



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

2013
Interim Report

I Important Notice, Table of Contents and Definitions

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

All Directors were present 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, Wang Chunfang, head in charge of accounting and Dong Lianming, head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial statements in the interim report.

I Important Notice, Table of Contents and Definitions

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Definitions

Item	means	Definition
Company or Chenming Paper Group	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Shenzhen Stock Exchange	means	Shouguang Chenming Holdings Company Limited
Stock Exchange	means	Shenzhen Stock Exchange
CSRC	means	The Stock Exchange of Hong Kong
Shandong CSRC	means	China Securities Regulatory Commission
Jiangxi Chenming	means	Shandong branch of China Securities Regulatory Commission
Shouguang Henglian	means	Jiangxi Chenming Paper Co., Ltd.
Shouguang Hengtai	means	Shouguang Henglian Enterprise Investment Co., Ltd.
Wuhan Chenming	means	Shouguang Hengtai Enterprise Investment Company Limited
Chenming (HK)	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Guangdong Huirui	means	Chenming (HK) Limited
Haiming Mining	means	Guangdong Huirui Investment Co., Ltd.
BeiHai Group	means	Haicheng Haiming Mining Company Limited
Zhanjiang Chenming	means	Liaoning BeiHai Industries Group Co., Ltd.
Jilin Chenming	means	Zhanjiang Chenming Paper Pulp Co., Ltd.
Yanbian Chenming	means	Jilin Chenming Paper Co., Ltd.
GF Securities	means	Yanbian Chenming Paper Co., Ltd.
Hailaer Chenming	means	GF Securities Co., Ltd
RSM China	means	Hailaer Chenming Paper Co., Ltd.
Ruihua	means	RSM China Certified Public Accountants (Special General Partnership)
Chenming Germany	means	Ruihua Certified Public Accountants (Special General Partnership)
Jilin Waste	means	Chenming GmbH
Shouguang Meilun	means	Jilin Chenming Waste Collection Co., Ltd.
Chenming Sales Company	means	Shouguang Meilun Paper Co., Ltd.
Chenming Power	means	Chenming Sales Company Limited
	means	Shandong Chenming Power Supply Holdings Co., Ltd.

II Company Profile

I. Company profile

A share stock abbreviation	晨鳴紙業	Stock Code	000488
B share stock abbreviation	晨鳴B	Stock Code	200488
H share 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		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company (if any)	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
Name	Wang Chunfang	Fan Yingjie	Poon Shiu Cheong
Correspondence Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	No. 2199 Nongsheng East 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 is no change in the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2012 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

Designated newspapers for information disclosure	China Securitas Journal, Shanghai Securities News, Securities Times, Securities Daily and Hong Kong Commercial Daily
Designated websites for the publication of the Interim Report as approved by CSRC	Domestic: http://www.cninfo.com.cn ; Overseas: http://www.hkex.com.hk
Places for inspection of the Company's Interim Report	Capital operation department of the Company

II Company Profile

3. Change in registration

Whether registration information changed during the reporting period.

Applicable Not applicable

There is no change in the registration information such as registration date, registered address, legal person business license registration number, taxation registration number and organisation code of the Company during the reporting period. Please refer to 2012 Annual Report for details.

4. Other relevant information

Whether other relevant information changed during the reporting period.

Applicable Not applicable

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	Corresponding period of the prior year	Increase/decrease for the reporting period compared to the corresponding period of the prior year (%)
Revenue (RMB)	10,027,901,358.43	9,964,451,535.04	0.64%
Net profit attributable to shareholders of the Company (RMB)	333,409,511.73	94,244,962.85	253.77%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	134,539,548.74	-103,989,811.77	229.38%
Net cash flows from operating activities (RMB)	906,935,242.95	661,084,701.87	37.19%
Basic earnings per share (RMB per share)	0.16	0.05	220.00%
Diluted earnings per share (RMB per share)	0.16	0.05	220.00%
Rate of return on net assets on weighted average basis (%)	2.40	0.70	1.70%

	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period compared to the end of the prior year (%)
Total assets (RMB)	47,511,262,149.79	47,725,421,927.39	-0.45%
Net assets attributable to shareholders of the Company (RMB)	13,685,701,295.53	13,759,496,179.85	-0.54%
Net assets per share attributable to shareholders of the Company (RMB/Share)	6.93	6.67	3.90%
Gearing ratio	69.94%	69.94%	0%

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

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

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Amounts for the reporting period	Amounts for the prior period	Closing balance	Opening balance
Under China accounting standards	333,409,511.73	94,244,962.85	13,685,701,295.53	13,759,496,179.85
Items and amounts adjusted under international accounting standards				
Under international accounting standards	333,409,511.73	94,244,962.85	13,685,701,295.53	13,759,496,179.85

III Summary of Accounting Data and Financial Indicators

III. Items and amounts of extraordinary gains or losses

Unit: RMB

Item	Amounts	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	-28,456,570.02	
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	112,054,796.04	
Profit or loss from debt restructuring	39,984.11	
Non-operating gains and losses other than the above items	206,618,857.32	
Changes in fair value of consumable biological assets	9,229,042.51	
Less: Effect of income tax	28,181,423.03	
Effect of minority interests (after tax)	72,434,723.94	
Total	198,869,962.99	—

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

IV Chairman's Statement

Dear shareholders,

It is my pleasure to present the financial report as of 30 June 2013 to all shareholders and express my gratitude, for all shareholders' concern and support to Chenming Paper on behalf of the board of directors.

