



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

2016

* For identification purposes only

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 the Report, and are jointly and severally responsible for the liabilities associated with the Report.

All Directors were present 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 Li Dong, 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. Public investors 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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2016 Interim Report

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Definitions

Item		Definition
Company, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shouguang Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
Haiming Mining	means	Haicheng Haiming Mining Company Limited
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun or Meilun Paper	means	Shouguang Meilun Paper Co., Ltd.
Chenming Sales Company	means	Shandong Chenming Paper Sales Company Limited
Chenming Power	means	Shandong Chenming Power Supply Holdings Co., Ltd.
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Financial Leasing Company	means	Shandong Chenming Financial Leasing Co., Ltd.
reporting period	means	The period from 1 January 2016 to 30 June 2016



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

	Securities Affairs Representative	Securities Affairs Representative	Hong Kong Company Secretary
Name	Xiao Peng	Yuan Xikun	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 2015 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 2015 Annual Report for details.

II Company Profile



III. Other information (Cont'd)

3. Change of registration information

Whether the registration information changed during the reporting period

Applicable Not applicable

	Date of registration	Registration place	Legal person business license registration number	Taxation registration number	Organisation code
At the beginning of the reporting period	28 May 2014	Shandong Administration for Industry and Commerce	370000400001170	370783613588986	61358898-6
At the end of the reporting period	21 June 2016	Shandong Administration for Industry and Commerce	913700006135889860	913700006135889860	913700006135889860



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)	10,606,358,733.02	9,718,697,677.76	9.13%
Net profit attributable to shareholders of the Company (RMB)	939,164,870.60	276,388,070.51	239.80%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	741,811,083.82	174,462,219.94	325.20%
Net cash flows from operating activities (RMB)	-2,697,509,853.04	-2,222,755,634.73	-21.36%
Basic earnings per share (RMB per share)	0.45	0.14	221.43%
Diluted earnings per share (RMB per share)	0.45	0.14	221.43%
Rate of return on net assets on weighted average basis	5.89%	1.97%	3.92%

	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)	86,628,494,212.59	77,961,699,547.59	11.12%
Net assets attributable to shareholders of the Company (RMB)	19,314,182,445.78	16,871,494,584.82	14.48%

Explanation: Net profit attributable to ordinary shareholders of the Company should exclude the effect of interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments. When calculating financial indicators such as earnings per share and rate of return on net assets on weighted average basis, the interests incurred but not declared for perpetual bonds in the first half of 2016 (amounting to RMB76,151,584.70) are deducted.

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

- Differences between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report

Applicable Not applicable

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.

- 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 Summary of Accounting Data and Financial Indicators

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	-1,626,686.16	
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	214,412,568.80	
Profit or loss from debt restructuring	1,909,002.10	
Profit or loss arising from external entrusted loans	44,212,264.15	
Gain or loss from changes in fair value of consumable biological assets subsequently measured at fair value	-10,599,543.68	
Non-operating gains and losses other than the above items	4,597,886.08	
Less: Effect of income tax	53,745,876.48	
Effect of minority interests	1,805,828.03	
Total	197,353,786.78	—

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

During the reporting period, the situation of oversupply in the paper making industry continued on the whole, but the difference between supply and demand narrowed. Efforts to reduce excess capacity and inventories in the industry paid off. The downward trend in raw material costs had a greater positive effect on the industry in terms of profit with a turning point in earnings indicating a clear bottoming out. In the medium to long run, by virtue the supply-side reform, environmental protection standards will be higher, small and medium-sized production capacity will accelerate to phase out, industry concentration will be further enhanced, and the performance of the paper making industry is expected to continue to improve.

During the reporting period, the Company adhered to the main goal of “developing into an enterprise with hundreds of billions in value” by adhering to the principle of “achieving growth amid stability”. The Company will stick to its diversification strategy and develop an industrial system that centres on pulp production, paper making and finance to achieve synergy with forestry, real estate and mining so as to boost the core competitiveness and profitability. Meanwhile, the Company will be committed to “team building, management enhancement, outstanding business performance and good results” in order to upgrade management quality.

During the reporting period, the Company completed the production of machine-made paper of 2.13 million tonnes with sales of 2.09 million tonnes and achieved revenue of RMB10.606 billion, representing a year-on-year increase of 9.13%. The Company recorded operating costs of RMB7,264 million, representing a year-on-year decrease of 1.44%. Total profit and net profit attributable to equity holders of the Company were RMB1,233 million and RMB939 million respectively, representing year on year increases of 188.69% and 239.80% respectively. As at 30 June 2016, the financial segment experienced rapid development across businesses with ever improving management systems and effective risk preventions. Financial leasing contracts of Chenming Leasing amounted to RMB29,454,821,300, which increased by 21.97% from the end of 2015.

During the reporting period, the Company cooperated with a first-class domestic management consulting company, and leveraged the strength of an external think tank to find out problems in its business management. As a result, practicable plans for improvement were developed, business management was strengthened and overall management was improved.

Through the measures such as adjusting product structure, boosting overseas sales, raising selling prices and making investment in places with close proximity, the efficiency of the Company was higher. Through the measures such as supporting strategic customers, boosting barter transaction volume, securing contracts, and strengthening control of cash in transit, the appropriation of funds was reduced. The Company continued to accelerate the process in relation to collateral security to strengthen risk management and control.

The Company fully boosted production efficiency through enhanced refining management. It aimed at a higher market share of high value-added products to optimise the product structure by developing products with competitiveness, such as wine label, logistics label and liquid packaging paper. The Company also adjusted the structure of pulp materials, upgraded production process, and utilised new raw materials to promote technological progress.

During the reporting period, due to enhanced project management, Zhanjiang Chenming's 600,000-tonne liquid packaging paper project entered the equipment installation and calibration stage with trial operation going to take place at the end of August. This 600,000-tonne liquid packaging paper project has the widest width, fastest speed and largest production capacity for a single machine in the world. With various technical indicators reaching world-class standard, it will quickly become a new profit growth point of the Company. At the same time, the Company actively pushed on projects such as Haiming's mining project, Huanggang Chenming's integrated forestry, pulp and paper project, and Shouguang Meilun's 400,000-tonne chemical pulp project.

During the reporting period, the Company strengthened its financing management. The Financial Leasing Company focused on risk control. It actively explored for quality customers and sought to increase the direct credit lines of domestic banks. The Company enhanced the management of the Finance Company with focus on its fundamental business in relation to settlement, deposit and loans as well as bills, so as to boost the recovery rate of funds. The Company actively solicited interbank credit extension and diversified its interbank product offerings in order to increase efficiency. At the same time, the Company provided liquidity support to corporate operation and lowered the operating and financing costs, thus creating financial value.

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	10,606,358,733.02	9,718,697,677.76	9.13%	Sales of paper products increased and the Financial Leasing Company newly established external business.
Operating costs	7,263,967,310.23	7,370,384,661.31	-1.44%	
Selling and distribution expenses	573,734,657.05	551,073,823.71	4.11%	
Administrative expenses	694,013,827.38	654,253,969.26	6.08%	
Finance expenses	968,343,561.61	745,472,279.11	29.90%	Increase in interest expenses on higher borrowings.
Income tax expenses	307,031,422.46	173,411,302.61	77.05%	A year-on-year increase in profitability of the Company.
Investments in research and development	305,617,867.77	278,819,214.56	9.61%	Investments in research and development increased as Zhanjiang Chenming and Meilun Paper were qualified as high and new tech enterprises.
Net cash flows from operating activities	-2,697,509,853.04	-2,222,755,634.73	-21.36%	The Financial Leasing Company's external business growth.
Net cash flows from investing activities	-840,208,267.12	-1,201,478,950.29	30.07%	No payment for external investment of the Company in the year.
Net cash flows from financing activities	5,225,021,178.25	3,152,446,052.60	65.74%	Increase in borrowings of the Company in the year.
Net increase in cash and cash equivalents	1,679,333,857.39	-250,918,819.93	769.27%	

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. 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	8,931,569,299.48	6,831,111,581.63	23.52%	0.71%	-1.94%	9.64%
Financial leasing	1,202,014,670.10	147,407,276.78	87.74%	310.03%	1,179.91%	-8.68%
Electricity and steam	146,006,710.07	88,821,316.36	39.17%	-19.05%	-27.83%	23.28%
Construction materials	101,685,213.16	76,416,729.74	24.85%	104.09%	101.90%	3.37%
Chemical products	61,789,407.17	21,725,612.54	64.84%	-39.47%	-73.90%	251.62%
Hotel	14,060,284.77	3,491,311.42	75.17%	3.57%	5.62%	-0.64%
Others	74,088,876.93	68,995,217.98	6.88%	140.61%	135.18%	45.48%
By products						
Light weight coated paper	252,822,667.89	212,689,444.25	15.87%	-22.47%	-23.99%	11.79%
Duplex press paper	2,354,825,630.93	1,814,035,836.95	22.97%	7.97%	9.43%	-4.27%
Writing paper	144,936,982.41	122,237,625.46	15.66%	34.89%	41.22%	-19.44%
Coated paper	2,070,298,934.43	1,548,760,177.34	25.19%	-1.26%	-3.17%	6.25%
News press paper	444,539,348.00	408,251,436.65	8.16%	-7.01%	9.36%	-62.74%
Paperboard	20,731,825.60	21,273,378.96	-2.61%	-84.55%	-84.06%	-592.86%
White paper board	1,060,234,119.54	814,282,784.76	23.20%	21.28%	19.73%	4.45%
Electrostatic paper	925,975,105.51	642,832,215.68	30.58%	26.74%	28.42%	-2.90%
Other machine-made paper	1,657,204,685.17	1,246,748,681.58	24.77%	-14.59%	-24.68%	68.62%
Financial leasing	1,202,014,670.10	147,407,276.78	87.74%	310.03%	1,179.91%	-8.68%
Electricity and steam	146,006,710.07	88,821,316.36	39.17%	-19.05%	-27.83%	23.28%
Construction materials	101,685,213.16	76,416,729.74	24.85%	104.09%	101.90%	3.37%
Chemical products	61,789,407.17	21,725,612.54	64.84%	-39.47%	-73.90%	251.62%
Hotel	14,060,284.77	3,491,311.42	75.17%	3.57%	5.62%	-0.64%
Others	74,088,876.93	68,995,217.98	6.88%	140.61%	135.18%	45.48%
By geographical segment						
Mainland China	8,974,320,983.03	5,868,057,173.90	34.61%	9.52%	-3.49%	8.81%
Other countries and regions	1,556,893,478.65	1,369,911,872.55	12.01%	15.85%	16.64%	-0.59%

IV Directors' Report

IV. 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 2016, the Group's current ratio was 72.30%. The quick ratio was 61.59%. The gearing ratio was 77.27%. The accounts receivable turnover ratio was 303.92% (Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%). The inventory turnover ratio was 262.77% (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 2016, the total bank borrowings, corporate bonds, medium-term notes and privately placed bonds of the Group were RMB35,917 million, RMB5,791 million, RMB1,096 million and RMB11,653 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 RMB31,900 million, RMB5,787 million and RMB2,593 million, respectively). As at 30 June 2016, the Group had monetary funds of RMB11,773 million (As at the end of the prior year: RMB8,984 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 2016, the Group had 12,473 employees. The total staff remuneration for the first half of 2016 amounted to RMB520.3379 million (as at the end of the prior year, the Group had 11,893 employees. The total staff remuneration for 2015 amounted to RMB808.7321 million).

Major investment projects of the Company during the second half of 2016 will include Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang City's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Zhanjing Chemning's 600,000 tonne liquid packaging cardboard 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 2016, please refer to "Section IX. VII. 58. Details of assets with restricted ownership or right of use" in this report.

As at 30 June 2016, no contingent event was required to be disclosed by the Group.

V. Analysis of Core Competitiveness

The Company is a leading player in the paper making industry of China. After entrepreneurship and innovation for more than half a century, it has developed into a large and integrated modern conglomerate principally engaged in paper making, finance, forestry and real estate businesses while also involved in mining, energy, logistics, construction materials, hotel operation and others. It is also the only listed company with three types of listed shares (i.e. A shares, B shares and H shares) and the first in the paper making industry having a finance company and a financial leasing company integrated with its industrial activities 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 8.50 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.



V. Analysis of Core Competitiveness (Cont'd)

2. Product advantages

While the production scale of the Company is expanding rapidly, its product mix also continues 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

3. Comprehensive cost advantages

The Company has a relative advantage in comprehensive cost, which is mainly reflected in: firstly, the Company has optimised the operation of the production lines through stringent management, which has substantially lowered the waste of resources in evaporating, emitting, dripping or leaking, and the Company's energy consumption per ton of paper was also controlled at a relatively low level; secondly, the Company has established several advanced pulp production lines, thus increasing the supply of major raw materials through the 700,000-tonne pulp project of Zhanjiang Chenming and forestry pulp integration project of Huanggang Chenming; thirdly, the Company has reduced costs through the construction of the captive power plant to ensure energy supply.

4. 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.

5. Advantages in research and innovation and new product development

The Company is an important high and new-technology enterprise listed in national torch plan. It established various technology carriers including the national enterprise technology centre and the national post-doctoral working station as well as an international high-quality innovation team, injecting endless vitality to its technology research. It undertook the national "863" plan, national science support plans for the "11th Five Years" and "12th Five Years", and tens of key provincial technological special projects, making outstanding contribution to the scientific progress within the industry. The Company has obtained over 150 national patents, with 7 products selected as national new products and 29 products covering blank areas in China. It also participated in formulating 4 national standards, as well as obtained the honours including "China Patent Shandong Star Enterprise". The Company became the "green engine" to promote transformation and upgrading of the paper making industry and lead China's paper making industry into the direction of the newest and most advanced technology.

6. 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.

IV Directors' Report

V. Analysis of Core Competitiveness (Cont'd)

7. 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.

8. 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. The financial segment maintained a good development momentum, which becomes a new profit growth point through the leaseback business of the Financial Leasing Company and the credit business of the Finance 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.

VI. Analysis of Investments

1. External equity investments

(1) External investments

Applicable Not applicable

The Company did not have any external investment during the reporting period.

(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	N/A	100.00%	N/A	100.00%	1,000,000,000.00	43,835,594.00	Long-term equity investment	Capital contribution
Total		1,000,000,000.00	N/A	—	N/A	—	1,000,000,000.00	43,835,594.00	—	—



VI. Analysis of Investments (Cont'd)

1. External equity investments (Cont'd)

(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 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 (if any)

18 January 2014

IV Directors' Report



VI. Analysis of Investments (Cont'd)

3. Utilisation of proceeds raised

Applicable Not applicable

(1) The general use of proceeds

Applicable Not applicable

Unit: RMB'0,000

Total proceeds	225,000
Total investment of proceeds during the reporting period	223,875
Total cumulative investment of proceeds	223,875
Total proceeds of changed use during the reporting period	0
Total cumulative proceeds of changed use during the reporting period	0
Ratio of total cumulative proceeds of changed use	0.00%

Description of the general use of proceeds

On 17 September 2015, the Company received the Approval of the Non-Public Issuance of Preference Shares of Shandong Chenming Paper Holdings Limited (Zheng Jian Xu Ke [2015] No. 2130) from the China Securities Regulatory Commission. On 17 March 2016, the gross proceeds from the issuance of preference shares amounted to RMB2,250.0000 million and the proceeds from the same net of paid issuance expenses of RMB11.2500 million amounted to RMB2,238.7500 million, which was deposited to the designated account for the proceeds of such issuance. At the tenth extraordinary meeting of the seventh session of the Board held on 24 March 2016, the Resolution On Replacement Of Self-raised Funds Invested In Advance To Projects Financed By Proceeds With Proceeds From Issue Of Preference Shares approving the replacement of self-raised funds invested in advance to projects financed by proceeds with RMB2,238.7500 million from the proceeds of initial non-public issue of preference shares was passed.



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IV Directors' Report

VI. Analysis of Investments (Cont'd)

3. Utilisation of proceeds raised (Cont'd)

(2) The commitment of proceeds

Applicable Not applicable

Unit: RMB'0,000

	Change in project (including partial change)	Total committed investment of proceeds	Total investment after adjustment ⁽¹⁾	Invested amount during the reporting period	Accumulated invested amount as at the end of the period ⁽²⁾	Investment progress as at the end of the period ⁽³⁾⁻⁽⁴⁾⁽¹⁾	Expect date of the operation of the project	Return realised during the reporting period	Expected return being achieved or not	Significant change in project
Committed investment project and excess proceeds										
Committed investment project										
Repayment of bank borrowings	No	300,000	300,000	223,875	223,875	74.63%	24 March 2016	Not applicable	Yes	No
Replenishment of liquidity	No	150,000	150,000	0	0	0.00%		Not applicable	No	No
Subtotal of committed investment project	—	450,000	450,000	223,875	223,875	—	—	Not applicable	—	—
Excess proceeds										
Total	—	450,000	450,000	223,875	223,875	—	—	Not applicable	—	—
Condition and reason for not achieving planned progress or expected return (by special item)	Not applicable									
Description of significant change in feasibility of project	Not applicable									
Amount, use and utilisation of excess proceeds	Not applicable									
Change in place of implementation of investment project of proceeds	Not applicable									
Adjustment on implementation method of investment project of proceeds	Not applicable									
Pre-investment and swap of investment project of proceeds	Applicable									
Temporary replenishment of liquidity by idle proceeds	Not applicable									
Balance and reason for proceeds arising from project implementation	Not applicable									
Use and direction of unused proceeds	Not applicable									
Use of proceeds and problems disclosed or other issues	Not applicable									

(3) Change in use of proceeds

Applicable Not applicable

The Company did not have any change in use of proceeds during the reporting period.

(4) Fund-raising activities

Fund-raising activity	Date of disclosure	Disclosure index
Non-public issue of preference shares	25 March 2016	http://www.cninfo.com.cn

IV Directors' Report

VI. Analysis of Investments (Cont'd)

4. Analysis of major subsidiaries and investees

Applicable Not applicable

Information on major subsidiaries and investees

Unit: RMB

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.	Subsidiary	Paper making	Pulp, duplex press and electrostatic paper	RMB3,200.00 million	17,481,935,204.29	3,701,676,320.42	2,351,397,261.17	235,622,032.25	209,289,208.26
Chenming (HK) Limited	Subsidiary	Trading of paper products	Sales of paper products, import of raw materials and processing	US\$29.90 million	28,305,573,747.20	4,575,798,159.44	4,120,018,686.23	579,626,001.49	520,479,192.79
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Paper making	Coated paper, white coated linerboard and household paper	RMB3,000.00 million	31,180,687,246.02	985,289,450.25	2,533,171,167.07	449,812,136.12	337,917,126.66

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)
Integrated forestry and paper project of Huanggang Chenming	348,500	28,959.15	95,007.72	27.26%	Not put into operation	2 August 2013	http://www.cninfo.com.cn/
600,000 tonne liquid packaging paper	380,000	51,505.93	310,461.62	81.70%	Not put into operation	19 December 2015	http://www.cninfo.com.cn/
Total	728,500	80,465.08	405,469.34	-	-	-	-

VII. Estimate of the operating results from January to September 2016

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



VIII. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

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. Elimination of obsolete 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 obsolete 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 and a bright outlook for the paper making industry.

Furthermore, under the slowing macro-economic growth and economic transformation, the financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraced continuously mounting market demand and was stepping into a golden age for its development. The financial leasing industry in China is at the early stage and has a promising outlook. In fact, it is on a solid track of rapid growth. It is expected that the market size will reach RMB1,200 billion by 2020. The financial leasing industry has bright prospects in China as a result of its growth momentum under the "new normal" of the economy.

(II) Development strategy

Looking forward, the Company will adhere to the principal of achieving growth amid stability, and emphasise on environmental protection, low carbon, recycling and sustainable development. Following the "Made in China 2025 Plan" and the principles of scientific development and quality and efficiency enhancement, it will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the integration between its production and manufacture segment and financial services segment, incorporation of smart technology into its industrial activities, reorganised methodology and restructuring so as to expand and improve itself and strive to become one of the world-class companies with the highest growth rate in the "Thirteenth Five Year Plan" period.

(III) Operating plan for the second half of 2016

The main goal of the Company for 2016 is to "develop into an enterprise with hundreds of billions in value" by adhering to the principle of "achieving growth amid stability". The Company will stick to its diversification strategy and develop an industrial system that centres on pulp production, paper making and finance to achieve synergy with forestry, real estate and mining so as to boost the core competitiveness and profitability. Meanwhile, the Company will be committed to "team building, management enhancement, outstanding business performance and good results" in order to upgrade management quality. The measures to be taken by the Company are as follows:

1. Enhance management to upgrade management quality

The Company will work with leading management consultants in China. It will identify the problems in management and formulate practical plans to address the issues with the help of external experts in order to enhance the management level. It will improve fundamental management and recruit competent employees in a timely manner to the management team to deal with the current problems arising from lack of sufficient management. The Company will also further optimise the management system and procedures to provide strong support to the strengthening of management standard.

