang Hongxiang Printing and Packaging Co., Ltd.	2,730,000.00			2,730,000.00		
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	1,000,000.00			1,000,000.00		
Shandong Chenming Group Finance Co., Ltd.	800,000,000.00			800,000,000.00		
Chenming Arboriculture Co., Ltd.	45,000,000.00			45,000,000.00		
Qingdao Chenming International Logistics Co., Ltd.	3,000,000.00			3,000,000.00		
Chenming Paper Korea Co., Ltd.		6,143,400.00		6,143,400.00		
Jinan Chenming Investment Management Co., Ltd.		100,000,000.00		100,000,000.00		
Total	12,363,272,557.45	106,143,400.00		12,469,415,957.45		

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XII. Notes to major financial statement items of the parent company (Cont'd)

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

(2) Interest in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Increase/decrease for the period					Closing balance	Closing balance of provision for impairment
				Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in interest	Distribution of Cash dividend or profit declared	Provision for impairment		
I. Joint venture										
Shouguang Chenming Huisen										
New-style Construction Materials	2,999,787.98			-4,925.72						2,994,862.26
Sub-total	2,999,787.98			-4,925.72						2,994,862.26
II. Associate										
Arjo Wiggins Chenming Specialty Paper Co., Ltd.										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	4,662,786.59			-342,474.69						4,320,311.90
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)										
		50,000,000.00								50,000,000.00
Sub-total	4,662,786.59	50,000,000.00		-342,474.69						54,320,311.90
Total	7,662,574.57	50,000,000.00		-347,400.41						57,315,174.16

4. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	2,871,789,573.21	2,315,085,299.99	3,488,961,465.88	2,677,166,590.01
Other activities	296,650,370.18	284,274,418.52	507,830,538.50	480,106,439.31
Total	3,168,439,943.39	2,599,359,718.51	3,996,792,004.38	3,157,273,029.32

(2) Principal activities (by industry)

Unit: RMB

Industry	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
I. Machine-made paper	2,773,609,113.81	2,245,083,148.71	2,931,751,670.76	2,300,909,667.23
II. Electricity and steam	98,180,459.40	70,002,151.28	557,209,795.12	376,256,922.78
Total	2,871,789,573.21	2,315,085,299.99	3,488,961,465.88	2,677,166,590.01

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XII. Notes to major financial statement items of the parent company (Cont'd)

4. Revenue and operating costs (Cont'd)

(3) Principal activities (by product)

Unit: RMB

Product	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Light weight coated paper	11,929,853.01	9,959,366.90	28,588,773.05	19,975,143.06
Duplex press paper	301,230,183.10	233,106,630.09	317,395,227.67	225,512,679.96
Writing paper	102,998,797.41	93,948,155.28	82,325,335.75	62,789,027.43
Coated paper	656,014,655.68	469,853,934.27	766,731,773.60	564,880,378.39
Newsprint paper	463,135,826.67	412,865,164.73	519,417,229.77	385,076,471.84
White paper board	592,872,630.70	501,798,298.12	940,339,733.70	758,413,648.95
Other machine-made paper	645,427,167.24	523,551,599.32	276,953,597.22	284,262,317.60
Electricity and steam	98,180,459.40	70,002,151.28	557,209,795.12	376,256,922.78
Total	2,871,789,573.21	2,315,085,299.99	3,488,961,465.88	2,677,166,590.01

(4) Principal activities (by region)

Unit: RMB

Region	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	2,713,683,945.98	2,191,128,238.89	3,279,258,404.74	2,512,407,235.92
Other countries and regions	158,105,627.23	123,957,061.10	209,703,061.14	164,759,354.09
Total	2,871,789,573.21	2,315,085,299.99	3,488,961,465.88	2,677,166,590.01

(5) Revenue from top 5 customers of the Company

Unit: RMB

Name of customer	Total revenue	Percentage of total revenue of the Company
Shandong Chenming Paper Sales Company Limited	2,330,107,002.46	73.54
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	194,976,583.50	6.15
Chenming (HK) Limited	156,869,927.25	4.95
Shouguang Meilun Paper Co., Ltd.	64,299,294.04	2.03
Shouguang Chenming Art Paper Co., Ltd.	26,120,606.58	0.82
Total	2,772,373,413.83	87.49



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XII. Notes to major financial statement items of the parent company (Cont'd)

5. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the cost method	360,000,000.00	200,000,000.00
Income from long-term equity investments accounted for using the equity method	-347,400.41	-74,651.88
Investment gain on disposal of long-term equity investments		-7,366,532.42
Others	49,679,999.99	35,473,222.23
Total	409,332,599.58	228,032,037.93

6. Others

XIII. Supplementary information

1. Breakdown of extraordinary gains and losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit from disposal of non-current assets	4,358,929.60	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	58,824,671.63	
Gain and loss on debt restructuring	23,308.47	
Gain or loss on external entrusted loans	48,777,777.77	
Non-operating gains and losses other than the above items	8,552,098.95	
Gain or loss on change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-2,177,906.88	
Less: Effect of income tax	16,531,107.30	
Effect of minority interest	-98,078.33	
Total	101,925,850.57	—

Notes for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses defined as its recurring gain or loss items.

Applicable Not applicable

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XIII. Supplementary information (Cont'd)

2. Returns on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	1.97%	0.14	0.14
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	1.24%	0.09	0.09

3. Difference in accounting data under domestic and overseas accounting standards

(1) 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

(2) 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

X Documents Available for Inspection

- I. The financial statements signed and sealed by the legal representative, financial representative 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.

Shandong Chenming Paper Holdings Limited
27 August 2015



山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*