During the reporting period, a higher concentration ratio was secured due to the slowdown in the growth of the supply of the paper making industry and the elimination of outdated production capacity, which was conducive to a proactive increase in price proposed by enterprises. Meanwhile, the continuation of the appreciation of RMB and the increased downward pressure on raw material prices relieved the pressure on the operating costs of enterprises. The profitability of the Company turned around as compared to the corresponding period of the prior year.

The reporting period saw the normal operation of the Company's projects such as Zhanjiang Chenming's pulp project, 800,000 tonne coated paper project and 600,000 tonne white coated linerboard project. The Company, accordingly, achieved steady growth in production capacity on the basis of 2012. In order to expand its industry chain and increase its sustainable profitability, the Company had invested in magnesite mining and Zhanjiang waterfront regulation works and they were carried out as scheduled. During the reporting period, to enrich the types of products of the Company and to enhance the comprehensive competitiveness and the gross margin of the products in the market, the Company invested in Wuhan Chenming household paper project and Jiangxi Chenming high-end packaging paper project. Upon completion of the projects, the Company will further leverage its scale advantages, and thus further enhance the market competitiveness of the Company.

I. Operating Results

During the reporting period, the Company completed machine-made paper production of 2,020,000 tonnes, representing an increase of 100,000 tonnes or 5.21% as compared with 1,920,000 tonnes in the corresponding period of the prior year. The Company's revenue amounted to RMB10,028 million, up by RMB63 million as compared to the corresponding period of prior year or up by 0.64%. The operating costs were RMB8,251 million, down by RMB249 million or 2.93% from the corresponding period of prior year. The operating profit and net profit attributable to equity holders of the Company were RMB97.3169 million and RMB333.4095 million respectively, up by 146.64% and 253.77% respectively.

II. Corporate Governance

During the reporting period, the Company regulated its operation under the requirements 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 and the related provisions of CSRC. It kept on improving and optimising its legal person governance structure and regulating its operation in practice. The Board considered the state of the Company's corporate governance was substantially in compliance with the requirements and requests of the regulatory documentation such as Code of Corporate Governance for Listed Companies.

During the reporting period, the Board strived to regulate the operation of the Company by improving its corporate governance. It improved corporate governance practice in a timely manner and formulated and optimised management systems including the amended version of Articles of Association, Investor Relationship Management system, Implementation Rules for the Remuneration and Assessment Committee of the Board of Directors, Implementation Rules for the Nomination Committee of the Board of Directors, Implementation Rules for the Strategic Committee of the Board of Directors, and Implementation Rules for the Audit Committee of the Board of Directors in accordance with the regulatory requirements.

III. Dividend Distribution

The Group has always placed much emphasis on shareholders' benefits and returns. The profit distribution plan for 2012 is as follows: the registered capital of the Company as at 31 December 2012 totalled 2,062,045,941 shares. After deducting the treasury shares of 86,573,974 shares to be cancelled under the repurchase of B shares of the Company, the share capital entitled to this distribution amounted to 1,975,471,967 shares. Based on the 1,975,471,967 shares and a cash dividend of RMB0.60 (tax inclusive) was to be paid to all shareholders for every 10 shares held, a total cash dividend of RMB118,528,318.02 (tax inclusive) was distributed, which represented 53.62% of the net profit attributable to shareholders of the Company as set out in the 2012 consolidated financial statements prepared in accordance with Accounting Standards for Business Enterprises. After the profit distribution, the undistributed profit would be rolled over for distribution in subsequent years. As always, the Company will continue to stay focused on its long-term development and maximise returns for shareholders by delivering better results.

IV Chairman's Statement

IV. Future Development

The industry to which the Company belongs is the paper making industry, which is a light industry. The business sentiments of the industry are highly related to the macroeconomic growth. The overall profitability of the paper making industry hovered around at a low level from the beginning of the year. However, a higher concentration ratio was obtained due to the slowdown in the growth of the supply of the paper making industry and the elimination of outdated production capacity. In the long run, the development conditions of the paper making industry gradually improve. The National Development and Reform Commission, Ministry of Industry and Communication and State Forestry Administration have jointly issued the Twelfth Five-Year Plan for the Development of the Paper Making Industry, which clearly states the general direction of “controlling total volume, promoting concentration, optimising raw materials and reducing energy consumption and emission”, from which the Company is expected to benefit in the long run.

In recent years, the Company is committed to the integrated development of forestry, pulp and paper with a longer industry chain and more comprehensive paper types. During the reporting period, the Company carried out a series of capacity expansion on paper types with better prospects. The Company's direction of development is in line with the requirements of the development plan of the entire paper making industry. Meanwhile, the Company has expanded its industry chain with a more rationalised industry positioning, which further strengthens the Company's competitiveness and development potential. As the economy and industry gradually recover, it is expected that the result of the Company will record stable growth. The Company's future performance is what the market can look forward to.