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

(III) Operating plan for the second half of 2016 (Cont'd)

2. Enhance operation management and take initiatives to expand market

The Company will step up in its efforts in team building and talent recruitment to develop a talent pool and promotion channels while laying off unqualified employees. It will focus on efficiency in performance evaluation to stimulate employees' incentives. It will enhance fundamental management and perform monthly inspection to groundwork so as to "cover all aspects of the system". The Company will also optimise the system in a timely manner and set up standards for procedures, so that the implementation will be strict, effective and highly efficient. The Company will formulate plans for major and difficult tasks and closely monitor, inspect and evaluate such tasks to rectify problems. It will enhance efficiency management, adjust product structure, boost overseas sales, raise price, and make investment in places with close proximity, in the pursuit of higher efficiency. Meanwhile, it will support strategic customers, boost volume of trade, secure contracts and strengthen control of cash in transit to reduce appropriation of funds. It will enhance risk control and the marketing team will set its priority on the collection of receivables. The dedicated receivables collection team will carry out their work and strictly monitor receivables. The Company will also accelerate the process in relation to collateral security.

3. Enhance and refine production management

The Company will boost production efficiency through refining management. It will cooperate with professional consultants to optimise management and actively recruit and nurture talents in order to enhance fundamental management capability. It will aim at a higher market share of high value-added products and optimise the product structure by developing products with competitiveness, such as wine label, logistics label and liquid packaging paper. The Company will adjust the structure of pulp materials, upgrade production process, and utilise new raw materials to promote technological progress. It will step up inspection efforts to identify safety risks and protect the environment in accordance with the new national standards and requirements, thereby ensuring the fulfilment of targets on time.

4. Enhance project management for high quality and efficiency

The Company will enhance implementation and management of Zhanjiang Chenming's 600,000 tonne liquid packaging paper project, Haiming Mining, Huanggang Chenming's integrated forestry, pulp and paper project and Shouguang Chenming's 400,000 tonne chemical pulp project so as to ensure the timely commencement of operation, which will provide new sources of profit growth. The Company will adopt strict quality control on project construction by clarifying responsibility and enhancing control so as to ensure construction quality and safety at the work sites. The Company will fully prepare for the projects and optimise the organisational structure. It will set up a management team and recruit technicians, while developing training programmes for the staff at all levels, so as to lay a solid foundation for production and operation and ensure the smooth operation of the projects upon completion.

5. Enhance financing management to create extra value

The Financial Leasing Company will focus on risk control. It will actively explore for quality customers, seek to increase the direct credit lines of domestic banks and obtain additional banking facilities. The Company will enhance the management of the Finance Company with a focus on its fundamental business in relation to settlement, deposit and loans as well as bills, so as to boost the recovery rate of funds. The Company will actively solicit interbank credit extension and diversify its interbank product offerings in order to increase efficiency. At the same time, Qingdao Chenming will commence financial leasing business at bonded areas to provide liquidity support to the Company's operation and lower the financing cost.



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

(III) Operating plan for the second half of 2016 (Cont'd)

6. Enhance procurement management to raise resources efficiency

Leveraging the development of “cross-border e-commerce” and “Internet Plus”, the Company will seek to gain market influence by establishing an online marketing platform for import and export of goods. The Company will also develop complementary distributor management policy and pricing policy to boost efficiency of external sales. In addition, it will set up an electronic merchandise exchange centre for pulp and paper products, and develop an integrated supply chain for the storage and logistics of pulp and paper products in the country, with the goal of building China's market price index centre of pulp and paper products, and a global information centre of paper products.

7. Enhance service operation and business expansion

The Company will enhance the management of the brick plant, cement and construction materials companies. In terms of internal measure, it will enhance the service quality; and in terms of external measure, it will actively expand business to boost profit.

(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, 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 shares and preference shares. This will help the Company meet our financing needs together with our business development. The issue of preference shares which may be accounted for in equity will also help reduce the Company's gearing ratio, thus 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 bonds, 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 Chenming (HK), 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 the Finance Company and the Financial Leasing Company to expand the Group's financing channels. They will grow amid stability, provide new impetus for the Company's earnings growth and boost profit.

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.



VIII. 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 and economic globalisation, China's paper making industry has been facing increasingly fierce competition, and overcapacity and lower demand will have impact on the operating results of the Company to a certain extent 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 has supported the rapid development of the paper making industry in the past currently face the dual pressures of resources and environment. From the point of view of China's policy, China will change the mode of growth through optimising 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 obsolete production capacity and stricter environmental protection policy have forced some small and medium-sized enterprises to exit 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 upstream resources on the Company's development and enhancing the Company's sustainable development.

Environmental protection risk

The new Environmental Protection Law took effect on 1 January 2015. More stringent environmental protection policies have been implemented in the paper making industry. 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 costs and high entry standards may result in the slowdown of scale expansion, thus affecting the production and operation of the Company.

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



VIII. 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\$. The operations of raw material imports, product exports and US\$ 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.

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

Applicable Not applicable

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

Applicable Not applicable

XI. 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 2015 profit distribution plan was considered and approved in the 2015 annual general meeting convened by the Company on 18 May 2016. Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB3 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB580,921,640.10 (tax inclusive). The dividend distribution was implemented and completed on 15 July 2016. 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 4 July 2016, and the announcement on the implementation of the 2015 profit distribution and dividend plan for A share and B share published on <http://www.cninfo.com.cn> on 7 July 2016.

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

XII. 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.

XIII. 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
5 May 2016	The Company's conference room	On-site research investigation	Institution	96 individuals in total from Bosera Funds, E Fund, Shenwan Hongyuan, Lombarda China Fund, Tianhong Asset Management, Ping An Asset Management, Guotai Junan, Minsheng Royal Fund, China Merchants Fund, Harvest Fund, China Re Asset, Wanjia Fund, China AMC, BOC Schroder Fund, Huatai Securities, CICC Wealth Management, CSCI, Industrial Securities, Galaxy Securities, New China Fund, Huabao Investment, GF Asset Management, GF Securities, Guosen Securities, Central China Securities, Fortune SGAM, BOC International, Ping An Fund, Anxin Fund, Congrong Investment, Double-Safeguard, Starrock Investment, Guofu Fund, Bohong Capital, DH Fund, Huaxia Jiusheng, Changsheng Fund, Zheshang Securities, Zhonghai Fund, Infore Capital, Great Abundance Year Asset Management, China Life AMP, SWS MU, Manulife Teda, Sinosafe Property Insurance, COAMC, Changjiang Securities, Costone Value Selection, Essence Securities, Sealand Securities, Shandong Jincheng Lida Fund, Zhongtai Securities and Sudou Private Equity.	Recent production and operation of the Company and development of the industry
19 May 2016	Leasing Company's conference room	On-site research investigation	Institution	CCB Principal Asset Management, Galaxy Securities and Ping An Securities.	Recent production and operation of the Company and development of the industry
27 June 2016	The Company's conference room	On-site research investigation	Institution	Haitong Securities, Haitong Asset, Harvest Fund, Caida Securities, Longrising Asset, Ping and CSCI.	Recent production and operation of the Company and development of the industry



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 2015. 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:

- (1) According to relevant provisions of the Company Law, Code of Corporate Governance for Listed Companies and other laws and regulations, and based on circumstances of the Company, the Board amended the Articles of Association.
- (2) According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended and effective 1 January 2016), the Board amended the Implementing Rules of the Audit Committee.

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 18 May 2016 by the Company, two extraordinary general meetings and one class meeting were 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 2015	Yin Tongyuan, Geng Guanglin and Pan Ailing
First extraordinary general meeting for 2016	Yin Tongyuan
Second extraordinary general meeting for 2016	Yin Tongyuan, Geng Guanglin and Wang Chunfang
First class meeting for 2016	Yin Tongyuan, Geng Guanglin and Wang Chunfang

Mr. Chen Hongguo, the chairman of the Company and its strategy committee, 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 2016.

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. Pan Ailing, Ms. Wang Fengrong 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 2016 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

Media Attention	Date of Disclosure	Disclosure Index
Report about Chenming Paper currently under reprimand for violating environmental regulations and required to take remedial action	26 April 2016	http://www.cninfo.com.cn

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.

V Material Matters

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.

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
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	14,321.39	1.97%	36,000	No	Bank acceptance and telegraphic transfer	Not applicable	31 March 2016	http://www.cninfo.com.cn
Total				—	—	14,321.39		36,000	—	—	—	—	—
Particulars on refund of bulk sale				No									
Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period (if any)				No									
Reason for the difference between transaction price and market reference price (if applicable)				Not applicable									

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

Was there any non-operating related creditors' rights and debts transaction?

Yes No

There was no non-operating related creditors' rights and debts transactions 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

V Material Matters

IX. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Unit: RMB'0,000

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.	27 October 2014	650,000	3 June 2015	242,719.88	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2016	150,000			General guarantee	3 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	22 May 2015	295,092.04	General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000			General guarantee	7 years	No	No
Huanggang Chenming Arboriculture Co., Ltd.	27 October 2014	10,000	18 December 2014	3,000	General guarantee	3 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000	28 July 2015	44,499.28	General guarantee	7 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000			General guarantee	7 years	No	No
Jiangxi Chenming Paper Co., Ltd.	27 October 2014	200,000	6 January 2015	75,683.54	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2016	150,000			General guarantee	3 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	13 April 2015	44,725	General guarantee	10 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	27 October 2014	400,000	9 January 2015	328,739.3	General guarantee	3 years	No	No
Shandong Chenming Paper Sales Co., Ltd.	30 March 2016	200,000			General guarantee	3 years	No	No
Chenming (HK) Limited	27 October 2014	500,000	31 July 2015	403,621.68	General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2016	100,000			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
Jilin Chenming Paper Co., Ltd.	27 October 2014	150,000			General guarantee	3 years	No	No
Haicheng Haiming Mining Co., Ltd.	27 August 2014	60,000			General guarantee	3 years	No	No
Shandong Chenming Group Finance Co., Ltd.	13 February 2015	400,000			General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		1,450,000	Total amount of guarantee provided for subsidiaries during the reporting period (B2)					851,428.65
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		5,520,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,438,080.72

IX. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantees provided by subsidiaries for subsidiaries				Fulfilled or not	Guarantee to related parties or not
			Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term		
Chenming (HK) Limited	30 March 2016	100,000	20 April 2016	58,326.84	General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2016	100,000	20 April 2016	10,355.95	General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2016	100,000	20 April 2016	48,822.5	General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		300,000	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					117,505.29
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		300,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					117,505.29
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 (B1+C1)		1,750,000	Total amount of guarantee provided during the reporting period (B2+C2)					968,933.94
Total amount of guarantee approved as at the end of the reporting period (B3+C3)		5,820,000	Total balance of guarantee provided as at the end of the reporting period (B4+C4)					1,555,586.01
The percentage of total amount of guarantee provided (B4+C4) to the net assets of the Company								80.54%
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)								914,276.22
Total amount of guarantee provided in excess of 50% of net assets (F)								589,876.88
Sum of the above three amount of guarantee (D+E+F)								1,504,153.11

(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.

V Material Matters

IX. Material contracts and implementation (Cont'd)

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 the subject asset of the contract (if any) (RMB'0,000)	Appraisal 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.	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
Huanggang Chenming Pulp & Paper Co., Ltd.	FMW Foerderanlagen Gmbh.	Materials and equipment for chemical pulp	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	EUR 7.80 million	No	Not applicable	In progress
Huanggang Chenming Pulp & Paper Co., Ltd.	Valmet Technologies Oy	Equipment	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	EUR 65.631 million	No	Not applicable	In progress
Huanggang Chenming Pulp & Paper Co., Ltd.	Valmet (China) Co., Ltd.	Equipment and spare parts	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	36,076.4	No	Not applicable	In progress
Huanggang Chenming Pulp & Paper Co., Ltd.	Andritz Oy	Steam equipment system	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	EUR 7.044 million	No	Not applicable	In progress
Huanggang Chenming Pulp & Paper Co., Ltd.	Andritz (China) Ltd.	Steam equipment	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	3,060.4	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	Shouguang Chenming Holdings Co., Ltd.	As Chenming Holdings is confident of the prospects of the economic development in China and the future development of the Company, in order to maintain the stability of capital market and promote the sustainable, stable and healthy development of the Company, Chenming Holdings has undertaken that it will not reduce its shareholding in the Company in the coming six months.	8 July 2015	From 8 July 2015 to 8 January 2016	Completed
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.

XIV. Purchase, sale and redemption of shares

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

XV. Other matters of significance

Applicable Not applicable

1. Non-public issue of A shares

At the 13th extraordinary meeting of the seventh session of the Board, the second extraordinary general meeting for 2016 and the first domestic and overseas shareholders' class meeting for 2016, it was passed, among others, resolutions relating to the non-public issue of A shares by the Company. Under such issue, no more than 686,015,831 shares (inclusive) were to be issued for gross proceeds of no more than RMB5,200.0000 million (inclusive), of which RMB3,700 million would be used in the bleached sulfate chemical pulp project with annual production capacity of 400,000 tonne and RMB1,500 million for repayment of bank loans. On 20 June 2016, the Company received the Notice of Acceptance of Application for Administrative Approval (No. 161455) from the China Securities Regulatory Commission (the "CSRC"). On 19 July 2016, the Company received the Notice of Feedback on Administrative Approval Application (No. 161455) from the CSRC, a reply to which was published on www.cninfo.com.cn on 28 July and submitted to the CSRC.

As of the disclosure date of the Report, the Company has not received the related approval of the CSRC. The Company will perform its obligation to disclose the related information on a timely basis based on the approval of the CSRC.

2. Obtaining high and new tech enterprise qualifications by the Company and its subsidiaries

The Company received a high and new technology enterprise certificate jointly issued by the Shandong Provincial Office of SAT, Shandong Local Taxation Bureau, the Shandong Province Finance Bureau and the Department of Science & Technology of Shandong Province certifying the Company as a high and new technology enterprise with a certification number of GR201537000611 valid for three years.

Shouguang Meilun Paper Co., Ltd. ("Shouguang Meilun"), a wholly-owned subsidiary, received a high and new technology enterprise certificate jointly issued by the Shandong Provincial Office of SAT, Shandong Local Taxation Bureau, the Shandong Province Finance Bureau and the Department of Science & Technology of Shandong Province certifying the Company as a high and new technology enterprise with a certification number of GR201537000228 valid for three years.

Zhanjiang Chenming Pulp & Paper Co., Ltd. ("Zhanjiang Chenming"), a controlling subsidiary of the Company, received a high and new technology enterprise certificate jointly issued by the Guangdong Provincial Office of SAT, Guangdong Local Taxation Bureau, the Guangdong Province Finance Bureau and the Department of Science & Technology of Guangdong Province certifying the Company as a high and new technology enterprise of Guangdong with a certification number of GR201544000146 valid for three years.

Pursuant to relevant requirements, the Company, Shouguang Meilun and Zhanjiang Chenming are eligible for relevant national preferential treatment enjoyable by high and new tech enterprises for three years and subject to a corporate income tax rate of 15%.



XV. Other matters of significance (Cont'd)

3. Information disclosure index for the first half of 2016

Announcement No.	Subject matter	Date of publication	Publication website and index
2016-001	Announcement on Pledge of Shares by Shareholders	5 January 2016	http://www.cninfo.com.cn
2016-002	Announcement on Progress of increase in shareholding of the Company by Controlling Shareholder	5 January 2016	http://www.cninfo.com.cn
2016-003	Announcement on Progress of Undertaking by the Controlling Shareholder of the Company	9 January 2016	http://www.cninfo.com.cn
2016-004	Announcement on Pledge of Shares by Shareholders	13 January 2016	http://www.cninfo.com.cn
2016-005	Announcement on Progress of increase in shareholding of the Company by Controlling Shareholder	13 January 2016	http://www.cninfo.com.cn
2016-006	Full Report of Changes in Equity	15 January 2016	http://www.cninfo.com.cn
2016-007	Second Supplementary Notice of the 2016 First Extraordinary General Meeting	15 January 2016	http://www.cninfo.com.cn
2016-008	Supplementary Announcement on Full Report of Changes in Equity	19 January 2016	http://www.cninfo.com.cn
2016-009	Announcement on Result of the Issue of 2016 First Tranche of Super & Short-term Commercial Paper	20 January 2016	http://www.cninfo.com.cn
2016-010	Announcement on Progress of Registered Capital Decrease by Controlling Shareholder	23 January 2016	http://www.cninfo.com.cn
2016-011	Announcement on Estimated Annual Results for 2015	26 January 2016	http://www.cninfo.com.cn
2016-012	Indicative Announcement of 2016 First Extraordinary General Meeting	29 January 2016	http://www.cninfo.com.cn
2016-013	Indicative Announcement on Subsidiary Receiving Subsidy	29 January 2016	http://www.cninfo.com.cn
2016-014	Announcement on Resolutions of the 2015 First Extraordinary General Meeting	4 February 2016	http://www.cninfo.com.cn
2016-015	Announcement on Result of the Issue of 2016 Second Tranche of Super & Short-term Commercial Paper	12 March 2016	http://www.cninfo.com.cn
2016-016	Announcement on Pledge of Shares by Shareholders	12 March 2016	http://www.cninfo.com.cn
2016-017	Announcement on Result of the Issue of 2016 Third Tranche of Super & Short-term Commercial Paper	15 March 2016	http://www.cninfo.com.cn
2016-018	Announcement in Respect of Resolutions of the Ninth Extraordinary Meeting of the Seventh Session of the Board of Directors	16 March 2016	http://www.cninfo.com.cn
2016-019	Announcement on Investment of China Development Bank Development Fund Co., Ltd. in Subsidiary Zhanjiang Chenming	16 March 2016	http://www.cninfo.com.cn
2016-020	Indicative announcement on refund of value-added tax received by a subsidiary	19 March 2016	http://www.cninfo.com.cn
2016-021	Announcement on Undertakings and Performance under Non-public Issue of Preference Shares	25 March 2016	http://www.cninfo.com.cn
2016-022	Announcement on Resolution of the 10th Extraordinary Meeting of the Seventh Session of the Board of Directors	25 March 2016	http://www.cninfo.com.cn
2016-023	Announcement on Replacement of Self-raised Funds Invested in Advance to Projects with Proceeds from Issue of Preference Shares	25 March 2016	http://www.cninfo.com.cn
2016-024	Announcement on Resolution of the First Extraordinary Meeting of the Seventh Session of the Supervisory Committee	25 March 2016	http://www.cninfo.com.cn



XV. Other matters of significance (Cont'd)

3. Information disclosure index for the first half of 2016 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2016-025	Announcement on Entering into Proceeds Supervision Agreement	29 March 2016	http://www.cninfo.com.cn
2016-026	Announcement on Subsidiaries Obtaining High and New Tech Enterprise Qualifications	29 March 2016	http://www.cninfo.com.cn
2016-027	Indicative Announcement on Medium-term Notes Issue Registered	29 March 2016	http://www.cninfo.com.cn
2016-028	Announcement in respect of Resolutions of the 13th Meeting of the Seventh Session of the Board of Directors	31 March 2016	http://www.cninfo.com.cn
2016-029	Announcement on Resolution of the 13th Meeting of the Seventh Session of the Supervisory Committee	31 March 2016	http://www.cninfo.com.cn
2016-030	2015 Annual Report Summary	31 March 2016	http://www.cninfo.com.cn
2016-031	Notice of 2015 Annual General Meeting	31 March 2016	http://www.cninfo.com.cn
2016-032	Announcement on Provision of Guarantee for Comprehensive Credit Line of Relevant Subsidiaries	31 March 2016	http://www.cninfo.com.cn
2016-033	Announcement in relation to External Investment	31 March 2016	http://www.cninfo.com.cn
2016-034	Announcement on Expected Ordinary Connected Transactions in 2016	31 March 2016	http://www.cninfo.com.cn
2016-035	Announcement on Entering into a Strategic Cooperation Agreement with Postal Savings Bank of China (Shandong Branch)	1 April 2016	http://www.cninfo.com.cn
2016-036	Announcement on the Company and Subsidiaries Obtaining High and New Tech Enterprise Qualifications	2 April 2016	http://www.cninfo.com.cn
2016-037	Transfer Announcement on Non-public Issue of Preference Shares	7 April 2016	http://www.cninfo.com.cn
2016-038	Announcement on Estimated Results for the First Quarter of 2016	7 April 2016	http://www.cninfo.com.cn
2016-039	Announcement on Suspension of Trading In Relation To Major Event	12 April 2016	http://www.cninfo.com.cn
2016-040	Announcement on Synchronised Information Disclosure on Two Stock Exchanges	12 April 2016	http://www.cninfo.com.cn
2016-041	Announcement in respect of Resolutions of the 11th Extraordinary Meeting of the Seventh Session of the Board of Directors	16 April 2016	http://www.cninfo.com.cn
2016-042	Announcement on Resolution of the Second Extraordinary Meeting of the Seventh Session of the Supervisory Committee	16 April 2016	http://www.cninfo.com.cn
2016-043	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering	16 April 2016	http://www.cninfo.com.cn
2016-044	Notice of 2016 Second Extraordinary General Meeting	16 April 2016	http://www.cninfo.com.cn
2016-045	Notice of the 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share Class Meeting	16 April 2016	http://www.cninfo.com.cn
2016-046	Announcement on Resumption of Trading	16 April 2016	http://www.cninfo.com.cn
2016-047	Announcement on Capital Increase of Chenming Leasing	16 April 2016	http://www.cninfo.com.cn
2016-048	Indicative Announcement for H Shares	19 April 2016	http://www.cninfo.com.cn



XV. Other matters of significance (Cont'd)

3. Information disclosure index for the first half of 2016 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2016-049	Supplemental Notice of 2016 Second Extraordinary General Meeting	20 April 2016	http://www.cninfo.com.cn
2016-050	Supplementary Notice of the 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share	20 April 2016	http://www.cninfo.com.cn
2016-051	Announcement on Result of the Issue of 2016 Fifth Tranche of Super & Short-term Commercial Paper	20 April 2016	http://www.cninfo.com.cn
2016-052	Announcement on Result of the Issue of 2016 Sixth Tranche of Super & Short-term Commercial Paper	23 April 2016	http://www.cninfo.com.cn
2016-053	Indicative Announcement on Media Coverage	26 April 2016	http://www.cninfo.com.cn
2016-054	2016 First Quarterly Report	28 April 2016	http://www.cninfo.com.cn
2016-055	Announcement on Total New Borrowings for 2015 and 2016	28 April 2016	http://www.cninfo.com.cn
2016-056	Announcement in respect of Resolutions of the 12th Extraordinary Meeting of the Seventh Session of the Board of Directors	29 April 2016	http://www.cninfo.com.cn
2016-057	Announcement on Revision on the Date of 2015 Annual General Meeting	29 April 2016	http://www.cninfo.com.cn
2016-058	Notice of 2015 Annual General Meeting	29 April 2016	http://www.cninfo.com.cn
2016-059	Announcement on Revision on the Date of 2016 Second Extraordinary General Meeting	29 April 2016	http://www.cninfo.com.cn
2016-060	Announcement on Revision on the Date of 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share	29 April 2016	http://www.cninfo.com.cn
2016-061	Notice of 2016 Second Extraordinary General Meeting	29 April 2016	http://www.cninfo.com.cn
2016-062	Notice of 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share	29 April 2016	http://www.cninfo.com.cn
2016-063	Announcement in respect of Resolutions of the 15th Meeting of the Seventh Session of the Board of Directors	30 April 2016	http://www.cninfo.com.cn
2016-064	Announcement on Resolution of the 15th Meeting of the Seventh Session of the Supervisory Committee	30 April 2016	http://www.cninfo.com.cn
2016-065	Announcement on Additional Resolutions Proposed at the 2015 General Meeting	30 April 2016	http://www.cninfo.com.cn
2016-066	Supplemental Notice of 2015 General Meeting	30 April 2016	http://www.cninfo.com.cn
2016-067	Notice of Investor Reception Day	4 May 2016	http://www.cninfo.com.cn
2016-068	Announcement on Result of the Issue of 2016 Seven Tranche of Super & Short-term Commercial Paper	8 May 2016	http://www.cninfo.com.cn
2016-069	Indicative Announcement on 2015 General Meeting	13 May 2016	http://www.cninfo.com.cn
2016-070	Announcement in respect of Resolutions of the 13th Meeting of the Seventh Session of the Board of Directors	18 May 2016	http://www.cninfo.com.cn
2016-071	Announcement on Resolution of the Third Extraordinary Meeting of the Seventh Session of the Supervisory Committee	18 May 2016	http://www.cninfo.com.cn
2016-072	Announcement on Additional Resolutions Proposed at the 2016 Second Extraordinary General Meeting	18 May 2016	http://www.cninfo.com.cn



XV. Other matters of significance (Cont'd)

3. Information disclosure index for the first half of 2016 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2016-073	Announcement on Additional Resolutions Proposed at 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share	18 May 2016	http://www.cninfo.com.cn
2016-074	Supplementary Notice of 2016 Second Extraordinary General Meeting	18 May 2016	http://www.cninfo.com.cn
2016-075	Supplementary Notice of 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share	18 May 2016	http://www.cninfo.com.cn
2016-076	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Revision)	18 May 2016	http://www.cninfo.com.cn
2016-077	Announcement on Entering into Conditional Share Purchase Agreement and Connected Transactions under the Non-public Offering of A Share (Revision)	18 May 2016	http://www.cninfo.com.cn
2016-078	Announcement on Revision of Non-public Offering for 2016	18 May 2016	http://www.cninfo.com.cn
2016-079	Announcement on Resolutions of the 2015 General Meeting	19 May 2016	http://www.cninfo.com.cn
2016-080	Announcement in respect of Resolutions of the 1st Meeting of the Eighth Session of the Board of Directors	19 May 2016	http://www.cninfo.com.cn
2016-081	Announcement on Resolutions of the 1st Meeting of the Eighth Session of the Supervisory Committee	19 May 2016	http://www.cninfo.com.cn
2016-082	Indicative Announcement on 2016 Second Extraordinary General Meeting	26 May 2016	http://www.cninfo.com.cn
2016-083	Indicative Announcement on 2016 First Domestic Listed Share Class Meeting and 2016 First Overseas Listed Share	26 May 2016	http://www.cninfo.com.cn
2016-084	Announcement on Resolutions of 2016 Second Extraordinary General Meeting	3 June 2016	http://www.cninfo.com.cn
2016-085	Poll Results Announcement of the 2016 First Domestic A Shareholders' and B Shareholders' Class Meeting and the 2016 First Overseas H Shareholders' Class Meeting	3 June 2016	http://www.cninfo.com.cn
2016-086	Announcement on Pledge of Shares by Shareholders	7 June 2016	http://www.cninfo.com.cn
2016-087	Notice of Investor Reception Day	14 June 2016	http://www.cninfo.com.cn
2016-088	Announcement on Resignation of Senior Management	15 June 2016	http://www.cninfo.com.cn
2016-089	Announcement on receipt of CSRC Notice of Acceptance of Application for Administrative Approval	21 June 2016	http://www.cninfo.com.cn
2016-090	Announcement on Result of the Issue of 2016 Eighth Tranche of Super & Short-term Commercial Paper	25 June 2016	http://www.cninfo.com.cn
2016-091	Announcement on Redemption, Dividend Payment and Delisting of "11 Chenming Bond" for 2016	30 June 2016	http://www.cninfo.com.cn



XVI. Corporate bonds

Are there any corporate bonds offered to the public and listed on stock exchanges which do not become due as at the date of approval of interim report or overdue but not fully settled?

Yes

1. Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB '0,000)	Interest rate	Payment method
2011 corporate bonds of Shandong Chenming Paper Holdings Limited	11 Chenming Bond	112031	6 July 2011	6 July 2016	200,000	5.95%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
2012 corporate bonds of Shandong Chenming Paper Holdings Limited	12 Chenming Bond	112144	26 December 2012	26 December 2017	380,000	5.65%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
Stock exchange on which corporate bonds are listed or transferred	Shenzhen Stock Exchange						
Investor eligibility arrangement	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of corporate bonds during the reporting period	There was no payment of interest or redemption during the reporting period. The payment of interest on and redemption of 11 Chenming Bond were completed on 6 July 2016. For details, please refer to the Announcement on Redemption, Dividend Payment and Delisting of "11 Chenming Bond" for 2016 published by the Company on 30 June 2016.						

2. Information on bond custodian and credit rating agency

Bond custodian:

Name	UBS Securities Co., Ltd.	Office address	12/F and 15/F, Winland International Finance Centre, 7 Financial Street, Xicheng District, Beijing	Contact person	Chen Yang	Telephone of contact person	010-5832 8888
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Credit rating agency(ies) which conducted rating on corporate bonds during the reporting period:

Name	China Chengxin Securities Valuation Company Limited	Office address	8/F, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai
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XVI. Corporate bonds (Cont'd)

3. Use of proceeds from corporate bonds

Use of proceeds from corporate bonds and its implementation	The use of proceeds from issuance of corporate bonds has strictly complied with relevant application and approval procedures. As at the end of the reporting period, the proceeds from 11 Chenming Bond and 12 Chenming Bond were fully used.
Balance as at the end of the year (RMB '0,000)	0
Operation of special account for proceeds	Special account for proceeds is used for the deposit of special capital from bonds.
Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement?	Yes

4. Credit rating of corporate bonds

The credit rating of 11 Chenming Bond and 12 Chenming Bond as granted by China Chengxin Securities Valuation Company Limited remained at AA+, and the rating for the Company was AA+ (stable outlook). The 2011 corporate bond rating report (2016) and 2012 corporate bond rating report (2016) were published on CNINFO on 27 April 2016.

5. Credit enhancement mechanism, repayment plan and other repayment guarantee measures for corporate bonds

There was no change in credit enhancement mechanism, repayment plan and other repayment guarantee measures, which were consistent with relevant commitments as set out in the prospectuses, during the reporting period.

6. Convening of meeting for bondholders during the reporting period

Not applicable.

7. Performance of bond custodian during the reporting period

The bond custodian performed its duties in accordance with the agreement during the reporting period.



XVI. Corporate bonds (Cont'd)

8. Major accounting data and financial indicators of the Company as at the end of the reporting period and last year (or for the reporting period and the corresponding period last year)

Unit: RMB '0,000

Item	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
Current ratio	79.72%	72.30%	7.42%
Gearing ratio	77.27%	77.86%	-0.59%
Quick ratio	69.94%	61.59%	8.35%
			Increase/decrease as at the end of the reporting period as compared to the end of the prior year
	The reporting period	The corresponding period of the prior year	
EBITDA interest coverage ratio	2.9	3.24	-10.49%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

Major reason for more than 30% in year-on-year change for the above accounting data and financial indicators

Applicable Not applicable

9. Restriction on asset rights as at the end of the reporting period

Item	Amount	Purpose
Fixed assets	4,673,799,362.90	As pledge for bank borrowings
Intangible assets	342,444,168.04	As pledge for bank borrowings

10. Overdue liabilities

Applicable Not applicable

The Company did not have any liabilities overdue.



XVI. Corporate bonds (Cont'd)

11. Interest payment on other bonds, debt and financing instruments during the reporting period

Item	Amount of interest payment
Privately placed bonds	81,925,000.00
Medium-term notes	54,010,000.00
Total	135,935,000.00

12. Bank credit obtained, its use and repayment of bank loans during the reporting period

During the reporting period, the Company obtained bank credit of RMB60,200 million, of which RMB38,700 million was utilised with RMB21,500 million outstanding. The Company repaid bank loans of RMB26,300 million.

13. Performance of relevant agreements or commitments under the prospectus of corporate bonds during the reporting period

Not applicable.

14. Matters of significance happened during the reporting period

Nil.

15. Is there any guarantor for corporate bonds?

Yes No

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	0.43%				187,981	187,981	8,429,200	0.44%
1. Shares held by other domestic investors	8,241,219	0.43%				187,981	187,981	8,429,200	0.44%
Shares held by domestic natural persons	8,241,219	0.43%				187,981	187,981	8,429,200	0.44%
II. Non-restricted shares	1,928,164,248	99.57%				-187,981	-187,981	1,927,976,267	99.56%
1. RMB ordinary shares	1,105,037,237	57.07%				-187,981	-187,981	1,104,849,256	57.05%
2. Domestic listed foreign shares	470,923,511	24.32%						470,923,511	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%						352,203,500	18.19%
III. Total number of shares	1,936,405,467	100.00%				0	0	1,936,405,467	100.00%

The reasons for such changes

Applicable Not applicable

Before the change, the number of restricted shares held by domestic natural persons increased by 187,981 from 8,241,219 to 8,429,200, due to the fact that: according to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, 25% of RMB shares without restriction held by senior management were put under restriction for half a year since the resignation thereof during the reporting period.

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	119,339, of which 93,187 were holders of A shares, 25,656 were holders of B shares and 496 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period	0
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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
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	0	293,003,657	Pledged	145,189,000
HKSCC NOMINEES LIMITED	Overseas legal person	13.74%	266,013,900	-25,997,000	0	266,013,900		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	5.74%	111,217,683	39,434,503	0	111,217,683		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0	0	40,137,900		
HUATAI SECURITIES CO., LTD.	Domestic non-state-owned legal person	1.22%	23,671,737	5,976,969	0	23,671,737		
AGRICULTURAL BANK OF CHINA - XINHUA SECTOR ROTATION FLEXIBLE-DISPOSITION MIXED-TYPE SECURITIES INVESTMENT FUND	Others	0.55%	10,556,179	10,556,179	0	10,556,179		
BOSERA FUNDS-BANK OF CHINA - PING AN LIFE INSURANCE - PING AN LIFE INSURANCE ENTRUSTED INVESTMENT NO.1 ASSET MANAGEMENT PLAN	Others	0.52%	10,000,000	10,000,000	0	10,000,000		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0	0	8,608,238		
JIN Xing	Domestic nature person	0.41%	7,922,300	-72,700	0	7,922,300		
CHINA MERCHANTS BANK CO.,LTD - BOSERA SHS EXCELLENT ENTERPRISES HYBRID FUND	Others	0.36%	7,000,000	7,000,000	0	7,000,000		

Connected relationship or connected party relationship among the above shareholders

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence they are 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 other.

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
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
HKSCC NOMINEES LIMITED	266,013,900	Overseas listed foreign shares	266,013,900
CHENMING HOLDINGS (HONG KONG) LIMITED	111,217,683	Domestically listed foreign shares	26,238,183
		Overseas listed foreign shares	84,979,500
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	40,137,900	RMB ordinary shares	40,137,900
HUATAI SECURITIES CO., LTD.	23,671,737	RMB ordinary shares	23,671,737
AGRICULTURAL BANK OF CHINA - XINHUA SECTOR ROTATION FLEXIBLE-DISPOSITION MIXED-TYPE SECURITIES INVESTMENT FUND	10,556,179	RMB ordinary shares	10,556,179
BOSERA FUNDS-BANK OF CHINA — PING AN LIFE INSURANCE — PING AN LIFE INSURANCE ENTRUSTED INVESTMENT NO.1 ASSET MANAGEMENT PLAN	10,000,000	RMB ordinary shares	10,000,000
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	Domestically listed foreign shares	8,608,238
		Domestically listed foreign shares	7,922,300
JIN Xing	7,922,300	Domestically listed foreign shares	7,922,300
CHINA MERCHANTS BANK CO.,LTD - BOSERA SHS EXCELLENT ENTERPRISES HYBRID FUND	7,000,000	RMB ordinary shares	7,000,000

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

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence they are 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 other.

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.



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VI Changes in Share Capital and Shareholders

III. Change of controlling shareholders or beneficial controllers

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.

During the reporting period, Chenming Holdings (Hong Kong) Limited acquired additional 13,369,503 B shares and 26,065,000 H shares of the Company. As at the end of the reporting period, Chenming Holdings (Hong Kong) Limited had 26,238,183 B shares and 84,979,500 H shares of the Company, which amounted to 111,217,683 shares, representing a shareholding of 5.74%.

As at the end of the reporting period, Shouguang Chenming Holdings Company Limited and its party acting in concert, namely Chenming Holdings (Hong Kong) Limited, held 293,003,657 A shares, 26,238,183 B shares and 84,979,500 H shares of the Company in aggregate, representing a shareholding of 20.87%.

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

Name of shareholder/party acting in concert	Number of shares to be purchased	Resulting increase in shareholding	Number of shares purchased	Resulting increase in shareholding	Announcement date of purchase	End of purchase period
CHENMING HOLDINGS (HONG KONG) LIMITED	N/A	N/A	39,434,503	2.04%	N/A	N/A

VII Preference Shares

I. Issue and listing of preference shares during the reporting period

Applicable Not applicable

Method	Issue date	Issue price (RMB/share)	Coupon rate	Issue size (share)	Listing date	With listing permission (share)	Delisting date	Information of use of proceeds	Information of changes to proceeds
Private	16 March 2016	100	4.36%	22,500,000	8 April 2016	22,500,000	—	http://www.cninfo.com.cn	http://www.cninfo.com.cn

II. Holders of preference shares and their shareholdings

Unit: share

Total number of shareholders of preference shares as at the end of the reporting period 5

More than 5% shareholdings of the preference shares of the Company or top ten holders of preference shares

Name	Nature	Preference shareholding	Number of preference shares held at the end of the reporting period	Changes during the reporting period	Share pledged or locked-up Status of shares	Number
GUOXIN LEASING CO., LTD.	Domestic non-state-owned legal person	35.56%	8,000,000	0		0
QILU BANK CO., LTD. - QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	26.67%	6,000,000	0		0
LAIWU GUANGYANG INVESTMENT CO., LTD.	Domestic non-state-owned legal person	20.00%	4,500,000	0		0
SHANDONG DONGTAI IMPORT AND EXPORT CO., LTD.	Domestic non-state-owned legal person	8.89%	2,000,000	0		0
SHANDONG TAISHAN STEEL GROUP COMPANY LIMITED	Domestic non-state-owned legal person	8.89%	2,000,000	0		0

Connected relationship or connected party relationship among the top ten holders of preference shares, and between the top ten holders of preference shares and the top ten holders of ordinary shares

It is not aware that the above holders of preference shares are persons acting in concert and it is also not aware that the above shareholders of preference shares are connected with each other.

III. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

IV. Resumption and exercise of voting rights

Applicable Not applicable

There was no resumption and exercise of voting rights conferred by preference shares during the reporting period.

V. Accounting policy and reasons therefor

Applicable Not applicable

Pursuant to requirements of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments and Provisions for Differentiation between Financial Instruments and Equity Instruments and Relevant Accounting Treatment, the preference shares were accounted for as equity instruments as their terms satisfied requirements for such treatments.

VIII Directors, Supervisors and Senior Management

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

Applicable Not applicable

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 2015 for details.

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

Applicable Not applicable

Name	Position	Type	Date	Reason
Chen Hongguo	Chairman	Elected	18 May 2016	Elected upon replacement of the Board
Yin Tongyuan	Vice-chairman	Elected	18 May 2016	Elected upon replacement of the Board
Li Feng	Director	Elected	18 May 2016	Elected upon replacement of the Board
Geng Guanglin	Director	Elected	18 May 2016	Elected upon replacement of the Board
Hou Huancai	Director	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Zhou Shaohua	Director	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Yang Guihua	Director	Elected	18 May 2016	Elected upon replacement of the Board
Wang Xiaoqun	Director	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Zhang Zhiyuan	Independent Director	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Wang Aiguo	Independent Director	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Zhang Hong	Director	Elected	18 May 2016	Elected upon replacement of the Board
Pan Ailing	Independent Director	Elected	18 May 2016	Elected upon replacement of the Board
Gao Junjie	Chairman of Supervisory Committee	Elected	18 May 2016	Elected upon replacement of the Board
Wang Ju	Supervisor	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Yang Hongqin	Supervisor	Elected	18 May 2016	Elected upon replacement of the Board
Yin Qixiang	Supervisor	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Guo Guangyao	Supervisor	Retired upon expiry of office	18 May 2016	Retired upon expiry of office
Chen Hongguo	General Manager	Appointed	18 May 2016	Appointed
Li Xueqin	Deputy general manager	Appointed	18 May 2016	Appointed
Wang Chunfang	Secretary to the Board and deputy general manager	Appointed	18 May 2016	Appointed
Hu Changqing	Deputy general manager	Appointed	18 May 2016	Appointed
Li Zhenzhong	Deputy general manager	Appointed	18 May 2016	Appointed
Poon Shiu Cheong	Company secretary and qualified accountant	Appointed	18 May 2016	Appointed
Wang Fengrong	Independent Director	Elected	18 May 2016	Elected upon replacement of the Board
Huang Lei	Independent Director	Elected	18 May 2016	Elected upon replacement of the Board
Liang Fu	Independent Director	Elected	18 May 2016	Elected upon replacement of the Board
Liu Jilu	Supervisor	Elected	18 May 2016	Elected upon replacement of the Board
Zhang Xiaofeng	Supervisor	Elected	18 May 2016	Elected upon replacement of the Board
Sun Yinghua	Supervisor	Elected	18 May 2016	Elected upon replacement of the Board
Yang Weiming	Deputy general manager	Appointed	18 May 2016	Appointed
Zhang Qingzhi	Deputy general manager	Appointed	18 May 2016	Appointed
Wang Chunfang	Director	Elected	18 May 2016	Elected upon replacement of the Board
Wang Chunfang	Director	Resigned	14 June 2016	Resigned due to personal reasons
Wang Chunfang	Secretary to the Board and deputy general manager	Resigned	14 June 2016	Resigned due to personal reasons
Geng Guanglin	Deputy general manager	Appointed	18 May 2016	Appointed

VIII Directors, Supervisors and Senior Management

III. Equity interests of Directors, Supervisors and Senior Management under SFO of Hong Kong

As at 30 June 2016, 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)
Directors		
Chen Hongguo (Note 1)	Chairman and General Manager	6,434,527
Yin Tongyuan	Executive Director and Vice Chairman	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Supervisor		
Gao Junjie	Supervisor	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	0	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 18.65% of the total share capital of Chenming Holdings) held by Shouguang Henglian were also deemed to be held by Chen Hongguo.