In the second half of 2013, the Company will deal with the following major areas based on the strategic objectives formulated by the Company:

- (1) **Adhere to strategy guidelines and make a blueprint for development plan.** We shall focus on project establishment, promote technology upgrading and make more efforts to conduct technology research. We optimise the combination of production, learning, research and utilisation in both channel and system. Meanwhile, we will comply with environmental protection policies, apply new technology and skills, promote the recycle economy, enhance comprehensive utilisation of resources and improve energy saving and emission reduction.
- (2) **Strengthen innovation management and enhance working efficiency.** We will introduce advanced management mode, optimise purchase management and put the mode of “purchase on demand” on trial. A finance company is established to intensify the centralised management of the Group's fund and enhance financial management. We make full use of the financing platform of the Hong Kong market in order to increase its credit line and expand its business scope, thereby lowering our financial costs and improve our profitability. Quality is the essence of a corporation. Adhering to the object of improving quality and increasing economic benefits, the Company will strive to realise “all staff, whole process and the entire corporation” quality management to strengthened quality management. We optimise flow of internal control, bring risk-prevention management system into perfection, intensify and promote the transformation of internal audit into management audit and risk audit, perfect corporate legal risk-prevention mechanism and strengthen process oversights and management and control over significant risks so as to enhance the internal control construction.
- (3) **Adjust product portfolio and explore new markets.** The Company will enhance product quality management, increase the development on high value-added products, produce popular products as well as increase the market competitiveness of products. It also endeavours to produce low-end products at low cost in order to meet client's needs, leverage on its low-cost edge and increase the efficiency. The Company will put more efforts in direct marketing and expand its overseas sales channels. The Company will target on major direct clients. Meanwhile, the Company will explore cooperation opportunities with strong major distributors, and increase the overseas market exposure of products via their sales channels. The Company will expand the marketing channels for its brand. The Company will organise promotion activities such as new products presentation. Hence, the recognition of Chenming brand will increase, which will fully enhance the brand image and influence of the Company.
- (4) **Strengthen team-building and improve staff quality.** Human resources are the “major essential” for corporate development. The Company will develop an innovative staff development programme and focus on its recruitment and training works. It aims to maintain a fair staff system and will enhance its staff training on a people-oriented basis. The Company will enhance the technical standard of various position, aiming to develop as a learning and knowledgeable enterprise. A good working and living environment will be established, which strengthens staff's loyalty and unity to the Company.

IV Chairman's Statement

IV. Future Development (Cont'd)

- (5) **Build up Chenming corporate culture and promote culture promotion and implementation.** The Company adheres to the establishment of corporate culture. It strives to “achieve a high degree of integration of corporate governance and corporate culture” as well as ensures proper internal cooperation with all works conducted orderly. The Company will strengthen the establishment of culture system, its promotion and implementation, aiming to make all staff have a deeper understanding on Chenming corporate culture. In addition, this can promote incorporation of culture into thought and management and make corporate culture as a direction of all works, which can improve the quality and execution ability of staff. Hence, a brand new Chenming corporate culture is established.

Chen Hongguo
Chairman

21 August 2013

V Directors' Report

I. Overview

During the reporting period, the previous round of intensive expansion in the paper making industry was basically completed. Papermaking enterprises were unlikely to expand in the near future due to the sentiment in the industry. In addition, some the small and medium-sized enterprises left the market as a result of elimination of outdated production capacity and stricter environmental protection policy. This partly lowered the pressure of the new production capacity on the supply in the industry. A higher concentration ratio was secured due to the slowdown in the growth of the supply of the paper making industry and the elimination of outdated production capacity, which was conducive to a proactive increase in price proposed by enterprises. Meanwhile, the continuation of the appreciation of RMB and the increased downward pressure on raw material prices relieved the pressure on the operating costs of enterprises. As compared to the corresponding period of prior year, the profitability of our major operations improved during the reporting period. The profit margin of our paper products was higher as compared to the corresponding period of prior year.

During the reporting period, the Company strived to establish itself as an international leading papermaking enterprise which operated in an environmental friendly and sustainable manner. We focused on our development and were driven by innovative ideas. We invested in the household paper project of Wuhan Chenming and magnesite mining project, entered into contract for the waterfront regulation works BT project in Zhanjiang City and were engaged in Wuhan Chenming cultural paper machine upgrade project, which accelerated the structural adjustment of the Company and facilitated the transformation and upgrade of the Company. We put more efforts to conduct technology research, optimised the combination of production, learning, research and utilisation in both channel and system, and achieved better results in surface enhancement technology and finished paper ash content technology. Meanwhile, we complied with environmental protection policies, applied new technology and skills, promoted the recycle economy, enhanced comprehensive utilisation of resources and improved energy saving and emission reduction.

During the reporting period, the Company enhanced innovative management. We managed our staff through our system and operated in accordance with the standard. We fully utilised the capital market to improve the standard of capital settlement, management, investment and financing of the Group. We enhanced our financial management and lowered the financial costs. We optimised our procurement management and implemented the “purchase on demand” mode. We optimised our internal control procedure, improved our risk prevention system and strengthened procedure supervision and controlled major risk. The Company developed an innovative staff development programme. Based on the demand for development, the Company put greater efforts on recruiting talents who possessed advance and new technology knowledge, and management talents. The Company endeavoured to develop a high quality team with the same philosophy as the Company and adaptable to the strategic development.

During the reporting period, the Company accelerated the adjustment in product structure, enhanced product quality management, increased the development on high valued-added products, put more efforts in direct sale and expanded overseas sale channels. We convened meeting with contracted distributors during the first half of 2013, which enhanced the recognition of Chenming brand, the brand image and influence of the Company.