Save as disclosed in the above, as at 30 June 2016, 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 2016, 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 2016

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	11,772,868,305.13	8,984,326,016.01
Bills receivable	3,759,908,176.21	3,998,782,845.65
Accounts receivable	3,950,271,213.66	3,951,287,979.32
Prepayments	1,569,369,035.86	1,072,990,234.05
Other receivables	1,573,176,269.30	1,469,573,364.01
Inventories	5,226,225,533.10	5,210,917,891.42
Non-current assets due within one year	4,525,169,793.00	2,893,133,653.86
Other current assets	10,205,027,704.48	7,582,839,356.54
Total current assets	42,582,016,030.74	35,163,851,340.86
NON-CURRENT ASSETS:		
Available-for-sale financial assets	109,000,000.00	109,000,000.00
Long-term receivables	10,682,888,917.02	9,084,087,143.84
Long-term equity investments	63,288,422.01	70,492,256.38
Investment property	15,127,803.85	15,996,931.87
Fixed assets	24,982,941,210.61	24,169,725,529.18
Construction in progress	5,654,059,733.57	5,829,619,258.48
Construction materials	15,391,351.31	14,662,116.76
Intangible assets	1,456,335,471.06	1,462,706,060.63
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	161,448,142.38	165,686,946.61
Deferred income tax assets	537,027,243.99	613,229,310.48
Other non-current assets	348,686,098.88	1,242,358,865.33
Total non-current assets	44,046,478,181.85	42,797,848,206.73
Total assets	86,628,494,212.59	77,961,699,547.59

IX Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Unit: RMB

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	28,531,704,325.25	24,755,535,672.86
Bills payable	3,843,491,440.10	3,281,599,412.31
Accounts payable	2,672,610,340.38	2,942,337,386.57
Advance receipts	212,382,889.00	180,504,227.01
Staff remuneration payables	163,713,392.98	205,840,694.03
Taxes payable	204,353,134.05	194,852,483.80
Interest payable	230,076,253.71	150,075,698.23
Dividend payable	580,921,640.10	
Other payables	1,035,468,204.63	1,158,567,353.38
Non-current liabilities due within one year	4,286,339,021.25	5,471,286,735.91
Other current liabilities	11,652,566,715.45	10,293,543,297.00
Total current liabilities	53,413,627,356.90	48,634,142,961.10
NON-CURRENT LIABILITIES:		
Long-term borrowings	6,195,047,942.07	5,169,381,063.83
Bonds payable	3,791,215,868.81	3,788,539,249.59
Long-term payables	1,795,435,500.86	344,000,000.00
Special payables	281,039,716.66	176,983,516.66
Deferred income	1,463,624,001.97	1,495,104,889.26
Other non-current liabilities		1,094,621,421.67
Total non-current liabilities	13,526,363,030.37	12,068,630,141.01
TOTAL LIABILITIES	66,939,990,387.27	60,702,773,102.11
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	4,821,550,000.00	2,582,800,000.00
Of which: Preference shares	2,238,750,000.00	
Perpetual bonds	2,582,800,000.00	2,582,800,000.00
Capital reserves	6,149,150,177.41	6,149,138,276.81
Other comprehensive income	-499,332,134.40	-345,014,864.26
Surplus reserves	1,132,116,106.40	1,132,116,106.40
Retained profit	5,774,292,829.37	5,416,049,598.87
Total equity attributable to equity holders of the company	19,314,182,445.78	16,871,494,584.82
Minority interest	374,321,379.54	387,431,860.66
Total owners' equity	19,688,503,825.32	17,258,926,445.48
TOTAL LIABILITIES AND OWNERS' EQUITY	86,628,494,212.59	77,961,699,547.59

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

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	7,759,995,769.70	5,700,832,345.61
Bills receivable	642,494,704.84	1,279,192,805.78
Accounts receivable	3,077,142,500.14	2,054,668,707.47
Prepayments	1,010,186,691.28	354,158,061.49
Interest receivable	2,350,760.36	
Dividends receivable	200,000,000.00	200,000,000.00
Other receivables	25,815,266,155.40	23,168,599,276.40
Inventories	822,615,802.07	770,515,314.04
Non-current assets due within one year	900,000,000.00	
Other current assets		44,180,954.64
Total current assets	40,230,052,383.79	33,572,147,465.43
NON-CURRENT ASSETS:		
Available-for-sale financial assets	73,000,000.00	73,000,000.00
Long-term equity investments	13,526,913,608.16	13,526,953,706.49
Investment property	15,127,803.85	15,996,931.87
Fixed assets	3,375,035,573.45	3,494,527,564.35
Construction in progress	65,595,314.91	39,945,237.44
Construction materials	1,445,766.52	1,480,399.83
Intangible assets	304,774,755.95	308,890,444.95
Deferred income tax assets	180,340,981.36	146,800,984.93
Other non-current assets		900,000,000.00
Total non-current assets	17,542,233,804.20	18,507,595,269.86
Total assets	57,772,286,187.99	52,079,742,735.29
CURRENT LIABILITIES:		
Short-term borrowings	7,903,828,909.20	7,288,876,600.43
Bills payable	2,535,000,000.00	1,095,500,000.00
Accounts payable	925,129,538.66	952,024,758.38
Advance receipts	1,685,736,617.64	735,151,335.79
Staff remuneration payables	65,386,622.05	84,950,702.67
Taxes payable	37,501,207.92	37,964,445.54
Interest payable	230,076,253.71	150,075,698.23
Dividend payable	580,921,640.10	
Other payables	3,753,483,078.96	4,342,643,198.14
Non-current liabilities due within one year	3,318,633,543.11	4,339,346,982.33
Other current liabilities	11,652,566,715.45	10,293,543,297.00
Total current liabilities	32,688,264,126.80	29,320,077,018.51

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II. Financial Statements (Cont'd)

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

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,541,012,766.29	1,051,891,417.64
Bonds payable	3,791,215,868.81	3,788,539,249.59
Long-term payables	1,199,435,500.86	
Deferred income	58,743,385.05	61,468,322.53
Other non-current liabilities		1,094,621,421.67
Total non-current liabilities	6,590,407,521.01	5,996,520,411.43
TOTAL LIABILITIES	39,278,671,647.81	35,316,597,429.94
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	4,821,550,000.00	2,582,800,000.00
Of which: Preference shares	2,238,750,000.00	
Perpetual bonds	2,582,800,000.00	2,582,800,000.00
Capital reserves	5,938,852,560.70	5,938,840,660.10
Surplus reserves	1,119,926,524.49	1,119,926,524.49
Retained profit	4,676,879,987.99	5,185,172,653.76
Total owners' equity	18,493,614,540.18	16,763,145,305.35
TOTAL LIABILITIES AND OWNERS' EQUITY	57,772,286,187.99	52,079,742,735.29



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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	10,606,358,733.02	9,718,697,677.76
Including: Revenue	10,606,358,733.02	9,718,697,677.76
II. Total operating costs	9,622,587,179.13	9,407,786,957.20
Including: Operating costs	7,263,967,310.23	7,370,384,661.31
Business taxes and surcharges	85,488,437.29	51,233,976.66
Sales expenses	573,734,657.05	551,073,823.71
Administrative expenses	694,013,827.38	654,253,969.26
Finance expenses	968,343,561.61	745,472,279.11
Loss on impairment of assets	37,039,385.57	35,368,247.15
Plus: Gain on change in fair value (“-” denotes loss)	-10,599,543.68	-2,177,906.88
Investment income (“-” denotes loss)	37,008,429.78	46,632,746.32
Including: Investment income from associates and joint ventures	-7,203,834.37	-2,145,031.45
Foreign exchange gains (“-” denotes loss)		
III. Operating profit (“-” denotes loss)	1,010,180,439.99	355,365,560.00
Plus: Non-operating income	228,908,354.31	75,090,038.49
Including: Gain on disposal of non-current assets	2,416,628.05	7,042,678.94
Less: Non-operating expenses	6,002,982.36	3,331,029.84
Including: Loss on disposal of non-current assets	4,043,314.21	2,683,749.34
IV. Total profit (“-” denotes total loss)	1,233,085,811.94	427,124,568.65
Less: Income tax expenses	307,031,422.46	173,411,302.61
V. Net profit (“-” denotes net loss)	926,054,389.48	253,713,266.04
Net profit attributable to owners of the Company	939,164,870.60	276,388,070.51
Minority interest	-13,110,481.12	-22,674,804.47
VI. Other comprehensive income after tax, net	-154,317,270.14	16,017,289.88
Other comprehensive income after tax attributable to owners of the Company, net	-154,317,270.14	16,017,289.88
(II) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods	-154,317,270.14	16,017,289.88
5. Translation difference of financial statements denominated in foreign currency	-154,317,270.14	16,017,289.88
VII. Total comprehensive income	771,737,119.34	269,730,555.92
Total comprehensive income attributable to owners of the Company	784,847,600.46	292,405,360.39
Total comprehensive income attributable to minority interest	-13,110,481.12	-22,674,804.47
VIII. Earnings per share:		
(I) Basic earnings per share	0.45	0.14
(II) Diluted earnings per share	0.45	0.14

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

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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	3,404,907,928.96	3,168,439,943.39
Less: Operating costs	2,749,395,766.42	2,599,359,718.51
Business taxes and surcharges	13,030,965.17	13,228,944.39
Selling expenses	128,062,939.31	132,390,470.24
Administrative expenses	267,555,727.82	247,053,467.37
Finance expenses	490,569,574.44	655,455,057.16
Loss on impairment of assets	1,356,150.48	613,708.24
Plus: Gain on change in fair value (“-” denotes loss)		
Investment income (“-” denotes loss)	244,172,165.82	409,332,599.58
Including: Investment income from associates and joint ventures	-40,098.33	-347,400.41
II. Operating profit (“-” denotes loss)	-891,028.86	-70,328,822.94
Plus: Non-operating income	40,001,738.10	4,623,094.90
Including: Gain on disposal of non-current assets	373,450.11	2,762,502.62
Less: Non-operating expenses	21,731.34	2,075,816.44
Including: Loss on disposal of non-current assets	21,731.34	1,922,928.98
III. Total profit (“-” denotes total loss)	39,088,977.90	-67,781,544.48
Less: Income tax expenses	-33,539,996.43	-73,979,233.89
IV. Net profit (“-” denotes net loss)	72,628,974.33	6,197,689.41
V. Other comprehensive income after tax, net		
VI. Total comprehensive income	72,628,974.33	6,197,689.41
VII. Earnings per share:		
(I) Basic earnings per share	—	—
(II) Diluted earnings per share	—	—



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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	11,293,635,802.59	9,898,058,035.83
Tax rebates received	3,612,601.13	
Cash received relating to other operating activities	390,470,872.96	571,126,879.30
Subtotal of cash inflows from operating activities	11,687,719,276.68	10,469,184,915.13
Cash paid for goods and services	6,247,052,235.36	7,576,299,500.64
Cash paid to and for employees	486,900,606.26	440,902,131.38
Payments of taxes	631,814,661.29	479,492,280.63
Cash paid relating to other operating activities	7,019,461,626.81	4,195,246,637.21
Subtotal of cash outflows from operating activities	14,385,229,129.72	12,691,940,549.86
Net cash flows from operating activities	-2,697,509,853.04	-2,222,755,634.73
II. Cash flows from investing activities:		
Cash received from investments		100,000,000.00
Cash received from investment income	45,750,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	213,406.40	111,852.36
Cash received relating to other investing activities	104,056,200.00	31,438,021.33
Subtotal of cash inflows from investing activities	150,019,606.40	131,549,873.69
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	990,227,873.52	947,028,823.98
Cash paid on investments		386,000,000.00
Subtotal of cash outflows from investing activities	990,227,873.52	1,333,028,823.98
Net cash flows from investing activities	-840,208,267.12	-1,201,478,950.29

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from borrowings	23,019,156,541.90	17,281,871,535.62
Cash received relating to other financing activities	12,132,838,789.75	3,585,600,000.00
Subtotal of cash inflows from financing activities	35,151,995,331.65	20,867,471,535.62
Cash repayments of amounts borrowed	19,068,968,880.27	15,175,740,399.14
Cash paid for dividend and profit distribution or interest payment	786,313,234.84	771,500,046.59
Cash paid relating to other financing activities	10,071,692,038.29	1,767,785,037.29
Subtotal of cash outflows from financing activities	29,926,974,153.40	17,715,025,483.02
Net cash flows from financing activities	5,225,021,178.25	3,152,446,052.60
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-7,969,200.70	20,869,712.49
V. Net increase in cash and cash equivalents	1,679,333,857.39	-250,918,819.93
Plus: Balance of cash and cash equivalents as at the beginning of the period	1,888,107,493.76	976,096,861.30
VI. Balance of cash and cash equivalents as at the end of the period	3,567,441,351.15	725,178,041.37



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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	3,582,406,689.02	3,565,908,328.69
Cash received relating to other operating activities	79,542,569.75	81,122,254.98
Subtotal of cash inflows from operating activities	3,661,949,258.77	3,647,030,583.67
Cash paid for goods and services	3,315,453,666.09	1,806,037,967.56
Cash paid to and for employees	202,298,099.22	190,552,619.28
Payments of taxes	83,292,921.05	61,089,661.71
Cash paid relating to other operating activities	127,733,680.37	73,119,210.01
Subtotal of cash outflows from operating activities	3,728,778,366.73	2,130,799,458.56
Net cash flows from operating activities	-66,829,107.96	1,516,231,125.11
II. Cash flows from investing activities:		
Cash received from investments		300,000,000.00
Cash received from return on investments	245,750,000.00	903,625.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	93,406.40	140.00
Cash received relating to other investing activities		21,611,333.23
Subtotal of cash inflows from investing activities	245,843,406.40	322,515,098.85
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	31,377,557.00	50,797,899.17
Cash paid on investments		459,143,400.00
Subtotal of cash outflows from investing activities	31,377,557.00	509,941,299.17
Net cash flows from investing activities	214,465,849.40	-187,426,200.32

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II. Financial Statements (Cont'd)

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

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from borrowings	15,208,998,560.00	5,161,426,356.80
Cash received relating to other financing activities	10,733,403,288.89	3,585,600,000.00
Subtotal of cash inflows from financing activities	25,942,401,848.89	8,747,026,356.80
Cash repayments of amounts borrowed	14,730,286,609.26	8,803,455,745.75
Cash paid for dividend and profit distribution or interest payment	322,578,000.95	370,381,029.51
Cash paid relating to other financing activities	10,675,743,122.70	883,402,412.60
Subtotal of cash outflows from financing activities	25,728,607,732.91	10,057,239,187.86
Net cash flows from financing activities	213,794,115.98	-1,310,212,831.06
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-15,526,949.47	19,785,229.09
V. Net increase in cash and cash equivalents	345,903,907.95	38,377,322.82
Plus: Balance of cash and cash equivalents as at the beginning of the period	49,438,736.95	40,590,357.33
VI. Balance of cash and cash equivalents as at the end of the period	395,342,644.90	78,967,680.15



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										
	Share capital	Preference shares	Other comprehensive income	Capital reserves	Less:	Other equity instruments	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest
		Perpetual bonds	Others	treasury shares	Other equity instruments	Supplies reserves	Capital reserves	Minority interest	Retained profit	Minority interest	Total owners' equity
I. Balance as at the end of the prior period	1,936,405,467.00	2,582,800,000.00	6,149,139,276.81	6,149,139,276.81	-345,014,864.26	1,132,116,106.40	5,416,049,598.87	387,431,860.66	17,258,926,445.48		17,258,926,445.48
Add: changes in accounting policies											
Corrections of previous errors											
Mergers of companies under common control											
Others											
II. Balance as at the beginning of the period	1,936,405,467.00	2,582,800,000.00	6,149,139,276.81	6,149,139,276.81	-345,014,864.26	1,132,116,106.40	5,416,049,598.87	387,431,860.66	17,258,926,445.48		17,258,926,445.48
III. Changes in the period ("-" denotes decrease)				11,900.80	-154,317,270.14		358,243,230.50	-3,110,481.12	2,429,577,379.84		2,429,577,379.84
(I) Total comprehensive income		2,238,750,000.00		11,900.80	-154,317,270.14		938,164,870.60	-3,110,481.12	771,737,119.34		2,238,750,000.00
(II) Capital paid in and reduced by owners		2,238,750,000.00		11,900.80							
1. Ordinary shares paid by shareholders											
2. Other equity investment		2,238,750,000.00		11,900.80							
3. Payment for shares under owners' equity											
4. Others											
(III) Profit distribution											
1. Transfer to surplus reserves											
2. Transfer to general risk provision											
3. Distribution to owners (or shareholders)											
4. Others											
(IV) Transfer of owners' equity											
1. Capital (or share capital) created on capital reserve											
2. Capital (or share capital) created on surplus reserve											
3. Surplus reserve making up losses											
4. Others											
(V) Special reserve											
1. Withdrawal											
2. Used											
(VI) Others											
IV. Balance as at the end of the period	1,936,405,467.00	2,582,800,000.00	6,149,150,177.41	6,149,150,177.41	-499,332,134.40	1,132,116,106.40	5,774,292,829.37	374,321,379.54	19,688,803,825.32		19,688,803,825.32

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				For the prior period				Total owners' equity					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Other income		Special reserves	Surplus reserves	Genera risk provisions	Retained profit	Minority interest
I. Balance as at the end of the prior period	1,936,405,467.00				6,149,136,873.41		337,763,188.13		1,132,116,106.40			4,665,921,686.21	430,724,931.85	14,348,068,233.00
Add: changes in accounting policies														
Corrections of previous errors														
Mergers of companies under common control														
Others														
II. Balance as at the beginning of the period	1,936,405,467.00				6,149,136,873.41		337,763,188.13		1,132,116,106.40			4,665,921,686.21	430,724,931.85	14,348,068,233.00
III. Changes in the period ("-" denotes decrease)														
(I) Total comprehensive income					1,403.40		16,017,289.88					5,291,305.13	-22,674,804.47	-1,364,806.06
(II) Capital paid in and reduced by owners							16,017,289.88					276,388,070.51	-22,674,804.47	289,703,555.92
1. Ordinary shares paid by shareholders							1,403.40							1,403.40
2. Other equity investment							1,403.40							
3. Payment for shares under owners' equity														
4. Others														
(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)														
4. Others														
(IV) Transfer of owners' equity														
1. Capital (or share capital) created on capital reserve														
2. Capital (or share capital) created on surplus reserve														
3. Surplus reserve making up losses														
4. Others														
(V) Special reserve														
1. Withdrawal														
2. Used														
(VI) Others														
IV. Balance as at the end of the period	1,936,405,467.00				6,149,138,276.81		497,801,458.01		1,132,116,106.40			4,671,212,991.34	408,051,127.38	14,346,703,426.94

II. Financial Statements (Cont'd)

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

Amounts for the period

Item	For the reporting period						Total owners' equity				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	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		2,582,800,000.00		5,938,640,660.10				1,119,926,524.49	5,185,172,653.76	16,763,145,305.35
Add: changes in accounting policies											
Corrections of previous errors											
Others											
II. Balance as at the beginning of the period	1,936,405,467.00		2,582,800,000.00		5,938,640,660.10				1,119,926,524.49	5,185,172,653.76	16,763,145,305.35
III. Changes in the period ("-" denotes decrease)											
(I) Total comprehensive income						11,900.60				-508,292,665.77	1,730,489,234.83
(II) Capital paid in and reduced by owners		2,238,750,000.00								72,628,974.33	72,628,974.33
1. Ordinary shares paid by shareholders		2,238,750,000.00				11,900.60					2,238,761,900.60
2. Other equity investment						11,900.60					11,900.60
3. Payment for shares under owners' equity											
4. Others											
(III) Profit distribution											
1. Transfer to surplus reserves										-580,921,640.10	-580,921,640.10
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfer of owners' equity											
1. Capital (or share capital) created on capital reserve											
2. Capital (or share capital) created on surplus reserve											
3. Surplus reserve making up losses											
4. Others											
(V) Special reserve											
3. Withdrawal											
4. Used											
(VI) Others											
IV. Balance as at the end of the period	1,936,405,467.00	2,238,750,000.00	2,582,800,000.00		5,938,652,560.70				1,119,926,524.49	4,676,879,387.99	18,493,614,540.18

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 reporting 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				5,988,839,256.70				1,119,926,524.49	5,296,499,772.11	14,291,671,020.30
Add: changes in accounting policies											
Corrections of previous errors											
Others											
II. Balance as at the beginning of the period	1,936,405,467.00				5,988,839,256.70				1,119,926,524.49	5,296,499,772.11	14,291,671,020.30
III. Changes in the period ("-" denotes decrease)					1,403.40					-264,639,075.97	-264,639,075.97
(I) Total comprehensive income										6,197,693.41	6,197,693.41
(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
2. Other equity investment											
3. Payment for shares under owners' equity											
4. Others											
(III) Profit distribution										-271,096,765.38	-271,096,765.38
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfer of owners' equity											
1. Capital (or share capital) created on capital reserve											
2. Capital (or share capital) created on surplus reserve											
3. Surplus reserve making up losses											
4. Others											
(V) Special reserve											
1. Withdrawal											
2. Used											
(VI) Others											
IV. Balance as at the end of the period	1,936,405,467.00				5,988,840,660.10				1,119,926,524.49	5,031,600,696.14	14,026,773,397.73

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.

The Company and its subsidiaries 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, hotel service, marine engineering project investment, equipment financial and operating leasing, etc.

The financial statements were considered, approved and issued by the Board of the Company on 24 August 2016.

Subsidiaries of the Company included in the scope of consolidation for the first half of 2016 totalled 51. For details, please refer to this Note IX “Equity in other entities”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

The Company’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 Company’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.

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 Company as at 30 June 2016 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2016. 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 Company 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 Company is from 1 January to 31 December of each calendar year.

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

3. Operating cycle

Ordinary operating cycle refers to the period from acquisition of assets used for processing by the Company until their realisation in cash or cash equivalents. The operating cycle of the Company 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.

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.



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

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.

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.



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)

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.



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.

(2) Basis for preparation of the consolidated financial statements

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.

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)

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.

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.



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 Company's rights and obligations under a joint arrangement, the Company 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 Company only is entitled to net assets of this arrangement.

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

When the Company, as a joint venture, invests or sells assets (the assets does not constitute a business, the same below) to or purchase assets from joint operations, the Company 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 out in “Accounting Standard for Business Enterprises No. 8 – Asset Impairment”, the Company shall recognise the full amount of this loss in relation to the Company invests in or sells assets to joint operations; the Company recognise the loss according to the Company's share of commitment in relation to the Company purchase assets from joint operations.