V Directors' Report

II. Analysis of principal operations

1. Production and operation

During the reporting period, the Company's revenue amounted to RMB10,027.9014 million, up by RMB63.4498 million or 0.64% from the corresponding period of the prior year. The operating costs were RMB8,251.3498 million, down by RMB249.1631 million or 2.93% from the corresponding period of the prior year. Operating profit and net profit attributable to equity holders of the Company were RMB97.3169 million and RMB333.4095 million respectively, up by 146.64% and 253.77% respectively. During the reporting period, the expenses for the period were RMB1,659.3318 million, up by RMB19.2922 million or 1.18% from the corresponding period of the prior year. Investments in research and development amounted to RMB154.0344 million, up by RMB6.2727 million or 4.25% from the corresponding period of the prior year. Net cash flows were RMB-744.8025 million, down by 1,017.0503 million or 373.58% from the corresponding period of the prior year.

Analysis of asset and liability of the Company during the reporting period

Unit: RMB

Item	2013.6.30	2012.12.31	Increase/ decrease (%)	Reason for the change
Prepayments	2,020,732,736.41	1,636,233,924.64	23.50%	Zhanjiang Meilun Paper Pulp Co., Ltd., a subsidiary of the Company, made new prepayments on plant and equipment of RMB194 million and the Company's prepayments on materials increased.
Long-term equity investments	87,902,951.07	356,796,777.78	-75.36%	The Company transferred the equity interest in its subsidiary, Shanghai Runchen Equity Investment Fund Co., Ltd.
Construction in progress	2,757,926,003.96	5,017,604,821.59	-45.04%	The 600,000 tonnes white coated linerboard project of Shouguang Meilun was reclassified as fixed assets in January 2013.
Construction materials	205,573,437.90	75,054,992.09	173.90%	The materials for plant relocation of Jilin Chenming increased.
Bills payable	933,239,044.69	1,285,627,762.07	-27.41%	Bank acceptance bills issued by the Company for payment for goods decreased during the reporting period.
Advance receipts	424,229,542.28	347,835,800.87	21.96%	Greater efforts were made by the Company on customer exploration with an increase in advance receipts.
Staff remuneration payables	119,074,985.07	177,847,769.71	-33.05%	Outstanding staff remuneration payment by the Company decreased.
Interest payable	246,955,329.53	133,046,123.31	85.62%	The Company made a withdrawal for the interest incurred from medium-term notes and corporate bonds.
Dividend payable	118,528,318.02		100.00%	The Company made a withdrawal for dividend payable to ordinary shares for 2012.

V Directors' Report

II. Analysis of principal operations (Cont'd)

1. Production and operation (Cont'd)

Analysis of asset and liability of the Company during the reporting period (Cont'd)

Item	2013.6.30	2012.12.31	Increase/ decrease (%)	Reason for the change
Other payables	337,264,869.67	435,772,288.98	-22.61%	Security deposit and accrued expenses received by the Company decreased during the reporting period, and disposal of subsidiaries resulted in a change in the scope of consolidation.
Treasury shares	265,363,183.60		100.00%	Upon the repurchase of B shares by the Company, the repurchased shares were reclassified as treasury shares.

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	10,027,901,358.43	9,964,451,535.04	0.64%	
Operating costs	8,251,349,814.35	8,500,512,936.03	-2.93%	Decline in raw material prices.
Selling and distribution expenses	570,398,742.45	535,959,288.53	6.43%	
Administrative expenses	602,523,953.98	562,794,713.60	7.06%	
Finance expenses	486,409,117.79	541,285,654.45	-10.14%	RMB appreciation and increase in foreign exchange gains.
Income tax expenses	82,871,206.26	-12,866,933.23	744.06%	Increase in the provision for income tax expenses on Company's profit based on tax laws and regulations after the market recovery.
Investments in research and development	154,034,416.74	147,761,690.01	4.25%	
Net cash flows from operating activities	906,935,242.95	661,084,701.87	37.19%	The Company put greater efforts on recovering receivables. Cash received from goods selling increased. In addition, the Company increased the percentage of payments for good by bills.
Net cash flows from investing activities	-885,800,802.95	-850,464,656.26	4.15%	
Net cash flows from financing activities	-772,501,665.99	466,200,304.36	-265.7%	Repurchase of B share and repayment of medium-term notes resulted in significant increase in cash outflow.
Net increase in cash and cash equivalents	-744,802,455.71	272,247,794.49	-373.58%	Primarily affected by net cash flow from financing activities.

V Directors' Report

II. Analysis of principal operations (Cont'd)

1. Production and operation (Cont'd)

Changes in major financial information (Cont'd)

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

Applicable Not Applicable

There is no significant change in constitution or source of profit of the Company during the reporting period.

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

Applicable Not Applicable

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

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

During the reporting period, the Company actively processed various works based on our plan formulated earlier this year and achieved some progress. For details, please refer to "I. Overview" of this section.

V Directors' Report

II. Analysis of principal operations (Cont'd)

2. Analysis of liquidity, financial resources and capital structure

Indicators of the capital structure and liquidity of the Company

Major indicators	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period compared to the end of the prior year (%)
Gearing ratio	69.94%	69.94%	0%
Current ratio	94.05%	95.29%	-1.24%
Quick ratio	73.32%	73.22%	0.10%
Accounts receivable turnover ratio (including bills receivable)	372.52%	348.97%	23.55%
Accounts receivable turnover ratio	611.90%	614.87%	-2.97%
Inventory turnover ratio	374.82%	314.45%	60.37%

Note: Gearing ratio = Total liabilities/Total assets*100%

Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%

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, issuance of corporate bonds and medium-term notes in the capital market, as well as privately placed bonds in the interbank market.