8. Standards for recognising cash and cash equivalents

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

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 Company, 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.

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 monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. All differences are included in the profit or loss in the period, except for: ① the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets that are qualified for capitalisation will be accounted for according to the principle of capitalisation; and ② exchange difference arising from change in balance of carrying amount other than amortised cost of available for sale foreign monetary items will be included in other comprehensive income.

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.

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.



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

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

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

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 be 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.

10. Financial instruments

Financial asset or financial liability will be recognised when the Company 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.



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

10. Financial instruments (Cont'd)

(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 investments in equity instruments, where the Company does not have control, joint control or significant influence over the investee.

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, for investments in equity instruments where there is no control, joint control or significant influence, and no quotation in an active market and reliable measurement of their fair value, their fair values 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.



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 Company reviews the book value of other financial assets at each balance sheet date and provides for impairment where there is objective evidence that financial assets are impaired.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses 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 or fair value of the interest in the investee's identifiable net assets 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 decline of over 20% in such fair value. "Non-temporary decline" refers to such fair value decreased continuously for more than 12 months. The continuous decreasing period is determined on the basis of the drop of such 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 and included in the profit or loss for the period. The accumulated loss that transferred out is the balance of the initial acquisition 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.

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 receive 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 such financial asset and 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.

If all criteria of recognition of transfer of financial assets are satisfied, the difference between the carrying amounts of the financial assets transferred, the consideration received from the transfer and the accumulated changes in fair value originally include in other comprehensive income shall be recognised in the profit or loss of the period.

If a part of the financial assets is qualified 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: financial liabilities recognised at fair value with changes carried through profit or loss and other financial liabilities. For financial liabilities measured at fair value with changes recognised in profit or loss of the current period, relevant transaction costs are directly recognised in profit or loss for the period. The amount is recognised initially at fair value and the subsequent changes in fair value will be recognised in profit or loss for the period. For other financial liabilities, 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.



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 Company (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 Company 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 on a net amount basis or simultaneously, the financial assets and financial liabilities shall be reported in the balance sheet upon offsetting. 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 Company 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 Company to holders of equity instruments reduces owners' equity. The Company does not recognise the movement in fair value of equity instruments.

11. Accounts receivable

Accounts receivable includes accounts receivable and other receivables etc.

(1) Basis for recognition and measurement of bad debt provision

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



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

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision

① *Recognition standard and method for making bad debt provision individually for individually significant accounts receivable*

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

For accounts receivable that is individually significant, the Company 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 *Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio*

A. *Basis for determining the credit risk portfolio*

The Company classifies its individually insignificant accounts receivable and individually significant but not impaired accounts receivable in accordance with their credit risk characteristics and relevance of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contracted terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.

Portfolios are determined according to the following basis:

Portfolio	Basis for determining the portfolio
Specific fund portfolio	A portfolio which is classified as a category on the basis of certain specific accounts receivable
Ageing portfolio	A portfolio which is classified as a category on the basis of credit risk features such as ageing



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

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision (Cont'd)

② *Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio (Cont'd)*B. *Method for making bad debt provision according to credit risk characteristics*

When an impairment test is performed by means of a group, bad debt provision will be assessed and ascertained according to the structure of the group of accounts receivable and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses, prevailing economic condition and losses that are expected to incur in the group of accounts receivable.

Method for making bad debt provision for different portfolio:

Portfolio	Basis for determining the portfolio
Specific fund portfolio	No bad debt provision provided
Ageing portfolio	Ageing analysis

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

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

③ *Accounts receivable individually insignificant but provided for bad debt separately*

Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Company. 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.

(3) **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.

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

12. Inventories

(1) Classification of inventories

Inventories mainly include raw materials, work in progress, goods in stock, developing 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 developing products 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 such as maintenance cost 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.

(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 taxes 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.



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

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 Company 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 V. 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.

(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.

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

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

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

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.

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 Company, 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.



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*

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

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company'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 Company'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 Company 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 Company 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 internal transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognised accordingly. However, any unrealised loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Company 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 Company 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 Company'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 Company 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 Company 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 Company 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.

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, capital reserve is adjusted based on the difference between the additional long term equity investment from acquisition of minority interest and the share of net assets of the subsidiary attributable to the additional shareholding from the date of acquisition (or date of combination). In the case of insufficient capital surplus to offset impairment, retained earnings shall be adjusted.

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 loss 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.



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 Company, 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 Company 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 Company, 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 Company 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.

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

14. Investment Property

Investment property refers 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 Company 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 Company adopts cost method for subsequent measurement of investment property, which is depreciated using the same policy as that for buildings.

The method for impaired test of investment property and measurement of impairment provision are detailed in Note V.19 "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 of fixed assets

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



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

15. Fixed assets (Cont'd)

(2) Method for depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

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 Company 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. 19 "Impairment of long-term assets".

(4) Recognition and accounting 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 Company 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 Company 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.

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

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.19 "Impairment of long-term asset".

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 Company 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.



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

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 Company 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 Company 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.

(2) Research and development expenditure

Research and development expenditure of the Company 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; and 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. 19 "Impairment of long-term assets".

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

19. Impairment of long-term asset

The Company will judge if there is any indication of impairment as at the balance sheet date in respect of noncurrent non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties 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.

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 Company 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 Company 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.

20. Long-term prepaid expenses

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



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

21. Employee benefits

Staff remuneration of the Company 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 termination benefits and included in profit or loss for the current period, when the Company cannot revoke unilaterally termination benefits due to the cancellation of labour relationship plans and employee redundant proposals; and the Company recognise cost and expenses related to payment of termination benefits and restructuring, whichever is earlier. However, if the termination benefits are 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 same accounting principles for above termination benefits. 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 termination benefits) in the current profit or loss by the Company if the recognition principles for provisions are satisfied.

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

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. Preference shares, perpetual bonds and other financial instruments

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

24. 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 Company 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 Company's monetary fund, and the effective interest rates.



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

25. Government grants

Government grants are transfer of monetary assets or non-monetary assets from the government to the Company at no consideration, excluding capital considerations from the government as an owner of the Company. 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 Company 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.

26. 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.

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

26. 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 Company 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 is 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 Company 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.



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

26. 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 Company, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Company 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 Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

27. 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 Company 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 Company 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.

(3) Financing lease business with the Company 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.

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

27. Lease (Cont'd)

(4) Financing lease business with the Company 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.

28. 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.

29. 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.

30. Changes in Significant Accounting Policies and Estimates

(1) Changes in Accounting Policies

Applicable Not applicable

(2) Changes in significant accounting estimates

Applicable Not applicable



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

31. Critical accounting judgments and estimates

The Company 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 Company'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 Company 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 Company needs to make judgments, estimates and assumptions as to the items amount of financial statements are set out below:

(1) Classification of leases

The Company 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 Company 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 Company 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.

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

31. 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 Company 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 Company 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 Company shall provide depreciation and amortisation for investment properties, fixed assets and intangible assets over their useful lives and after taking into account of their residual value, using straight-line method. The Company 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 Company according to its previous experience 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.



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

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

(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 Company during its ordinary course of business. The approval from the tax authority is required for pre-tax expensing 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.

VI. Taxation

1. Main Tax Types and Tax Rates

Tax type	Tax rate
Value added tax	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	3%-5% of taxable revenue
Urban maintenance and construction tax	7% of actual payment of turnover tax
Enterprise income tax	25% of taxable income
Educational surcharges	3% of actual payment of turnover tax
Local educational surcharges	2% of actual payment of turnover tax

2. Tax Incentives

(1) Enterprise Income Tax

The Company received a high and new technology enterprise certificate jointly issued by the Shandong Provincial Office of SAT, Shandong Local Taxation Bureau, the Shandong Province Finance Bureau and the Department of Science & Technology of Shandong Province certifying the Company as a high and new technology enterprise with a certification number of GR201537000611 valid for three years.

Shouguang Meilun Paper Co., Ltd. ("Shouguang Meilun"), a wholly-owned subsidiary, received a high and new technology enterprise certificate jointly issued by the Shandong Provincial Office of SAT, Shandong Local Taxation Bureau, the Shandong Province Finance Bureau and the Department of Science & Technology of Shandong Province certifying the Company as a high and new technology enterprise with a certification number of GR201537000228 valid for three years.

Zhanjiang Chenming Pulp & Paper Co., Ltd. ("Zhanjiang Chenming"), a controlling subsidiary of the Company, received a high and new technology enterprise certificate jointly issued by the Guangdong Provincial Office of SAT, Guangdong Local Taxation Bureau, the Guangdong Province Finance Bureau and the Department of Science & Technology of Guangdong Province certifying the Company as a high and new technology enterprise of Guangdong with a certification number of GR201544000146 valid for three years.



VI. Taxation (Cont'd)

2. Tax Incentives (Cont'd)

(1) Enterprise Income Tax (Cont'd)

Pursuant to relevant requirements, the Company, Shouguang Meilun and Zhanjiang Chenming are eligible for relevant national preferential treatment enjoyable by high and new tech enterprises for three years and subject to a corporate income tax rate of 15%.

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 Chenming Paper, 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 Chenming Paper, 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, Chenming Paper and its remaining subsidiaries are subject to enterprise income tax rate of 25%.

(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 Utilize Resources" (Cai Shui [1995] No. 44) as issued by and the State Administration of Taxation and the document 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	2,322,936.69	1,869,583.60
Bank deposit	3,565,118,414.46	1,886,237,910.16
Other monetary funds	8,205,426,953.98	7,096,218,522.25
Total	11,772,868,305.13	8,984,326,016.01
Of which: Total deposits in overseas banks	123,769,941.29	270,967,129.46

- Notes: ① Other monetary funds of RMB2,864,822,994.92 (31 December 2015: RMB2,647,639,732.52) were the guarantee deposit for the application for bank acceptance with the banks by the Company.
- ② Other monetary funds of RMB2,248,859,560.88 (31 December 2015: RMB1,146,136,561.08) were the guarantee deposit for the application for letter of credit with the banks by the Company.
- ③ Other monetary funds of RMB2,633,664,398.18 (31 December 2015: RMB2,982,301,007.86) were the guarantee deposit for the application for guarantees with the banks by the Company.
- ④ Other monetary funds of RMB180,000,000.00 (31 December 2015: RMB87,691,220.79) were the guarantee deposit for the application for loans with the banks by the Company.
- ⑤ Other monetary funds of RMB278,080,000.00 (31 December 2015: RMB232,450,000.00) were the statutory reserve deposit at the People's Bank of China by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company.

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	3,759,908,176.21	3,946,782,845.65
Commercial acceptance bills		52,000,000.00
Total	3,759,908,176.21	3,998,782,845.65

(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	1,941,931,629.23
Total	1,941,931,629.23

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

2. Bills receivable (Cont'd)

(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	3,669,975,048.59
Total	3,669,975,048.59

(4) Others

As at 30 June 2016, bills with carrying amount of RMB328,186,051.50 (31 December 2015: RMB389,088,621.98) were pledged in exchange for short-term borrowings. As at 30 June 2016, bills with carrying amount of RMB1,117,207,531.63 (31 December 2015: RMB786,353,404.24) were pledged for the issuance of acceptance bills. As at 30 June 2016, bills with carrying amount of RMB496,538,046.10 (31 December 2015: RMB456,940,733.65) were pledged for the issuance of guarantees or letters of credit.

As at 30 June 2016, the discounted bank acceptance bills issued by the Group to banks amounted to RMB1,537,289,947.88 (2015: RMB3,861,622,115.19) in aggregate, with discount expenses incurred of RMB16,166,296.84 (2015: RMB65,559,613.69). As at 30 June 2016, outstanding discounted bills receivable amounted to RMB1,062,772,707.52 (2015: RMB1,296,249,121.66).

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	39,482,565.41	0.92%	39,482,565.41	100.00%	40,000,101.94	0.94%	40,000,101.94	100.00%		
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	4,236,428,580.42	99.08%	286,157,366.76	6.75%	3,950,271,213.66	4,216,225,669.00	99.06%	264,937,689.68	6.28%	3,951,287,979.32
Total	4,275,911,145.83	100.00%	325,639,932.17	7.62%	3,950,271,213.66	4,256,225,770.94	100.00%	304,937,791.62	7.16%	3,951,287,979.32

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.	26,236,528.70	26,236,528.70	100.00%	Overdue for a prolonged period and unlikely to be recovered
Beijing Huaxia Culture Media Co., Ltd.	9,825,843.00	9,825,843.00	100.00%	Overdue for a prolonged period and unlikely to be recovered
Jiangxi Longming Enterprise Co., Ltd.	1,763,987.74	1,763,987.74	100.00%	Overdue for a prolonged period and unlikely to be recovered
Nanchang Xingbo Paper Co., Ltd.	1,656,205.97	1,656,205.97	100.00%	Overdue for a prolonged period and unlikely to be recovered
Total	39,482,565.41	39,482,565.41	—	—

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

Applicable Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance		Percentage
		Bad debt provision	Percentage	
Within 1 year				
Of which: Within 3 months	2,697,319,812.95	134,884,920.64	5.00%	
Within 4-6 months	697,935,836.08	34,896,791.79	5.00%	
7-12 months	332,528,797.48	16,626,439.88	5.00%	
Sub-total for within 1 year	3,727,784,446.51	186,408,152.31	5.00%	
1-2 years	135,630,238.21	13,563,023.79	10.00%	
2-3 years	43,367,555.07	8,673,511.02	20.00%	
Over 3 years	116,995,245.05	116,995,245.05	100.00%	
Total	4,023,777,484.84	325,639,932.17	8.09%	

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

Applicable Not applicable

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB20,702,140.55. The amount for bad debt provision recovered or reversed during the current period was RMB0.00.

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

3. Accounts receivable (Cont'd)

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

Name of entity	Nature	Amount due	Percentage (%)	Bad debt provision
Shanxi Printing Materials Company	Payment for goods	101,946,323.41	2.38%	5,097,316.17
Xiamen ITG Group Corp., Ltd	Payment for goods	53,997,695.65	1.26%	2,699,884.78
Beijing Foreign Languages Publishing and Paper Company	Payment for goods	58,307,222.45	1.36%	2,915,361.12
Xinjiang Publishing & Printing Group	Payment for goods	48,118,239.41	1.13%	2,405,911.97
Dongguan Huafa Paper Co., Ltd.	Payment for goods	47,306,777.63	1.11%	2,365,338.88
Total		309,676,258.55	7.24%	15,483,812.93

4. Prepayments

(1) Presentation of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amounts	Percentage	Amounts	Percentage
Within 1 year	1,306,619,772.54	83.26%	811,178,883.71	75.60%
1-2 years	262,749,263.32	16.74%	261,811,350.34	24.40%
Total	1,569,369,035.86	—	1,072,990,234.05	—

Among significant prepayments overdue for more than 1 year, the prepayments to all villages of Huanggang City of RMB86,344,778.40 were prepaid deposits for woodland acquisition.

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

4. Prepayments (Cont'd)

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

Name of entity	Amounts	Percentage (%)	Term	Reason for being unsettled
Zhanjiang Mingli Trading Co., Ltd	124,169,256.43	7.91%	Within 1 year	Prepayments for goods according to the agreed contract
All villages of Huanggang City	86,344,778.40	5.50%	1-2 years	The deposit for timber acquisition
Shandong Longtai Stainless Steel Products Co., Ltd.	35,535,053.00	2.26%	Within 1 year	Prepayments for goods according to the agreed contract
Shandong Hengxing Stock Co. Ltd.	33,290,180.49	2.12%	Within 1 year	Prepayments for goods according to the agreed contract
Hunan Printing Materials Co., Ltd.	30,510,238.63	1.94%	Within 1 year	Prepayments for goods according to the agreed contract
Total	309,849,506.95	19.74%		

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
	Amounts	Percentage	Amounts	Percentage		Amounts	Percentage	Amounts	Percentage	
Other receivables that are individually significant and are provided for bad debts separately	8,686,748.70	0.52%	8,686,748.70	100.00%		8,686,748.70	0.56%	8,686,748.70	100.00%	
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	1,643,506,163.59	98.74%	70,329,894.29	4.28%	1,573,176,269.30	1,536,522,514.58	98.76%	66,949,150.57	4.36%	1,469,573,364.01
Other receivables that are individually insignificant and are provided for bad debts separately	12,364,520.18	0.74%	12,364,520.18	100.00%		10,514,189.79	0.68%	10,514,189.79	100.00%	
Total	1,664,557,432.47	100.00%	91,381,163.17	5.49%	1,573,176,269.30	1,555,723,453.07	100.00%	86,150,089.06	5.54%	1,469,573,364.01

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 receivable (by entity)	Other Receivables	Closing balance		Reason for provision
		Bad debt provision	Percentage	
Ahlstrom Finland	2,820,742.72	2,820,742.72	100.00%	Overdue for over 3 years and unlikely to be recovered
Qingdao Second Automotive and Transportation Logistics Branch Company	1,137,295.16	1,137,295.16	100.00%	Overdue for over 3 years and unlikely to be recovered
Elof Hansson Group of Sweden	1,344,717.78	1,344,717.78	100.00%	Overdue for over 3 years and unlikely to be recovered
Chuan Hua Precision Corporation of Taiwan	2,253,993.04	2,253,993.04	100.00%	Overdue for over 3 years and unlikely to be recovered
Zibo Kaihong Energy Co., Ltd.	1,130,000.00	1,130,000.00	100.00%	Overdue for over 3 years and unlikely to be recovered
Total	8,686,748.70	8,686,748.70	—	—

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

Applicable Not applicable

Unit: RMB

Ageing	Closing balance		Percentage
	Other Receivables	Bad debt provision	
Items within 1 year			
Within 1 year	167,434,941.71	8,371,747.09	5.00%
Subtotal for within 1 year	167,434,941.71	8,371,747.09	5.00%
1-2 years	42,469,612.10	4,246,961.21	10.00%
2-3 years	26,911,358.01	5,382,271.60	20.00%
Over 3 years	73,380,183.27	73,380,183.27	100.00%
Total	310,196,095.09	91,381,163.17	

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

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

5. Other receivables (Cont'd)

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the year amounted to RMB6,337,245.02. The amount for bad debt provision recovered or reversed during the period was RMB0.

(3) Particulars of accounts receivable actually written off during the reporting period

Accounts receivable of RMB1,106,170.91 were written off during the reporting period.