As of 30 June 2013, the total bank borrowings, corporate loans, medium-term notes and privately placed bonds of the Group were RMB18,022 million, RMB6,262 million and RMB2,574 million (As at the end of the prior year: the total bank borrowings, corporate loans, medium-term notes and privately placed bonds of the Group were RMB18,177 million, RMB6,259 million and RMB2,184 million, respectively). As of 30 June 2013, the Group had monetary funds of RMB3,785 million (As at the end of the prior year: RMB4,456 million) in total (For the breakdown of monetary funds, please refer to "Section X. VII.1 Note on monetary funds" in this report).

To strengthen our financial management, the Group implemented 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 2013, the Group had 13,026 employees. The total staff remuneration for the first half of 2013 amounted to RMB306.1748 million (as at the end of the prior year, the Group had 15,775 employees. The total staff remuneration for 2012 amounted to RMB744.1945 million). For details of the staff, please refer to "Section VIII. Part V" in this report.

Major investment projects of the Company during the second half of 2013 will include the household paper project of Wuhan Chenming, relocation of Jilin Chenming due to environmental protection reason, the high-end coated white linerboard project of Jiangxi Chenming, magnesite mining and the waterfront regulation works of Guangdong Huirui.

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

For details of the restricted assets of the Group as of 30 June 2013, please refer to "Section IX. VII. 11. Details of restricted fixed assets" in this report.

As at 30 June 2013, no contingent event was required to be disclosed by the Group.

V Directors' Report

II. Analysis of principal operations (Cont'd)

3. Development trend in the industry and corporate outlook

The industry to which the Company belongs is the paper making industry, which is a light industry. The sentiment within the industry is closely related to the macroeconomic growth rate. Since the beginning of 2013, the growth rate of the downstream demand of the domestic paper making industry was still at a low level. The weak domestic demand persisted with the overall profitability in the paper making industry hovered around at a low level. However, the development conditions for the paper making industry gradually improved in the long run. The National Development and Reform Commission, Ministry of Industry and Communication and State Forestry Administration jointly issued the Twelfth Five-Year Plan for the Development of the Paper Making Industry, which clearly states the general direction of “controlling total volume, promoting concentration, optimising raw materials and reducing energy consumption and emission”, from which the Company is expected to benefit in the long run.

In recent years, the Company is committed to the integrated development of forestry, pulp and paper with a longer industry chain and more comprehensive paper types. During the reporting period, the Company carried out capacity expansion on paper types with better prospects. The Company's direction of development is in line with the requirements of the development plan of the entire paper making industry. Meanwhile, the Company has expanded its industry chain with a more rationalised industry positioning, which further strengthens the Company's competitiveness and development potential. As the economy and industry gradually recover, it is expected that the result of the Company will record stable growth. The Company's future performance is what the market can look forward to.

4. During the second half of 2013, the Company will primarily engage in the following works which are in line with our strategic objectives:

- (1) **Adhere to strategy guidelines and make a blueprint for development plan.** We focus on project establishment and enhance technology upgrade. For technology upgrade projects, we will make verification and pick up the pace to ensure high quality and good results. We will make more efforts to conduct technology research and optimise the combination of production, learning, research and utilisation in both channel and system. Meanwhile, we will comply with environmental protection policies, apply new technology and skills, promote the recycle economy, enhance comprehensive utilisation of resources and improve energy saving and emission reduction.
- (2) **Strengthen innovation management and enhance working efficiency.** We will introduce advanced management mode. We will optimise purchase management and put the “purchase on demand” mode on trial. A finance company is established to intensify the centralised management of the Group's fund and enhance our financial management. We make full use of the financing platform of the Hong Kong market in order to expand our business scope, lower our financial costs and improve our profitability. Quality is the essence of a corporation. Adhering to the object of improving quality and increasing economic benefits, the Company will strive to realise “all staff, whole process and the entire corporation” quality management and strengthen our quality management. We optimise flow of internal control, and bring risk-prevention management system into perfection, intensify and promote the transformation of internal audit into management audit and risk audit, and perfect corporate legal risk-prevention mechanism, and strengthen process oversights and management and control over significant risks, aiming to enhance the internal control construction.
- (3) **Adjust product portfolio and explore new markets.** The Company will enhance product quality management, increase the development on high value-added products, produce popular products as well as increase the market competitiveness of products. The Company endeavours to produce products at low cost in order to meet client's needs, leverage on its low cost edge and increase the efficiency. The Company will put more efforts in direct marketing and expand its overseas sales channels. The Company will target on major direct clients. Meanwhile, the Company will explore cooperation opportunities with strong major distributors, and increase the overseas market exposure of products via their sales channels. The Company will expand the marketing channels for its brand and organise promotion activities. Hence, the recognition of Chenming brand will increase, which will fully enhance the brand image and influence of the Company.

II. Analysis of principal operations (Cont'd)

4. During the second half of 2013, the Company will primarily engage in the following works which are in line with our strategic objectives: (Cont'd)

- (4) **Strengthen team-building and improve staff quality.** Human resources are the “major essential” for corporate development. The Company will develop an innovative staff development programme. The Company will focus on its recruitment and training works. It aims to maintain a fair staff system. The Company will enhance its staff training and conduct a people-oriented way. The Company will also enhance the technical standard of various position, aiming to develop as a learning and knowledgeable enterprise. The Company will establish a good working and living environment, which strengthen staff's loyalty and unity to the Company.
- (5) **Build up Chenming corporate culture and promote culture promotion and implementation.** The Company adheres to the establishment of corporate culture. It strives to “achieve a high degree of integration of corporate governance and corporate culture” as well as ensures proper internal cooperation with all works conducted orderly. The Company will strengthen the establishment of culture system, its promotion and implementation, aiming to make all staff have a deeper understanding on Chenming corporate culture. This can promote incorporation of culture into thought and management and make corporate culture as a direction of all works, which can improve the quality and execution ability of staff. Hence, a brand new Chenming corporate culture is established.

5. Capital requirements, source of funds and plan for usage

The Company's new projects had commenced operation successively but they were unable to make profit on a timely basis due to market reasons. At present, the Company has higher leverage. Fluctuation of the state deposit and lending interest rates will directly cause fluctuation of interests undertaken by the Company so as to affect the Company's profitability. Therefore, the Company specifies the following measures: First, the Company will further improve its international marketing network, improve its organisation structure of its overseas companies, adjust its sales channels and step up effort to expand its overseas market, especially for the coated paper products, high-end duplex press paper, electrostatic small paper and other high-end products, devote great efforts to exports and fund collection, and relieve domestic market pressure. Secondly, the Company will make full use of the financing platform of the Hong Kong market, seek the matching point of Hong Kong and domestic businesses, increase Hong Kong Chenming's credit line and expand the business of Hong Kong Chenming. Thirdly, the Company will actively establish the Group's finance company to enhance the centralised management of the Group's fund and improve the efficiency of capital use so as to further increase the Group's fund settlement, management, investment and financing ability, thereby reducing its financing cost.

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II. Analysis of principal operations (Cont'd)

6. Potential risks

As a basic raw materials industry of the national economy, the papermaking industry's overall efficiency has a strong correlation with the national macroeconomic performance, and is therefore a cyclical industry. The national macroeconomic performance will have a greater impact on the market demand for paper products, which will further affect the product price and cost of raw materials, and will ultimately affect the operating results of the papermaking enterprises, including the Company. There still exist some uncertainties and complexities in China's future macroeconomic trends. Thus, the Company still faces the risk of earnings level being affected by macroeconomic fluctuations.

Operational risk. The major raw materials used by the Company are wood pulp and waste paper. The relatively high market price fluctuations of wood pulp and waste paper have affected the production cost of the Company's machine-made paper products, and thus have an impact on the performance of the Company.

Industry risk. China's papermaking industry has been facing increasingly fierce competition. Domestic papermaking enterprises have launched new projects, introduced advanced equipment, expanded production capacity and promoted sales. International renowned papermaking enterprises also participated directly in the domestic market competition by leveraging on their advantages in scale and technology. The fierce competition in the domestic papermaking industry will certainly affect the Company's future operating results.

Policy risk. From the point of view of China's policy, China will change the mode of growth through optimising the layout of the papermaking industry and the raw material structure and product structure, in order to promote a modern papermaking industry based on recycling by integrating the forestry and papermaking industry, which will have an impact on the operating results of the Company.

Environmental risk. The papermaking industry is a polluting industry. With the rising awareness of environment protection in the society and the industry, more stringent environmental protection policies of the industry have been implemented. A multi-pronged approach has been adopted to promote industrial restructuring, and the papermaking industry has entered into an important transition period of development. The higher emission standard is bound to increase the Company's environmental protection cost and will result in the slowing down of scale expansion.

Interest rate risk. In recent years, greater fluctuations of the Renminbi benchmark lending rate level have an impact on the Company's cost of debt financing. The People's Bank of China may continue to adjust the level of the benchmark interest rate according to the macroeconomic trends, which may cause greater volatility in the Company's financial expenses, thus affecting its operating results.

Exchange rate risk. 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.

V 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	8,848,173,025.18	7,326,007,309.03	17.20%	-3.99%	-7.38%	3.03%
Electricity and steam	803,178,978.83	667,582,441.74	16.88%	93.43%	85.14%	3.72%
Construction materials	109,279,405.02	91,159,060.57	16.58%	-33.22%	-32.12%	-1.36%
Hotel	19,689,151.28	4,853,289.68	75.35%	-18.82%	-23.77%	1.60%
Others	48,754,432.33	39,934,984.09	18.09%	1,365.75%	1,641.45%	-12.97%
By products						
Light weight coated paper	501,851,702.17	426,670,112.16	14.98%	-16.26%	-21.89%	6.13%
Duplex press paper	1,371,028,527.11	1,134,137,789.43	17.28%	-9.84%	-14.45%	4.46%
Writing paper	185,288,743.85	161,211,366.92	12.99%	21.16%	10.16%	8.69%
Coated paper	2,160,140,193.34	1,877,854,601.69	13.07%	0.63%	-8.14%	8.30%
News press paper	774,970,941.13	569,464,168.35	26.52%	-11.8%	-15.18%	2.93%
Paperboard	75,457,462.04	70,449,307.72	6.64%	-74.28%	-75.15%	3.28%
White paper board	1,101,886,281.24	875,218,954.34	20.57%	12.52%	9.23%	2.39%
Other machine-made paper	2,677,549,174.30	2,211,001,008.42	17.42%	1.22%	5.74%	-3.53%
Electricity and steam	803,178,978.83	667,582,441.74	16.88%	93.43%	85.14%	3.72%
Construction materials	109,279,405.02	91,159,060.57	16.58%	-33.22%	-32.12%	-1.36%
Hotel	19,689,151.28	4,853,289.68	75.35%	-18.82%	-23.77%	1.6%
Others	48,754,432.33	39,934,984.09	18.09%	1,365.75%	1,641.45%	-12.97%
By geographical segment						
Mainland China	8,269,892,081.97	6,674,839,221.55	19.29%	-1.9%	-5.29%	2.89%
Hong Kong	325,828,258.19	231,375,805.11	28.99%	283.14%	179.43%	26.36%
U.S.	176,059,601.45	175,946,606.21	0.06%	135.84%	147.85%	-4.84%
Japan	86,957,710.96	91,020,040.44	-4.67%	-12.86%	-6.34%	-7.29%
Southeast Asia	188,351,001.08	185,553,307.61	1.49%	46.3%	48.01%	-1.14%
Middle East	249,421,527.92	244,493,213.57	1.98%	22.81%	21.07%	1.41%
Europe	128,149,696.15	128,477,031.97	-0.26%	-0.97%	3.27%	-4.12%
South Africa	111,537,253.23	111,419,524.87	0.11%	-9.61%	-7.2%	-2.59%
Other countries and regions	292,877,861.69	286,412,333.78	2.21%	-50.26%	-50.13%	-0.26%