(4) 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	Closing balance of bad debt provision
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Non-equity investment under contract	1,291,492,916.67	Within 1 year, 1-2 years, 2-3 years and 3-4 years	82.09%	
Qingdao Chenming Nonghai Investment Co., Ltd.	Open credit	21,000,000.00	Within 1 year	1.33%	1,050,000.00
Guangdong Zhongtuo Construction Co., Ltd.	Open credit	15,200,000.00	1-2 years	0.97%	1,520,000.00
The Finance Bureau of Zhejiang	Prepayments for construction	13,114,963.35	1-2 years	0.83%	1,311,496.34
Jiangsu Xinhai Port Engineering Co., Ltd.	Interest on prepayments	10,330,966.70	1-2 years	0.66%	1,033,096.67
Total	—	1,351,138,846.72	—	85.89%	4,914,593.01

6. Inventories

Unit: RMB

Item	Book balance	Closing balance		Opening balance	
		Impairment provision	Book value	Impairment provision	Book value
Raw materials	1,765,043,631.35		1,765,043,631.35	1,821,711,468.69	1,821,711,468.69
Work-in-process products	51,101,457.78		51,101,457.78	51,138,043.50	51,138,043.50
Goods in stock	1,547,908,314.79		1,547,908,314.79	1,520,091,660.50	1,520,091,660.50
Consumable biological assets	1,554,160,122.32		1,554,160,122.32	1,509,964,711.87	1,509,964,711.87
Developing products	308,012,006.86		308,012,006.86	308,012,006.86	308,012,006.86
Total	5,226,225,533.10		5,226,225,533.10	5,210,917,891.42	5,210,917,891.42

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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	3,625,169,793.00	2,893,133,653.86
Entrusted loans due within one year	900,000,000.00	
Total	4,525,169,793.00	2,893,133,653.86

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,213,950,622.85	1,371,201,848.52
Prepaid income tax	13,322,351.86	50,700,246.25
Financial lease due within one year	8,977,754,729.77	6,160,937,261.77
Total	10,205,027,704.48	7,582,839,356.54

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:	110,450,000.00	1,450,000.00	109,000,000.00	110,450,000.00	1,450,000.00	109,000,000.00
At cost	110,450,000.00	1,450,000.00	109,000,000.00	110,450,000.00	1,450,000.00	109,000,000.00
Total	110,450,000.00	1,450,000.00	109,000,000.00	110,450,000.00	1,450,000.00	109,000,000.00



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 COMPANY LIMITED	350,000.00			350,000.00	350,000.00			350,000.00	5.00%
ZHEJIANG PROVINCE GUANGYU MEDIA PRINTING COMPANY LIMITED	2,000,000.00			2,000,000.00					9.96%
SHOUGUANG MIHE WATER COMPANY LIMITED	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 LEADBANK ASSET MANAGEMENT CO., LTD.	36,000,000.00			36,000,000.00					3.00%
Total	110,450,000.00			110,450,000.00	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

Unit: RMB

Item	Closing balance		Opening balance		Range of discount rate (%)
	Book balance	Provision for impairment	Book value	Book balance	
Finance leasing payments	15,387,768,509.04		15,387,768,509.04	13,236,155,887.30	13,236,155,887.30
Less: unrealised finance income	1,079,709,799.02		1,079,709,799.02	1,258,935,089.60	1,258,935,089.60
Less: non-current assets due within one year	3,625,169,793.00		3,625,169,793.00	2,893,133,653.86	2,893,133,653.86
Total	10,682,888,917.02	—	10,682,888,917.02	9,084,087,143.84	9,084,087,143.84

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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	2,976,817.51			114,692.62						3,091,510.13
Subtotal	2,976,817.51			114,692.62						3,091,510.13
II. Associate										
Arjo Wiggins Chenming Specialty Paper Co., Ltd.										
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	4,217,690.25			-444,376.48						3,773,313.77
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	50,343,241.28			289,585.53						50,632,826.81
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	7,152,282.62			-7,152,282.62						
Jiangxi Chenming Port Co., Ltd.	5,802,224.72			-11,453.42						5,790,771.30
Subtotal	67,515,438.87			-7,318,526.99						60,196,911.88
Total	70,492,256.38			-7,203,834.37						63,288,422.01

12. Investment properties

(1) Investment properties measured at cost

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Land use right	Construction in progress	Total
I. Original carrying amount				
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 amortization				
1. Opening balance	22,294,463.83			22,294,463.83
2. Increase for the period	869,128.02			869,128.02
(1) Provision or amortisation	869,128.02			869,128.02
3. Decrease for the period				
4. Closing balance	23,163,591.85			23,163,591.85
III. Impairment provision				
1. Opening balance				
2. Increase for the period				
3. Decrease for the period				
4. Closing balance				
IV. Book value				
1. Closing carrying amount	15,127,803.85			15,127,803.85
2. Opening carrying amount	15,996,931.87			15,996,931.87

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	Vehicles	Electronic equipment and others	Total
I. Original carrying amount					
1. Opening balance	6,036,682,964.78	28,746,337,517.28	253,118,565.32	450,561,191.11	35,486,700,238.49
2. Increase for the period	258,021,826.70	1,301,616,788.80	20,220,008.49	5,241,614.53	1,585,100,238.52
(1) Acquisition		38,682,723.25	12,989,135.74	5,241,614.53	56,913,473.52
(2) Transferred from construction in progress	258,021,826.70	1,262,934,065.55	7,230,872.75		1,528,186,765.00
3. Decrease for the period		88,733,937.87	13,277,338.57	719,422.33	102,730,698.77
(1) Disposal or retirement		88,733,937.87	13,277,338.57	719,422.33	102,730,698.77
4. Closing balance	6,294,704,791.48	29,959,220,368.21	260,061,235.24	455,083,383.31	36,969,069,778.24
II. Accumulated depreciation					
1. Opening balance	1,085,579,296.88	9,877,779,115.61	114,038,824.58	239,577,472.24	11,316,974,709.31
2. Increase for the period	86,346,063.45	583,552,009.47	12,860,305.11	11,472,347.11	694,230,725.14
(1) Provision	86,346,063.45	583,552,009.47	12,860,305.11	11,472,347.11	694,230,725.14
3. Decrease for the period		23,583,197.19	11,049,721.35	443,948.28	35,076,866.82
(1) Disposal or retirement		23,583,197.19	11,049,721.35	443,948.28	35,076,866.82
4. Closing balance	1,171,925,360.33	10,437,747,927.89	115,849,408.34	250,605,871.07	11,976,128,567.63
III. Provision for impairment					
1. Opening balance					
2. Increase for the period		10,000,000.00			10,000,000.00
(1) Provision		10,000,000.00			10,000,000.00
3. Decrease for the period					
4. Closing balance		10,000,000.00			10,000,000.00
IV. Book value					
1. Closing carrying amount	5,122,779,431.15	19,511,472,440.32	144,211,826.90	204,477,512.24	24,982,941,210.61
2. Opening carrying amount	4,951,103,667.90	18,868,558,401.67	139,079,740.74	210,983,718.87	24,169,725,529.18

Note: As at 30 June 2016, property, plant and equipment with carrying amount of approximately RMB4,673,799,362.90 (31 December 2015: carrying amount of RMB4,567,649,044.39) and land use rights with carrying amount of RMB342,444,168.04 (31 December 2015: RMB309,070,530.88) were pledged as collateral for the long-term borrowings of RMB2,301,963,268,898.89 (31 December 2015: RMB2,304,159,268.89) (Note VII. 31), the long-term borrowings due within one year of RMB175,711,800.00 (31 December 2015: RMB281,218,900.00) (Note VII. 29) and long-term payables of RMB200,000,000.00.

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

13. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value	Remark
Housing and building structure	146,488,557.23	43,050,265.90		103,438,291.33	
Machinery and equipment	306,502,628.90	89,429,636.11	10,000,000.00	207,072,992.79	
Electronic equipment and others	3,715,327.04	2,598,740.08		1,116,586.96	
Vehicles	4,258,029.83	3,648,466.28		609,563.55	
Total	460,964,543.00	138,727,108.37	10,000,000.00	312,237,434.63	

(3) Fixed assets under financial leases

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value
Machinery and equipment	1,036,792,537.69	11,633,989.95		1,025,158,547.74
Total	1,036,792,537.69	11,633,989.95		1,025,158,547.74

(4) 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	210,733,601.25	Processing with scheduled operation commencement not imminent
Shouguang Meilun Paper Co., Ltd.	221,756,442.75	Processing with scheduled operation commencement not imminent
Zhanjiang Chenming Pulp & Paper Co., Ltd.	1,473,805,159.70	Processing with scheduled operation commencement not imminent
Jilin Chenming Paper Co., Ltd.	515,659,887.28	Processing with scheduled operation commencement not imminent
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	80,193,407.46	Processing with scheduled operation commencement not imminent
Jiangxi Chenming Paper Co., Ltd.	206,403,960.26	Processing with scheduled operation commencement not imminent
Total	2,708,552,458.70	

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

14. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Book balance	Closing balance		Opening balance	
		Provision for impairment	Book value	Provision for impairment	Book value
700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	142,846,027.30		142,846,027.30	142,846,027.30	142,846,027.30
600,000 tonne liquid packaging paper (Zhanjiang Chenming)	3,104,616,172.57		3,104,616,172.57	2,589,556,896.31	2,589,556,896.31
Power plant expansion project (Zhanjiang Chenming)	147,022,000.00		147,022,000.00	15,000,000.00	15,000,000.00
Food packaging paper project (Jiangxi Chenming)				1,299,929,248.95	1,299,929,248.95
BTMP renovation project (Jiangxi Chenming)				66,440,550.11	66,440,550.11
Mid-water renovation project (Jiangxi Chenming)	40,612,426.54		40,612,426.54	39,199,277.27	39,199,277.27
Power plant electro-elimination reconstruction project (Jiangxi Chenming)	10,641,025.68		10,641,025.68	10,641,025.68	10,641,025.68
Magnesite mining (Haicheng Haiming)	603,392,391.03		603,392,391.03	542,134,749.27	542,134,749.27
Forestry pulp integration project (Huanggang Chenming)	950,077,178.20		950,077,178.20	660,485,661.78	660,485,661.78
Others	654,852,512.25		654,852,512.25	463,385,821.81	463,385,821.81
Total	5,654,059,733.57		5,654,059,733.57	5,829,619,258.48	5,829,619,258.48

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
700,000 tonne pulp equipment upgrade (Zhejiang Chenming)	270,000,000.00	142,846,027.30				142,846,027.30	52.91%	52.91%	9,939,146.74			Self-raised funds and borrowings
600,000 tonne liquid packaging paper (Zhejiang Chenming)	3,800,000,000.00	2,589,556,896.31	515,089,276.26			3,104,646,172.57	81.70%	78.10%	22,851,872.17	18,152,519.10	5.07%	Self-raised funds and borrowings
Power plant expansion project (Zhejiang Chenming)	260,000,000.00	15,000,000.00	132,022,000.00			147,022,000.00	56.55%	56.55%	1,026,411.22	1,026,411.22	5.07%	Self-raised funds and borrowings
Food packaging paper project (Jiangxi Chenming)	1,246,000,000.00	1,299,929,248.95	72,261,534.83	1,372,190,783.88			109.95%	100.00%	80,864,222.88	3,573,676.66	4.98%	Self-raised funds and borrowings
BTMP renovation project (Jiangxi Chenming)	97,000,000.00	66,440,550.11	19,670,083.31	88,110,533.42			88.77%	100.00%	5,982,111.62	799,874.29	4.98%	Self-raised funds and borrowings
Mid-water renovation project (Jiangxi Chenming)	38,000,000.00	39,199,272.27	1,413,149.27			40,612,421.54	104.13%	99.00%	1,333,861.04	649,158.33	4.98%	Self-raised funds and borrowings
Power plant electro-elimination reconstruction project (Jiangxi Chenming)	12,000,000.00	10,641,025.68				10,941,025.68	88.68%	88.68%				Self-raised
Magnesite mining (Hubei Cheng He Mining)	700,000,000.00	542,134,749.27	61,257,641.76			603,392,391.03	86.20%	86.20%	53,493,565.92	10,513,432.74	5.34%	Self-raised funds and borrowings
Forestry pulp integration project (Huanggang Chenming)	3,465,000,000.00	660,465,661.78	298,591,516.42			959,057,178.20	27.26%	27.26%	25,796,441.91	8,497,292.84	5.40%	Self-raised funds and borrowings
Others	463,365,821.81	261,332,118.14	68,885,427.70		664,632,512.25			9.113222.95	7,729,220.72	4.85%	5.00%	Self-raised funds and borrowings
Total	9,911,000,000.00	5,829,619,258.48	1,352,627,240.09	1,528,186,765.00		5,654,059,783.57			210,966,678.45	50,892,935.90		

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

15. Materials for project

Unit: RMB

Item	Closing balance	Opening balance
Special materials	14,159,270.18	14,128,489.39
Special equipment	1,232,081.13	533,627.37
Total	15,391,351.31	14,662,116.76

16. Intangible assets

Unit: RMB

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	1,697,554,320.74	22,560,247.47	1,720,114,568.21
2. Increase for the period	10,578,786.30		10,578,786.30
(1) Acquisition	10,578,786.30		10,578,786.30
3. Decrease for the period		99,186.42	99,186.42
4. Closing balance	1,708,133,107.04	22,461,061.05	1,730,594,168.09
II. Accumulated amortisation			
1. Opening balance	240,015,070.10	17,393,437.48	257,408,507.58
2. Increase for the period	16,351,545.17	498,644.28	16,850,189.45
(1) Provision	16,351,545.17	498,644.28	16,850,189.45
3. Decrease for the period			—
4. Closing balance	256,366,615.27	17,892,081.76	274,258,697.03
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
3. Decrease for the period			
4. Closing balance			
IV. Book value			
1. Closing book value	1,451,766,491.77	4,568,979.29	1,456,335,471.06
2. Opening book value	1,457,539,250.64	5,166,809.99	1,462,706,060.63

Note: (1) On 30 June 2016, property, plant and equipment of carrying amount of RMB4,673,799,362.90 (31 December 2015: RMB4,567,649,044.39) and land use rights of carrying amount of RMB342,444,168.04 (31 December 2015: RMB309,070,530.88) was pledged as collateral for the long-term borrowings of RMB2,301,963,268.898.89 (31 December 2015: RMB2,304,159,268.89) (Note VII. 31), the long-term borrowings due within one year of RMB175,711,800.00 (31 December 2015: RMB281,218,900.00) (see Note VII. 29) and long-term payables of RMB200,000,000.00. (2) The state-owned land use rights obtained by the Company in China were in compliance with PRC laws with a term of grant of 40-50 years upon receipt.

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

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% (2015: 8.32%). Results of impairment test showed that no provision for impairment loss was necessary to be made for goodwill.

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	154,540,935.69	54,236.25	3,381,452.61	559,180.57	150,654,538.76
Others	11,146,010.92		352,407.30		10,793,603.62
Total	165,686,946.61	54,236.25	3,733,859.91	559,180.57	161,448,142.38

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

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	406,193,848.87	94,330,056.96	384,938,613.04	89,456,807.32
Unrealised profit arising from intra-group transactions	140,913,322.24	35,228,330.56	130,647,470.24	32,661,867.55
Deductible loss	1,815,391,509.88	349,183,349.30	1,733,079,653.85	406,220,680.25
Outstanding payables	111,402,918.34	24,834,448.44	251,138,009.64	50,233,974.39
Deferred income	157,301,588.96	33,451,058.73	169,293,123.08	34,655,980.97
Total	2,631,203,188.29	537,027,243.99	2,669,096,869.85	613,229,310.48

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	67,227,246.50	36,714,728.52
Deductible loss	470,002,332.85	505,399,608.89
Total	537,229,579.35	542,114,337.41

(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
2016		56,787,869.12	
2017	116,596,801.25	115,377,328.84	
2018	137,818,792.08	135,000,510.29	
2019	96,244,881.00	95,618,971.48	
2020	105,949,444.95	102,614,929.16	
2021	13,392,413.57		
Total	470,002,332.85	505,399,608.89	—

20. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loans	900,000,000.00	900,000,000.00
Prepayments of properties	315,612,834.60	310,234,623.33
Prepayments of land	33,073,264.28	32,124,242.00
Less: portion due within one year (see Note VII. 7)	900,000,000.00	
Total	348,686,098.88	1,242,358,865.33

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

21. Short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	1,090,247,999.99	472,286,374.54
Guarantee borrowings	12,015,225,099.81	10,240,162,328.25
Credit borrowings	8,179,329,225.45	8,312,516,970.07
Discounted borrowings	7,246,902,000.00	5,730,570,000.00
Total	28,531,704,325.25	24,755,535,672.86

22. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bills	3,843,491,440.10	3,281,599,412.31
Total	3,843,491,440.10	3,281,599,412.31

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	2,133,183,607.71	2,485,701,891.02
1-2 years	342,018,317.33	308,215,762.61
2-3years	87,171,510.71	69,577,394.46
Over 3 years	110,236,904.63	78,842,338.48
Total	2,672,610,340.38	2,942,337,386.57



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

23. Accounts payable (Cont'd)

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
FORESTRY TASMANIA	27,995,705.76	Outstanding
JIANGSU NEW CENTURY JIANGNAN ENVIRONMENTAL PROTECTION LTD	10,247,536.71	Outstanding
SHANGHAI CLEAR SCIENCE & TECHNOLOGY CO.,LTD	8,642,724.19	Outstanding
FUJIAN INDUSTRIAL EQUIPMENT INSTALLATION CO. LTD SANMIN BRANCH	5,525,547.66	Outstanding
SHANDONG LONGTAI STAINLESS STEEL PRODUCTS CO., LTD.	4,165,015.91	Outstanding
Total	56,576,530.23	—

24. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	188,992,725.70	150,907,190.21
1-2 years	23,390,163.30	29,597,036.80
Total	212,382,889.00	180,504,227.01

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
QINGDAO XULIN INTERNATIONAL TRADING CO., LTD.	5,060,000.00	No delivery requirement from the counterparty
TIANJIN SHINIL INDUSTRIAL CO.,LTD.	3,324,016.55	No delivery requirement from the counterparty
Total	8,384,016.55	—

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

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	204,977,819.38	473,557,835.32	520,337,896.22	158,197,758.48
II. Retirement benefit plan – defined contribution scheme	850,799.50	61,135,801.49	56,483,041.64	5,503,559.35
III. Termination benefits	12,075.15	164,609.72	164,609.72	12,075.15
Total	205,840,694.03	534,858,246.53	576,985,547.58	163,713,392.98

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	154,415,941.85	398,127,398.49	450,836,264.94	101,707,075.40
2. Staff welfare		13,623,564.10	13,623,564.10	
3. Social insurance premium	4,652,435.30	23,103,146.58	23,309,404.59	4,446,177.29
Of which: Medical insurance premium	3,638,795.41	18,712,162.16	19,639,264.60	2,711,692.97
Work-related injury insurance premium	35,372.57	2,500,122.27	1,768,127.38	767,367.46
Maternity insurance premium	978,267.32	1,890,862.15	1,902,012.61	967,116.86
4. Housing provident funds	4,460,947.36	27,943,105.93	26,567,127.99	5,836,925.30
5. Union funds and workers education	22,663,812.89	10,252,550.50	5,606,619.76	27,309,743.63
6. Short paid leave	18,784,681.98	508,069.72	394,914.84	18,897,836.86
Total	204,977,819.38	473,557,835.32	520,337,896.22	158,197,758.48

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	760,184.96	57,930,835.83	53,334,979.66	5,356,041.13
2. Unemployment insurance	90,614.54	3,204,965.66	3,148,061.98	147,518.22
Total	850,799.50	61,135,801.49	56,483,041.64	5,503,559.35

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

26. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	84,892,313.31	43,110,126.98
Business tax	246,740.79	5,019,330.14
Enterprise income tax	90,838,803.51	121,532,520.76
Individual income tax	1,417,975.98	953,632.02
Urban maintenance and construction tax	3,329,746.24	3,274,749.38
Land use tax	7,616,716.54	9,620,892.06
Property tax	11,645,547.75	5,856,496.06
Educational surcharges and others	2,985,961.64	3,940,435.85
Stamp duty	1,379,328.29	1,544,300.55
Total	204,353,134.05	194,852,483.80

27. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	229,626,170.51	62,445,615.01
Interest on medium-term notes	450,083.20	27,455,083.22
Interest on privately placed bonds		60,175,000.00
Total	230,076,253.71	150,075,698.23

28. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	828,160,812.57	970,782,931.89
1-2 years	119,705,404.04	132,987,693.44
2-3 years	45,669,202.61	16,970,120.00
Over 3 years	41,932,785.41	37,826,608.05
Total	1,035,468,204.63	1,158,567,353.38

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
LIAONING BEIHAI INDUSTRIES GROUP CO., LTD.	40,564,326.32	Debt investments as agreed by shareholders of subsidiaries
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT COMPANY LIMITED	39,486,572.87	Debt investments as agreed by shareholders of subsidiaries
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding
Total	88,850,899.19	—

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

29. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,189,954,132.68	1,975,300,816.32
Bonds payable due within 1 year	2,000,000,000.00	1,997,824,337.74
Privately placed bonds due within 1 year		1,498,161,581.85
Medium-term notes due within 1 year	1,096,384,888.57	
Total	4,286,339,021.25	5,471,286,735.91

30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term commercial paper	11,652,566,715.45	10,293,543,297.00
Total	11,652,566,715.45	10,293,543,297.00

Increase/decrease in short-term commercial papers payable:

Unit: RMB

Name of commercial paper	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	Closing balance
15 Lu Chenming CP001	1,800,000,000.00	2015-4-23	365 days	1,792,800,000.00	1,855,470,000.00		25,303,770.49	1,800,000.00	1,882,573,770.49	
15 Lu Chenming CP002	1,800,000,000.00	2015-4-27	365 days	1,794,600,000.00	1,859,450,000.00		28,750,000.00	1,800,000.00	1,890,000,000.00	
15 Lu Chenming SCP001	1,500,000,000.00	2015-7-6	270 days	1,497,750,000.00	1,533,808,333.34		16,593,306.00	500,000.00	1,550,901,639.34	
15 Lu Chenming SCP002	1,000,000,000.00	2015-8-7	220 days	998,777,778.00	1,015,085,793.00		7,286,311.48	349,207.00	1,022,721,311.48	
15 Lu Chenming SCP003	1,000,000,000.00	2015-8-24	270 days	998,500,000.00	1,013,669,446.10		14,950,774.15	666,665.00	1,029,286,885.25	
15 Lu Chenming SCP004	1,000,000,000.00	2015-10-20	270 days	998,500,000.00	1,006,644,723.23		18,850,000.00	1,000,000.00		1,026,494,723.23
15 Lu Chenming SCP005	1,000,000,000.00	2015-11-5	270 days	998,500,000.00	1,004,818,334.00		18,900,000.00	1,000,000.00		1,024,718,334.00
15 Lu Chenming SCP006	1,000,000,000.00	2015-11-10	270 days	998,500,000.00	1,004,596,667.33		19,950,000.00	1,000,000.00		1,025,546,667.33
16 Lu Chenming SCP001	1,000,000,000.00	2016-1-18	270 days	998,500,000.00		998,500,000.00	17,100,000.00	900,000.00		1,016,500,000.00
16 Lu Chenming SCP002	1,000,000,000.00	2016-3-7	268 days	998,500,000.00		998,500,000.00	11,739,444.44	632,462.69		1,010,871,907.13
16 Lu Chenming SCP003	1,500,000,000.00	2016-3-11	270 days	1,497,750,000.00		1,497,750,000.00	17,437,485.02	908,333.33		1,516,095,818.35
16 Lu Chenming SCP004	1,000,000,000.00	2016-4-5	230 days	998,720,000.00		998,720,000.00	9,444,444.44	473,043.48		1,008,637,487.92
16 Lu Chenming SCP005	1,500,000,000.00	2016-4-15	270 days	1,497,750,000.00		1,497,750,000.00	12,968,750.00	625,000.00		1,511,343,750.00
16 Lu Chenming SCP006	1,000,000,000.00	2016-4-20	190 days	998,944,400.00		998,944,400.00	8,069,444.44	388,905.26		1,007,402,749.71
16 Lu Chenming SCP007	1,000,000,000.00	2016-5-10	137 days	999,238,888.89		999,238,888.89	5,819,444.44	277,777.78		1,005,336,111.11
16 Lu Chenming SCP008	500,000,000.00	2016-6-24	270 days	499,250,000.00		499,250,000.00	352,500.00	16,666.68		499,619,166.68
Total	—	—	—	18,566,581,066.89	10,293,543,297.00	8,488,653,288.89	233,515,674.91	12,338,061.21	7,375,483,606.56	11,652,566,715.45

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

31. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,477,675,068.89	2,585,378,168.89
Guarantee borrowings	3,768,634,969.92	3,206,495,675.32
Credit borrowings	1,138,692,035.94	1,352,808,035.94
Less: long-term borrowings due within 1 year	1,189,954,132.68	1,975,300,816.32
Total	6,195,047,942.07	5,169,381,063.83

Note: (1) For the asset group of pledges of secured borrowings, please refer to Note VII.13 and Note VII.16.