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V Directors' Report

IV. Analysis of Core Competitiveness

- (1) Scale advantages. After years of development, the Company has achieved annual paper production capacity of over 6,000,000 tonnes and is capable to compete with international papermaking enterprises in scale. Large-scale centralised production has provided the Company with obvious economic benefits, which are reflected not only in the manufacturing costs of products, but also in its strong market influence in raw material procurement, product pricing and industry policymaking.
- (2) Product advantages. While the production scale of the Company expanded rapidly, its product mix also continued to optimize. In recent years, the Company has built the production lines for high-end coated paper, high-end light weight coated paper, high-end white paper board and high-end duplex press paper, and achieved higher technological content of products and added values as well as a higher gross profit margin. 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) Advantages in technical equipment. The Company's overall technical equipment has reached the advanced international level. The main production equipment has been imported from internationally renowned manufacturers. Its equipment of advanced international level. The technical equipment used by the Company generally reflects the characteristics of being technology-intensive and the integration of mechanical and electrical in the papermaking industry nowadays. The degassing technology, wet end chemical technology, intelligent sheet lateral control technology, coating preparation technology, free-jet coating technology, multi-nip pressure balanced burnishing technology and independent developed processes of the slurry system have all reached the international advanced level.
- (4) Research and innovation advantages. Leveraging its research strengths and relied on state-level enterprise technical centres and post-doctoral research stations, the Company has established a comprehensive intellectual property rights system, and has continuously enlarged its technological innovation capacity and research and development efforts to actively develop new products and proprietary technology with high technology content and added values. Meanwhile, Chenming Paper Technology Centre is actively engaged in technological cooperation with universities, research units and international advanced enterprises. The above have helped the Company establish a research and development network leveraging both the domestic and international advanced papermaking research bases, and guaranteed Chenming's leading position in industry research in China.
- (5) Comprehensive cost advantages. The Company has a relative advantage in comprehensive cost, which is mainly reflected in: first, the Company has optimised the operation of the production lines through stringent management, and the Company's energy consumption per ton of paper was also controlled at a relatively low level; secondly, the Company has established a 150 tonnes/day mechanical pulp production line and a BCTMP pulp production line with annual production of 250,000 tonnes, and has also increased the raw materials supply by launching the construction of the 700,000 tonnes of wood pulp project in Zhanjiang; thirdly, the Company has reduced costs through the construction of the captive power plant to ensure energy supply.
- (6) Funding advantages. 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. The Company has made full use of indirect financing channels to accelerate its development. While the Company has increased borrowings, it has maintained higher returns on net assets, improved its earnings ratio, and leveraged the advantage of financial leverage. All these are in line with the goal of maximization of shareholders' wealth. It has conducted several financing activities in domestic and foreign stock markets. The funds obtained have been applied effectively and has helped the Company create good market image, which has provided the Company with stronger abilities in direct financing in the stock capital market.
- (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, red liquor comprehensive utilization system and the sewage treatment plants, which guaranteed that the environment protection facilities can meet the demand of the rapid expansion of the Company.

V Directors' Report

V. Analysis of investments

1. External equity investments

(1) External investments

Investments during the reporting period (RMB)	External investments Investments during the corresponding period of prior year (RMB)	Change (%)
184,206,250.00	89,306,351.20	106.26%

Investees		The Company's share of interest in investees (%)
Names of the companies	Principal activities	
Haicheng Haiming Mining Company Limited	Processing and sales of magnesite and talc	60%
Zhanjiang Meilun Paper Pulp Co., Ltd.	Plant fostering, forest conservation, soil improvement, forestry research, construction of raw material bases; implementation, management and operation of pulp mill construction; manufacture, production, processing and sales of pulp and related products	100%
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Production and sales of new-style wall materials, and comprehensive utilisation of coal ash	100%
Chenming GmbH	Trading of machine-made paper	100%

2. Use of proceeds

(1) The general use of proceeds

	Unit: RMB'0,000
Total proceeds	380,000
Total investment of proceeds during the reporting period	177,040
Total cumulative investment of proceeds	377,340
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%

Description of the general use of proceeds

On 26 December 2012, the Company issued a total of 38.00 million corporate bonds totalling RMB3,800 million with a face value of RMB100 each at an issue price of RMB100 per bond. The coupon rate was 5.65% and the proceeds amounted to RMB3,800 million. After deducting expenses of RMB27 million, the net proceeds available for use amounted to RMB3,773 million. During the reporting period, RMB1,770 million of the proceeds were used, of which approximately RMB273 million was used to replenishing the liquidity and approximately RMB1,497 million was used to repay bank borrowings and refinance short-term bank borrowings. As at 30 June 2013, RMB3,773 million of the proceeds were cumulatively used, of which approximately RMB273 million was used to replenishing the liquidity and approximately RMB3,500 million was used to repay bank borrowings, most of which were used to refinance short-term bank borrowings.