(2) All guaranteed borrowings were borrowings of the subsidiaries guaranteed by the Company. Please refer to Note X.5(2) for details of maturity of the above guarantees.

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
12 Chenming debt	3,791,215,868.81	3,788,539,249.59
Total	3,791,215,868.81	3,788,539,249.59

(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	Closing balance
11-year Chenming debt	2,000,000,000.00	2011/07/06	5 years	1,982,000,000.00	1,997,824,337.74		59,500,000.0000	2,175,662.26		2,000,000,000.00
12-year Chenming debt	3,800,000,000.00	2012/12/26	5 years	3,773,400,000.00	3,788,539,249.59		107,350,000.0000	2,676,619.22		3,791,215,868.81
Less: due within one year (Note VII. 30)					1,997,824,337.74					2,000,000,000.00
Total	—	—	—	5,755,400,000.00	3,788,539,249.59	—	166,850,000.00	4,852,281.48	—	3,791,215,868.81

33. Long-term payables

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	246,000,000.00	194,000,000.00
Specific capital for China Development	350,000,000.00	150,000,000.00
Amounts under financial leasing	1,199,435,500.86	
Total	1,795,435,500.86	344,000,000.00

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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	176,983,516.66	104,056,200.00		281,039,716.66	
Total	176,983,516.66	104,056,200.00		281,039,716.66	—

35. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,495,104,889.26	10,000,000.00	41,480,887.29	1,463,624,001.97	
Total	1,495,104,889.26	10,000,000.00	41,480,887.29	1,463,624,001.97	—

Items in respect of government grant:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Include in non-operating income for the period	Other Changes	Closing balance	Asset-related/income-related
Special subsidy funds for environmental protection	948,947,938.60	10,000,000.00	26,850,306.75		932,097,631.85	Asset-related
Project fund for National technological support scheme	5,667,571.70		922,350.00		4,745,221.70	Asset-related
Special subsidy fund for Songhuajiang environmental protection project	24,853,079.64		515,000.04		24,338,079.60	Asset-related
Modification of alkaline recycling system	4,700,609.23				4,700,609.23	Asset-related
Sewage treatment and water conservation reconfiguration project	11,848,000.99		266,550.76		11,581,450.23	Asset-related
Financial grants for technological modification project	154,983,523.51		2,967,606.58		152,015,916.93	Asset-related
Zhanjiang integrated forestry, pulp and paper project	278,275,468.02		6,800,461.99		271,475,006.03	Asset-related
Interest Subsidy	50,459,164.38		2,159,414.78		48,299,749.60	Asset-related
Railway line change compensation	14,250,000.00		999,196.39		13,250,803.61	Asset-related
Others	1,119,533.19				1,119,533.19	Asset-related
Total	1,495,104,889.26	10,000,000.00	41,480,887.29		1,463,624,001.97	—

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	1,096,384,888.57	1,094,621,421.67
Privately placed bonds		1,498,161,581.85
Less: the portion maturing within one year (Note VII. 30)	1,096,384,888.57	1,498,161,581.85
Total		1,094,621,421.67

37. Share capital

Item	Opening balance	Increase/decrease for the year	Closing balance
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. Other equity instruments

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Perpetual bonds	2,582,800,000.00			2,582,800,000.00
Preference shares		2,238,750,000.00		2,238,750,000.00
Total	2,582,800,000.00	2,238,750,000.00		4,821,550,000.00

39. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	5,478,815,769.60	11,900.60		5,478,827,670.20
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,138,276.81	11,900.60		6,149,150,177.41

Note: The Company received income arising from disposal of odd lots for equity distributions by China Securities Depository and Clearing Co., Ltd, with capital premium under capital reserves up by RMB11,900.60.

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

40. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before Income tax for the period	During the period		Attributable to parent company after tax	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			
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-345,014,864.26	-154,317,270.14			-154,317,270.14		-499,332,134.40
Exchange differences on translation of foreign operations	-345,014,864.26	-154,317,270.14			-154,317,270.14		-499,332,134.40
Total other comprehensive income	-345,014,864.26	-154,317,270.14			-154,317,270.14		-499,332,134.40

41. 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

Note: 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.



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

42. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	5,416,049,598.87	4,665,921,686.21
Retained profit as at the beginning of the year after adjustment	5,416,049,598.87	4,665,921,686.21
Plus: Net profit for year attributable to shareholders of the parent company	939,164,870.60	276,388,070.51
Ordinary dividend payable	580,921,640.10	271,096,765.38
Retained profit as at the end of the period	5,774,292,829.37	4,671,212,991.34

43. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	10,531,214,461.68	7,237,969,046.45	9,538,238,160.04	7,254,560,951.27
Other activities	75,144,271.34	25,998,263.78	180,459,517.72	115,823,710.04
Total	10,606,358,733.02	7,263,967,310.23	9,718,697,677.76	7,370,384,661.31

44. Business taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Business tax	50,110,672.72	19,400,227.56
Urban maintenance and construction tax	19,040,816.07	16,740,456.80
Educational surcharges	13,519,315.18	12,358,128.23
Water engineering funds	2,565,046.51	1,783,828.10
Others	252,586.81	951,335.97
Total	85,488,437.29	51,233,976.66

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

45. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	62,610,240.72	66,708,475.58
Depreciation expenses	7,716,005.86	7,557,306.43
Repair costs	4,159,978.36	3,091,091.71
Office expenses	2,284,579.17	3,386,030.28
Transportation expenses	398,501,300.34	385,939,578.36
Selling commissions	9,680,049.87	8,022,080.19
Cargo handling charges	7,496,104.53	8,831,019.32
Travel expenses	14,079,701.21	11,318,593.17
Business hospitality expenses	33,198,045.00	30,516,524.35
Warehouse expenses	1,750,686.55	1,237,873.64
Rental expenses	3,836,615.38	3,696,435.77
Others	28,421,350.06	20,768,814.91
Total	573,734,657.05	551,073,823.71

46. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	83,040,079.11	82,162,322.80
Welfare expenses	19,735,058.11	22,097,996.09
Labour insurance premium	26,637,831.86	16,700,430.65
Insurance premium	10,302,590.82	12,324,495.70
Depreciation expenses	33,670,891.00	28,262,329.34
Waste disposal expenses	12,242,348.57	9,665,816.77
Hospitality expenses	19,243,914.33	11,185,607.21
Amortisation of intangible assets	11,943,479.38	15,314,635.35
Technological development expenses	305,617,867.77	278,819,214.56
Tax	53,373,398.17	53,206,906.69
Production interruption loss	33,255,858.46	27,688,971.32
Repair fees	14,967,595.79	9,473,596.61
Others	69,982,914.01	87,351,646.17
Total	694,013,827.38	654,253,969.26



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

47. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	1,007,251,661.57	859,956,368.86
Less: Interest income	96,175,924.81	135,953,439.72
Capitalised interest amount	82,706,472.39	65,915,001.73
Foreign exchange gains and losses	49,068,370.62	11,682,749.13
Bank charges	90,905,926.61	75,701,602.57
Total	968,343,561.61	745,472,279.11

48. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
I. Loss on bad debts	27,039,385.57	35,368,247.15
II. Loss on fixed assets impairment	10,000,000.00	
Total	37,039,385.57	35,368,247.15

49. 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	-10,599,543.68	-2,177,906.88
Total	-10,599,543.68	-2,177,906.88

50. 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	-7,203,834.37	-2,145,031.45
Income on external entrusted loans	44,212,264.15	48,777,777.77
Total	37,008,429.78	46,632,746.32

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

51. 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	2,416,628.05	7,042,678.94	2,416,628.05
Of which: Gain on disposal of fixed assets	2,416,628.05	7,042,678.94	2,416,628.05
Gain on debt restructuring	1,909,002.10	23,308.47	1,909,002.10
Government grants	218,025,169.93	58,824,671.63	214,412,568.80
Others	6,557,554.23	9,199,379.45	6,557,554.23
Total	228,908,354.31	75,090,038.49	225,295,753.18

Further particulars:

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Amortised deferred income	41,480,887.29	40,285,971.51	Asset-related
Grants income	172,931,681.51	18,538,700.12	income-related
Value-added tax refund	3,612,601.13		income-related
Total	218,025,169.93	58,824,671.63	—

52. 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	4,043,314.21	2,683,749.34	4,043,314.21
Of which: loss on disposal of fixed assets	4,043,314.21	2,683,749.34	4,043,314.21
Others	1,959,668.15	647,280.50	1,959,668.15
Total	6,002,982.36	3,331,029.84	6,002,982.36

53. Income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	230,829,355.97	191,848,281.24
Deferred income tax expenses	76,202,066.49	-18,436,978.63
Total	307,031,422.46	173,411,302.61

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

54. Other comprehensive income

For details, please see Note 40.

55. 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	172,931,681.51	18,538,700.12
Interest income	96,175,924.81	135,953,439.72
External security deposit of financial leasing companies	55,000,000.00	401,299,619.20
Open credit, and income from default penalty and fine	66,363,266.64	15,335,120.26
Total	390,470,872.96	571,126,879.30

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expense and open credit	805,195,276.10	840,721,979.08
Net increase in principal receivables relating to finance lease business	6,214,266,350.71	3,354,524,658.13
Total	7,019,461,626.81	4,195,246,637.21

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Government grants		31,438,021.33
Special subsidy funds of Huanggang	104,056,200.00	
Total	104,056,200.00	31,438,021.33

(4) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Issuance of short-term and super &-short term commercial papers	8,494,653,288.89	3,585,600,000.00
Issuance of preference shares	2,238,750,000.00	
Capital contribution by CDB Fund to Zhanjiang Chenming	200,000,000.00	
Equipment Leasing	1,199,435,500.86	
Total	12,132,838,789.75	3,585,600,000.00



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

55. 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
Repayment of private debt	1,587,000,000.00	
Repayment of commercial papers	7,375,483,606.56	
Increase in restricted bank deposits	1,109,208,431.73	1,767,785,037.29
Total	10,071,692,038.29	1,767,785,037.29

56. 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	926,054,389.48	253,713,266.04
Plus: Provision for impairment of assets	37,039,385.57	35,368,247.15
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	694,931,226.76	711,271,990.61
Amortisation of intangible assets	16,835,509.25	16,558,674.58
Amortisation of long-term prepaid expenses	3,733,859.91	3,502,139.60
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	1,626,686.16	-4,358,929.60
Loss on changes in fair value ("-" denotes gain)	10,599,543.68	2,177,906.88
Finance expenses ("-" denotes gain)	1,007,251,661.57	859,956,368.86
Investment loss ("-" denotes gain)	-37,008,429.78	-46,632,746.32
Decrease in deferred income tax assets ("-" denotes increase)	76,202,066.49	-20,654,881.28
Decrease in inventories ("-" denotes increase)	-15,307,641.68	169,131,091.67
Decrease in operating receivables ("-" denotes increase)	-5,584,481,269.74	-4,362,330,469.00
Increase in operating payables ("-" denotes decrease)	165,013,159.29	159,541,706.08
Net cash flows from operating activities	-2,697,509,853.04	-2,222,755,634.73
2. Major investing and financing activities not involving cash settlements:		
3. Net change in cash and cash equivalents:		
Closing balance of cash	3,567,441,351.15	725,178,041.37
Less: Opening balance of cash	1,888,107,493.76	976,096,861.30
Net increase in cash and cash equivalents	1,679,333,857.39	-250,918,819.93



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

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

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	3,567,441,351.15	1,888,107,493.76
Of which: Cash on hand	2,322,936.69	1,869,583.60
Bank deposits readily available for payment	3,565,118,414.46	1,886,237,910.16
III. Balance of cash and cash equivalent as at end of period	3,567,441,351.15	1,888,107,493.76

57. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	8,205,426,953.98	As pledges for bank borrowings, guarantee deposits for bank acceptance bills and letter of credit deposits, and deposit reserves
Bills receivable	1,941,931,629.23	As collaterals for short-term borrowings, bills payable, letters of guarantee and letters of credit
Fixed assets	4,673,799,362.90	As collaterals for bank borrowings and long-term payables
Intangible assets	342,444,168.04	As collaterals for bank borrowings and long-term payables
Total	15,163,602,114.15	—

58. Foreign currency items

√ 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	KRW

VIII. 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 manufacture	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



VIII. 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
Japan Chenming Paper 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
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment management	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper	100.00%		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

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VIII. 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		
				Direct	Indirect	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

(2) Major non-wholly owned subsidiaries

Name	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	Unit: RMB
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	49.07%	-12,334,692.31		148,683,786.11	
Shouguang Chenming Art Paper Co., Ltd.	25.00%	2,926,553.26		34,201,371.73	
Shandong Grand View Hotel Co., Ltd.	30.00%	-2,169,994.59		-31,258,936.72	
Hailaer Chenming Paper Co., Ltd.	25.00%			11,628,676.65	
Haicheng Haiming Mining Co., Ltd.	40.00%	-25,533.64		95,974,466.36	
Guangdong Huirui Investment Co., Ltd.	49.00%	-1,506,813.84		115,092,015.41	
Total		-13,110,481.12		374,321,379.54	

VIII. 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	Closing balance		Opening balance		Total liabilities	Current liabilities	Non-current liabilities	Total assets	Current assets	Non-current assets	Total liabilities	Current liabilities	Non-current liabilities	Total liabilities
	Current assets	Non-current assets	Total assets	Total liabilities										
Wuhan Chemming Hanyang Paper Holdings Co., Ltd.	1,975,766,723.10	1,342,123,543.51	3,317,890,266.61	3,061,465,092.75	3,061,465,092.75	2,007,256,202.41	1,380,850,115.36	3,888,106,317.77	2,007,256,202.41	1,380,850,115.36	3,888,106,317.77	2,774,652,401.54	329,704,538.79	3,104,356,960.33
Shouguang Chemming Art Paper Co., Ltd.	426,659,457.47	748,356,359.70	1,175,215,817.17	1,038,410,330.28	1,038,410,330.28	348,618,114.49	775,158,813.32	1,123,776,927.81	348,618,114.49	775,158,813.32	1,123,776,927.81	998,677,663.92		998,677,663.92
Shandong Grand View Hotel Co., Ltd.	14,536,639.42	222,448,650.90	237,045,290.32	341,241,746.07	341,241,746.07	12,366,917.52	227,377,776.55	239,744,694.07	12,366,917.52	227,377,776.55	239,744,694.07	336,707,634.51		336,707,634.51
Hallaer Chemming Paper Co., Ltd.	23,595,841.82	28,431,683.32	52,027,525.14	5,512,818.55	5,512,818.55	23,595,841.82	28,431,683.32	52,027,525.14	23,595,841.82	28,431,683.32	52,027,525.14	5,512,818.55		5,512,818.55
Hatcheng Haiming Mining Co., Ltd.	47,662,671.06	750,408,019.70	798,070,690.76	558,134,524.85	558,134,524.85	11,123,328.76	679,152,169.96	690,275,498.72	11,123,328.76	679,152,169.96	690,275,498.72	450,275,498.72		450,275,498.72
Guangdong Huirui Investment Co., Ltd.	331,024,595.05	289,920.11	331,314,515.16	18,452,851.06	18,452,851.06	429,746,302.55	402,131.87	430,148,434.42	429,746,302.55	402,131.87	430,148,434.42	14,211,640.04	177,980,000.00	192,191,640.04



VIII. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Unit: RMB

Name	Amounts during the year				Amounts during the prior year			
	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.	554,350,364.42	-27,322,183.58	-27,322,183.58	4,831,299.33	504,601,887.41	-31,143,541.92	-31,143,541.92	-268,479,365.20
Shouguang Chenming Art Paper Co., Ltd.	312,682,091.71	11,706,212.99	11,706,212.99	461,691.92	295,354,809.85	-7,798,282.54	-7,798,282.54	193,199,052.24
Shandong Grand View Hotel Co., Ltd.	17,794,419.06	-7,233,315.31	-7,233,315.31	-844,051.71	16,833,253.63	-10,960,158.47	-10,960,158.47	89,407,600.37
Haicheng Haiming Mining Co., Ltd.		-63,834.09	-63,834.09	62,143,196.78				107,237,545.29
Guangdong Huirui Investment Co., Ltd.		-3,075,130.28	-3,075,130.28	-15,394.01		-5,244,648.60	-5,244,648.60	6,427.64

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				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 making	30.00%		Equity method
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Nanchang, China	Nanchang, China	Printing	21.16%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	33.33%		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



VIII. 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/amounts during the year	Opening balance/amounts during the prior year
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.
Current assets	4,564,204.70	5,729,672.61
Of which: Cash and cash equivalents	401,893.53	52,995.32
Non-current assets	11,841,571.05	12,036,429.24
Total assets	16,405,775.75	17,766,101.85
Current liabilities	10,222,755.48	11,812,466.81
Total liabilities	10,222,755.48	11,812,466.81
Equity interest attributable to shareholders of the parent company	6,183,020.27	5,953,635.04
Share of net assets based on shareholding	3,091,510.13	2,976,817.52
Carrying amount of investment in joint ventures	3,091,510.13	2,976,817.52
Revenue	4,433,865.82	
Finance expenses	143,041.67	-395.35
Net profit	229,385.23	-9,851.45
Total comprehensive income	229,385.23	-9,851.45



VIII. 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/amounts during the year			Opening balance/amounts during the prior year		
	Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Jiangxi Chenming Port Co., Ltd.	Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Jiangxi Chenming Port Co., Ltd.
Current assets	24,757,156.94	41,153,670.29	13,581,422.15	24,151,413.58	75,285,532.03	10,285,611.08
Non-current assets	12,499,497.75	60,760,000.00	113,607,397.40	14,157,621.78	25,760,000.00	45,773,293.56
Total assets	37,256,654.69	101,913,670.29	127,188,819.55	38,309,035.36	101,045,532.03	56,058,904.64
Current liabilities	19,424,358.96	5,000.00	112,711,891.31	18,376,661.74	5,705.20	41,553,342.83
Total liabilities	19,424,358.96	5,000.00	112,711,891.31	18,376,661.74	5,705.20	41,553,342.83
Shareholders' equity attributable to the Company	17,832,295.73	101,908,670.29	14,476,928.24	19,932,373.62	101,039,826.83	14,505,561.81
Share of net assets based on shareholding	3,773,313.77	50,954,335.15	5,790,771.30	4,217,690.26	50,519,913.42	5,802,224.72
- Others		-321,508.34			-176,672.13	
Carrying amount of investment in associates	3,773,313.77	50,632,826.81	5,790,771.30	4,217,690.26	50,343,241.28	5,802,224.72
Revenue	6,950,854.18		11,701,942.33	10,680,633.81		35,462,629.99
Net profit	-2,100,077.89	868,843.46	-20,949.99	-1,540,788.41	14,027.30	1,839,524.19
Total comprehensive income	-2,100,077.89	868,843.46	-20,949.99	-1,540,788.41	14,027.30	1,839,524.19

(4) Excess loss of joint ventures or associates

Unit: RMB

Name	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
Wuhan Chenming Wan Xing Real Estate Co., Ltd.		5,845,106.09	5,845,106.09



IX. Fair value

1. Fair value of assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement at fair value	—	—	—	—
1. Consumable biological assets		1,554,160,122.32		1,554,160,122.32
Total assets continuously measured at fair value		1,554,160,122.32		1,554,160,122.32
II. Non-continuous measurement at fair value	—	—	—	—

2. Level 3 continuous and non-continuous measurement, valuation techniques and qualification and quantification of key inputs

The Company adopts the income method in determining the fair value of its consumable biological assets. Under the income method, the valuation is arrived at based on the aggregate expected future profit estimates from forest resources discounted to their present values at an applicable rate which is usually equivalent to yield prevailing in the forestry industry.

Key inputs of the method include expected annual income and discount rate. Expected annual profit = expected annual income - expected total input
 Expected annual income = expected output x expected sales price

Expected output = based on normal output of the Company's logging
 Expected sales price = normal sales price of the Company in 2015

Expected total input is based on total historic input of saplings growing of the Company up to logging. Discount rate is 10.83%, based on the yield prevailing in the industry.

3. Level 3 continuous measurement, adjustment between opening and closing value and sensitivity of unobservable inputs

Opening carrying amount	1,509,964,711.87
Sapling increase during the year	110,898,148.99
Sales decrease during the year	56,103,194.86
Change in fair value through profit or loss for the year	-10,599,543.68
Closing carrying amount	1,554,160,122.32

IX Financial Report

X. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	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 manufacture of paper, electricity, steam, arboriculture	RMB1,238.7877425 million	20.87%	20.87%

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office. As of the date of this report, the largest shareholder of the Company, Shouguang Chenming Holdings Co., Ltd. increased its shareholding in the Company to 21.95%.

2. Subsidiaries of the Company

Please refer to Note VIII. 1. Interest in subsidiaries for details.

3. Joint ventures and associates of the Company

Please refer to Note VIII. 2. for details.

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 ventures or associates	Relation
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	An associate of the Company
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	An associate of the Company
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	An associate of the Company
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company

4. Other related parties

Name of other related parties	Relation
Jiangxi Chenming Natural Gas Co., Ltd.	A company invested by the senior management of the Company
Anhui Time Source Corporation	A subsidiary
Shouguang Hengtai Enterprise Investment Company Limited	A company invested by the senior management of the Company
Qingdao Chenming Nonghai Investment Co., Ltd.	A subsidiary of Shouguang Hengtai Enterprise Investment Company Limited



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/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amounts during the period	Transaction facility approved	Whether the transaction facility is exceeded	Amounts during the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Procurement of energy	143,213,873.90	360,000,000.00	No	75,389,778.88

Table on sales of goods/provision of services

Unit: RMB

Related party	Details of related party transactions	Amounts during the period	Amount for the prior period
Anhui Time Source Corporation	Sales of paper	133,818,532.79	200,365,615.54
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Sales of paper	0.00	123,096.60

(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.	75,000,000.00	5 August 2015	4 July 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	30 July 2015	29 July 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	23 August 2015	22 August 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,000,000.00	26 October 2015	25 October 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	30 November 2015	29 November 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 November 2015	29 November 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	7 December 2015	25 November 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	1 January 2016	7 December 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	4 January 2016	3 January 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	11 January 2016	10 January 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	15 January 2016	30 December 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	22 January 2016	30 December 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	29 January 2016	28 January 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	1 February 2016	6 January 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	4 March 2016	26 February 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	11 March 2016	26 February 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2 March 2016	1 March 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	5 March 2016	14 March 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	21 March 2016	20 March 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	23 March 2016	22 March 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	29 June 2015	29 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	8 April 2016	7 April 2017	No

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.	85,000,000.00	17 June 2016	16 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	22 April 2016	21 April 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	24 June 2016	23 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	109,102,033.41	27 June 2016	26 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	5 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	73,500,000.00	3 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	72,000,000.00	27 November 2015	27 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	64,322,640.00	29 June 2015	28 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	78,274,091.99	22 October 2015	21 October 2016	No
Shandong Chenming Financial Leasing Co., Ltd.	243,375,000.00	21 April 2016	20 April 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	530,496,000.00	28 August 2014	27 August 2016	No
Shandong Chenming Financial Leasing Co., Ltd.	100,038,283.20	28 November 2014	27 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	486,833,333.32	22 May 2015	26 March 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	123,088,750.00	26 November 2015	10 November 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	298,259,428.57	20 November 2015	2 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	584,557,500.00	17 December 2015	16 December 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	291,484,642.84	3 March 2016	2 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	292,787,500.00	21 March 2016	20 February 2016	No
Huanggang Chenming Arboriculture Co., Ltd.	30,000,000.00	26 August 2015	26 August 2016	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	17 August 2015	26 June 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	17 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	17 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,000,000.00	14 December 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	14 December 2015	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	14 February 2015	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	39,000,000.00	24 June 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	46,418,400.00	7 August 2015	26 June 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	46,418,400.00	7 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	33,156,000.00	7 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 December 2015	29 December 2018	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	29 October 2015	29 October 2016	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	4 November 2015	29 October 2016	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	18 January 2016	12 July 2016	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	29 January 2016	25 July 2016	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	29 February 2016	23 August 2016	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	14 March 2016	13 March 2017	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	11 March 2016	11 March 2017	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	31 March 2016	30 September 2016	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	20 April 2016	19 April 2017	No
Jiangxi Chenming Paper Co., Ltd.	22,811,328.00	17 February 2016	14 August 2016	No
Jiangxi Chenming Paper Co., Ltd.	10,284,417.80	29 March 2016	29 September 2016	No
Jiangxi Chenming Paper Co., Ltd.	23,739,696.00	29 March 2016	24 September 2016	No
Shouguang Meilun Paper Co., Ltd.	285,000,000.00	8 January 2016	6 July 2016	No
Shouguang Meilun Paper Co., Ltd.	162,250,000.00	11 December 2015	11 December 2016	No



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
Shandong Chenming Paper Sales Co., Ltd.	402,445,926.99	18 May 2016	14 November 2016	No
Shandong Chenming Paper Sales Co., Ltd.	50,312,878.30	30 May 2016	23 November 2016	No
Shandong Chenming Paper Sales Co., Ltd.	499,373,074.13	8 June 2016	5 December 2016	No
Shandong Chenming Paper Sales Co., Ltd.	500,376,273.98	17 June 2016	13 December 2016	No
Shandong Chenming Paper Sales Co., Ltd.	420,000,000.00	19 January 2016	18 July 2016	No
Shandong Chenming Paper Sales Co., Ltd.	250,000,000.00	11 April 2016	30 September 2016	No
Shandong Chenming Paper Sales Co., Ltd.	104,354,032.70	19 February 2016	17 August 2016	No
Shandong Chenming Paper Sales Co., Ltd.	219,686,162.54	4 March 2016	31 August 2016	No
Shandong Chenming Paper Sales Co., Ltd.	251,951,321.83	13 May 2016	9 November 2016	No
Shandong Chenming Paper Sales Co., Ltd.	254,125,418.59	20 May 2016	16 November 2016	No
Shandong Chenming Paper Sales Co., Ltd.	187,479,649.38	6 May 2016	1 November 2016	No
Shandong Chenming Paper Sales Co., Ltd.	147,288,292.82	13 May 2016	8 November 2016	No
Chenming (HK) Limited	192,304,800.00	12 August 2015	29 July 2016	No
Chenming (HK) Limited	241,309,368.00	22 October 2015	15 August 2016	No
Chenming (HK) Limited	193,034,232.00	28 August 2015	19 August 2016	No
Chenming (HK) Limited	192,299,495.04	9 October 2015	26 September 2016	No
Chenming (HK) Limited	193,034,232.00	22 October 2015	13 October 2016	No
Chenming (HK) Limited	194,957,280.00	11 November 2015	21 October 2016	No
Chenming (HK) Limited	186,104,628.00	18 November 2015	4 November 2016	No
Chenming (HK) Limited	93,698,856.00	19 November 2015	7 November 2016	No
Chenming (HK) Limited	46,418,400.00	11 December 2015	25 November 2016	No
Chenming (HK) Limited	234,081,360.00	11 December 2015	2 December 2016	No
Chenming (HK) Limited	98,539,632.00	16 December 2015	7 December 2016	No
Chenming (HK) Limited	176,125,594.34	29 December 2015	15 December 2016	No
Chenming (HK) Limited	119,361,600.00	22 January 2016	6 January 2017	No
Chenming (HK) Limited	47,081,520.00	6 April 2016	1 March 2017	No
Chenming (HK) Limited	168,200,388.00	29 March 2016	7 March 2017	No
Chenming (HK) Limited	96,019,776.00	29 March 2016	9 March 2017	No
Chenming (HK) Limited	101,125,800.00	6 May 2016	6 April 2017	No
Chenming (HK) Limited	102,783,600.00	26 April 2016	24 April 2017	No
Chenming (HK) Limited	132,624,000.00	20 May 2016	14 April 2017	No
Chenming (HK) Limited	100,300,000.00	21 January 2016	29 December 2016	No
Chenming (HK) Limited	219,037,500.00	25 January 2016	10 January 2017	No
Chenming (HK) Limited	278,627,500.00	26 January 2016	19 January 2017	No
Chenming (HK) Limited	88,942,500.00	18 February 2016	31 January 2017	No
Chenming (HK) Limited	10,993,932.75	17 May 2016	16 June 2016	No
Chenming (HK) Limited	10,993,932.41	17 May 2016	15 July 2016	No
Chenming (HK) Limited	7,524,229.36	15 June 2016	15 August 2016	No
Chenming (HK) Limited	10,410,506.89	27 April 2016	5 July 2016	No
Chenming (HK) Limited	10,107,376.83	20 May 2016	25 July 2016	No
Chenming (HK) Limited	18,459,639.60	13 April 2016	15 August 2016	No
Chenming (HK) Limited	22,145,602.20	13 April 2016	15 August 2016	No
Chenming (HK) Limited	11,164,137.66	14 June 2016	16 August 2016	No
Chenming (HK) Limited	24,244,419.05	26 February 2016	24 August 2016	No
Chenming (HK) Limited	10,960,171.70	29 February 2016	29 August 2016	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
Chenming (HK) Limited	23,672,210.28	4 March 2016	31 August 2016	No
Chenming (HK) Limited	9,708,103.99	9 March 2016	6 September 2016	No
Chenming (HK) Limited	24,187,951.86	9 March 2016	6 September 2016	No
Chenming (HK) Limited	14,158,493.95	21 June 2016	6 September 2016	No
Chenming (HK) Limited	8,771,025.51	10 June 2016	8 September 2016	No
Chenming (HK) Limited	7,238,812.55	30 March 2016	26 September 2016	No
Chenming (HK) Limited	23,604,465.94	1 April 2016	28 September 2016	No
Chenming (HK) Limited	24,557,921.89	2 June 2016	30 September 2016	No
Chenming (HK) Limited	21,459,454.17	6 April 2016	4 October 2016	No
Chenming (HK) Limited	27,501,454.34	8 June 2016	6 October 2016	No
Chenming (HK) Limited	26,605,799.31	13 June 2016	11 October 2016	No
Chenming (HK) Limited	20,177,912.77	17 June 2016	15 October 2016	No
Chenming (HK) Limited	18,965,920.38	26 April 2016	24 October 2016	No
Chenming (HK) Limited	23,796,415.97	26 April 2016	24 October 2016	No
Chenming (HK) Limited	20,881,662.06	4 May 2016	1 November 2016	No
Chenming (HK) Limited	8,980,005.26	4 May 2016	1 November 2016	No
Chenming (HK) Limited	8,754,523.24	11 May 2016	7 November 2016	No
Chenming (HK) Limited	20,882,301.44	9 May 2016	7 November 2016	No
Chenming (HK) Limited	11,253,354.35	13 June 2016	9 November 2016	No
Chenming (HK) Limited	5,694,357.99	23 June 2016	14 November 2016	No
Chenming (HK) Limited	11,438,265.17	24 June 2016	14 November 2016	No
Chenming (HK) Limited	7,646,362.78	25 May 2016	21 November 2016	No
Chenming (HK) Limited	23,903,349.24	27 May 2016	23 November 2016	No
Chenming (HK) Limited	9,360,637.60	2 June 2016	29 November 2016	No
Chenming (HK) Limited	159,148,800.00	31 July 2015	20 July 2016	No
Chenming (HK) Limited	131,297,760.00	16 March 2016	31 March 2017	No
Chenming (HK) Limited	99,468,000.00	11 April 2016	23 March 2017	No
Chenming (HK) Limited	185,003,119.37	3 June 2016	22 November 2016	No
Chenming (HK) Limited	8,350,691.71	20 April 2016	5 July 2016	No
Chenming (HK) Limited	103,559,450.40	8 September 2015	12 August 2016	No
Chenming (HK) Limited	488,225,000.00	2 February 2016	31 January 2017	No



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

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	39,912,416.29	1,995,620.81	89,493,535.25	4,474,676.76
Accounts receivable	Jiangxi Jiangbao Media Colour Printing Co. Ltd.	1,393,760.56	69,688.03	1,393,760.56	69,688.03
Prepayments	Jiangxi Chenming Natural Gas Co., Ltd.	9,696,920.67		8,900,712.18	
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
Other receivables	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	1,291,492,916.67		1,310,041,477.38	
Other receivables	Qingdao Chenming Nonghai Investment Co., Ltd.	21,000,000.00	1,050,000.00	21,000,000.00	1,050,000.00
Other receivables	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	2,083,104.72	104,155.24	2,200,000.00	110,000.00

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	39,486,572.87	37,230,586.11



XI. Undertaking and contingency

1. Significant commitments

Significant commitments as at the balance sheet date

(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	4,525,843,414.70	5,914,302,136.38
Huirui BT Project	2,500,000,000.00	2,500,000,000.00
Total	7,025,843,414.70	8,414,302,136.38

(2) Operating lease commitments

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

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	27,276,275.51	25,657,919.75
The second year after balance sheet date	15,236,437.57	14,982,757.03
The third year after balance sheet date	14,929,028.82	15,251,731.80
In the years thereafter	529,833,581.19	557,568,931.29
Total	587,275,323.09	613,461,339.87

2. Contingency

(1) Significant contingencies as at balance sheet date

As of 30 June 2016, there was no significant contingency that required to be disclosed by the Company.



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

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Closing balance		Bad debt provision		Carrying amount	Book balance		Opening balance		Carrying amount
	Amounts	Percentage	Amounts	Percentage		Amounts	Percentage	Amounts	Percentage	
Accounts receivable that are provided for bad debts on portfolio basis based on credit risk features	3,082,214,913.86	100.00%	5,072,413.72	0.16%	3,077,142,500.14	2,059,434,721.08	100.00%	4,766,013.61	0.23%	2,054,668,707.47
Total	3,082,214,913.86	100.00%	5,072,413.72	0.16%	3,077,142,500.14	2,059,434,721.08	100.00%	4,766,013.61	0.23%	2,054,668,707.47

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

Unit: RMB

Ageing	Accounts receivable	Closing balance Provision for bad debts	Ratio
Items under within 1 year			
Within 1 year	3,207,917.88	160,395.90	5.00%
Sub-total of within 1 year	3,207,917.88	160,395.90	5.00%
1 to 2 years	10,213,674.32	1,021,367.43	10.00%
Over 3 years	3,890,650.40	3,890,650.40	100.00%
Total	17,312,242.60	5,072,413.73	29.30%

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

Applicable Not applicable

(2) Bad debt provision made, recovered or reversed during the reporting period

The amount of bad debt provision made for the current period amounted to RMB786,053.78. The amount of bad debt provision recovered or reversed during the current period was RMB0.00.

(3) Accounts receivable written off during the reporting period

There has been no accounts receivable written off during the reporting period.



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

1. Accounts receivable (Cont'd)

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

Name of entity	Nature of accounts receivable	Outstanding balance	Percentage	Bad debt provision
Shouguang Meilun Paper Co., Ltd.	Payment for goods	2,094,469,857.69	67.95%	
Shouguang Chenming Art Paper Co., Ltd.	Payment for goods	408,441,356.43	13.25%	
Chenming (HK) Limited	Payment for goods	188,637,550.28	6.12%	
Chenming International Co., Ltd.	Payment for goods	175,327,200.00	5.69%	
Chenming GmbH	Payment for goods	81,673,060.32	2.65%	
Total		2,948,549,024.72	95.66%	

2. Other receivables

(1) Other receivables by category

Unit: RMB

Category	Closing balance				Carrying amount	Opening balance			
	Book balance Amounts	Percentage	Bad debt provision Amounts	Percentage		Book balance Amounts	Percentage	Bad debt provision Amounts	Percentage
Other receivables that are individually significant and are provided for bad debts separately	8,686,748.70	0.03%	8,686,748.70	100.00%	8,686,748.70	0.04%	8,686,748.70	100.00%	
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	25,865,864,203.43	99.92%	40,598,048.03	0.16%	25,815,266,155.40	99.92%	41,398,628.05	0.18%	23,168,599,276.40
Other receivables that are individually insignificant but are provided for bad debts separately	12,364,520.18	0.05%	12,364,520.18	100.00%	10,514,189.79	0.05%	10,514,189.79	100.00%	
Total	25,876,915,472.31	100.00%	61,649,316.91	0.24%	25,815,266,155.40	100.00%	60,599,566.54	0.26%	23,168,599,276.40

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 receivable (by entity)	Closing balance			Reason for provision
	Other Receivables	Bad debt provision	Percentage	
Ahlstrom Finland	2,820,742.72	2,820,742.72	100.00%	Overdue for over 3 years and unlikely to be recovered
Qingdao Second Automotive and Transportation Logistics Branch Company	1,137,295.16	1,137,295.16	100.00%	Overdue for over 3 years and unlikely to be recovered
Elof Hansson Group of Sweden	1,344,717.78	1,344,717.78	100.00%	Overdue for over 3 years and unlikely to be recovered
Chuan Hua Precision Corporation of Taiwan	2,253,993.04	2,253,993.04	100.00%	Overdue for over 3 years and unlikely to be recovered
Zibo Kaihong Energy Co., Ltd.	1,130,000.00	1,130,000.00	100.00%	Overdue for over 3 years and unlikely to be recovered
Total	8,686,748.70	8,686,748.70	—	—



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

2. Other receivables (Cont'd)

(1) Other receivables by category (Cont'd)

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

Applicable Not applicable

Unit: RMB

Age	Other receivables	Closing balance Bad debt provision	Provision percentage
Items under within 1 year			
Within 1 year	53,191,916.51	2,659,595.82	5.00%
Sub-total of within 1 year	53,191,916.51	2,659,595.82	5.00%
1 to 2 years	8,795,097.66	879,509.77	10.00%
2 to 3 years	17,737,577.73	3,547,515.55	20.00%
Over 3 years	54,562,695.78	54,562,695.78	100.00%
Total	134,287,287.68	61,649,316.92	

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

(2) Bad debt provision made, recovered or reversed during the reporting period

The amount of bad debt provision made for the current period amounted to RMB1,049,750.37. The amount of bad debt provision recovered or reversed during the current period was RMB0.00.

(3) Other receivables written off during the reporting period

There were no other receivables written off during the reporting period.



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

2. Other receivables (Cont'd)

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

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of total closing balance of other receivables	Closing balance of bad debt provision
Shouguang Meilun Paper Co., Ltd.	Open credit	19,834,293,241.74	Within 1 year, 1-2 years	76.65%	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Open credit	512,432,694.41	Within 1 year	1.98%	
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Open credit	1,007,015,000.00	Within 1 year	3.89%	
Jiangxi Chenming Paper Co., Ltd.	Open credit	1,582,690,786.89	Within 1 year	6.12%	
Haicheng Haiming Mining Co., Ltd.	Open credit	472,474,368.88	1-2 years	1.83%	
Total	—	23,408,906,091.92	—	90.46%	

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance impairment provision	Book value	Book balance	Opening balance impairment provision	Book value
Interest in subsidiaries	13,469,415,957.45		13,469,415,957.45	13,469,415,957.45		13,469,415,957.45
Interest in associates and joint ventures	57,497,650.71		57,497,650.71	57,537,749.04		57,537,749.04
Total	13,526,913,608.16		13,526,913,608.16	13,526,953,706.49		13,526,953,706.49



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

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

(1) Interest in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
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.	1,200,000,000.00			1,200,000,000.00		
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		
Japan Chenming Paper 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 MFinance 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		
Jinan Chenming Investment Management Co., Ltd.	100,000,000.00			100,000,000.00		
Chenming Paper Korea Co., Ltd.	6,143,400.00			6,143,400.00		
Total	13,469,415,957.45			13,469,415,957.45		

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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	Investment gain or loss recognised under equity method	Change for the period				Closing balance	Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision		
I. Joint venture										
Shouguang Chenming Huisen										
New-style Construction Materials Co., Ltd.										
	2,976,817.51			114,692.62						3,091,510.13
Sub-total	2,976,817.51			114,692.62						3,091,510.13
II. Associates										
Arjo Wiggins Chenming Specialty Paper Co., Ltd.										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.										
	4,217,690.25			-444,376.48						3,773,313.77
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)										
	50,343,241.28			289,585.53						50,632,826.81
Sub-total	54,560,931.53			-154,790.95						54,406,140.58
Total	57,537,749.04			-40,098.33						57,497,650.71

4. Revenue and operating costs

Unit: RMB

Item	Amounts during the period		Amounts during the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	2,964,265,435.57	2,355,738,024.24	2,871,789,573.21	2,315,085,299.99
Other activities	440,642,493.39	393,657,742.18	296,650,370.18	284,274,418.52
Total	3,404,907,928.96	2,749,395,766.42	3,168,439,943.39	2,599,359,718.51

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

5. Investment income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method	200,000,000.00	360,000,000.00
Income from long-term equity investments accounted for using the equity method	-40,098.33	-347,400.41
Interest income from entrusted loans	44,212,264.15	49,679,999.99
Total	244,172,165.82	409,332,599.58

XIII. Supplementary information

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

√ Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets	-1,626,686.16	
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	214,412,568.80	
Gain and loss from debt restructuring	1,909,002.10	
Gain or loss on external entrusted loans	44,212,264.15	
Non-operating gains and losses other than the above items	4,597,886.08	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-10,599,543.68	
Less: Effect of income tax	53,745,876.48	
Effect of minority interest	1,805,828.03	
Total	197,353,786.78	—

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



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	5.89%	0.45	0.45
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	4.54%	0.34	0.34

Note: Net profit attributable to ordinary shareholders of the Company excluded the effect of interest payment deferred and accumulated to subsequent periods or perpetual bonds under other equity instruments. When calculating earnings per share, the interests incurred but not declared for perpetual bonds from the value date up to 30 June 2016 are deducted.

Item	Profit for the reporting period
Net profit attributable to the Company	939,164,870.60
Less: Effect of cumulative interests of perpetual bonds	76,151,584.70
Net profit attributable to ordinary shareholders of the Company	863,013,285.90

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
24 August 2016



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