V Directors' Report

V. Analysis of investments (Cont'd)

3. Analysis of major subsidiaries and investees

Information on major subsidiaries and investees

Unit: RMB'0,000

Name of companies	Type of companies	Industry	Principal products or services	Registered capital	Total assets	Net assets	Revenue from operations	Operating profit	Net profit
Zhanjiang Chenming Paper Pulp Co., Ltd.	Subsidiary	Pulp	Pulp, coated paper	RMB3,000 million	1,152,372.89	362,652.81	208,848.26	28,445.39	22,617.37
Shandong Chenming Paper Sales Company Limited	Subsidiary	Trading of paper products	Sales of paper products	RMB100.00 million	724,726.87	11,067.66	740,481.26	9,516.49	6,896.86
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Papermaking	Coated paper	US\$172.00 million	319,668.66	173,995.98	87,901.63	2,528.02	2,914.37
Shandong Chenming Power Supply Holdings Co., Ltd.	Subsidiary	Electricity and steam	Generation and sales of electricity and steam	RMB99.5531 million	46,162.53	28,625.78	25,514.78	2,644.17	2,507.25
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Subsidiary	Papermaking	Writing paper and news press paper	RMB211.3670 million	241,545.46	47,221.12	46,492.56	-18,875.78	-3,401.54
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Papermaking	Coated paper and household paper	RMB2,200.00 million	913,975.87	169,619.97	183,254.61	-28,785.24	-21,361.38

Particulars of major subsidiaries and investees:

- (1) Zhanjiang Chenming and Jiangxi Chenming were benefited from the overall upturn in the market with better cost control and soaring gross profit margin as compared to the corresponding period of prior year. Chenming Sales Company began to make profit gradually through strict cost control amid the overall upturn of the paper product market. Chenming Power Supply continued to maintain its profitability due to the low costs of major raw materials.
- (2) Wuhan Chenming Plant I suspended its production due to elimination of outdated production capacity. Its products suffered market downturn with a lower gross profit margin. Shouguang Meilun launched new coated paper and white coated linerboard projects with their market to be exploited.

V Directors' Report

V. Analysis of investments (Cont'd)

4. Highlights of major investments not financed by the proceeds

Unit: RMB'0,000

Name of project	Total planned investment	Investment made during the reporting period	Accumulated actual investments made as of the end of the reporting period	Progression of projects	Revenue from projects
600,000 tonnes white coated linerboard project	260,000	8,964.90	257,827.22	100%	Assets were reclassified during the reporting period and no contribution was made to revenue in the short run.
Relocation of Jilin Chenming	230,000	17,417.27	150,411.72	65.4%	Not completed.
First-stage household paper project of Wuhan Chenming	48,900	23,265.58	27,976.61	57.21%	Not completed.
Magnesite mining	50,000	10,045.07	29,656.97	59.31%	Not completed.
Total	588,900	59,692.82	465,872.52	—	—

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VI. Estimate of the operating results from January to September 2013

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

VII. Opinions of the Board of Directors and the Supervisory Committee regarding the “modified auditor’s report” for the reporting period issued by the accountants

The interim financial statements of the Company for 2013 were unaudited by the accountants.

VIII. Particulars provided by the Board of Directors regarding the “modified auditor’s report” for last year

The financial statements of the Company for 2012 were audited by RSM China CPA (currently is renamed as Ruihua CPA), for which RSM China CPA (currently is renamed as Ruihua CPA) issued a standard unqualified audit report.

V Directors' Report

IX. 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 2012 profit distribution plan was considered and approved by the 2012 annual general meeting of the Company on 15 May 2013. There were 2,062,045,941 shares in the total share capital of the Company as at 31 December 2012. After deduction of treasury shares of 86,537,974 shares to be cancelled under the repurchase of B shares of the Company, the total share capital entitled to this distribution amounted to 1,975,471,967 shares which were entitled to this distribution. Based on the 1,975,471,967 shares and a cash dividend of RMB0.60 (tax inclusive) to be paid to shareholders for every 10 shares held, a total cash dividend of RMB118,528,318.02 (tax inclusive) was distributed.

The 2012 equity distribution announcement was published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, Hong Kong Commercial Daily and CNINFO on 3 July 2013. For A Shares, the book closure date was 9 July 2013. For B Shares, the book closure date was 12 July 2013. The ex-rights date was 10 July 2013.

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

There was no proposal on profit distribution and conversion of capital reserves into share capital during this reporting period.

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

Date of reception	Place of reception	Manner of reception	Class of parties accommodated	Parties accommodated	Main topics of discussion and information provided
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VI Material Matters

I Overview of corporate governance

(I) Corporate Governance

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

(II) Corporate Governance Activities

During the reporting period, on the basis of the consolidation of corporate governance works by listed companies in 2012, the Board strived to regulate the operation of the Company by improving corporate governance. In accordance of the requirements of China Securities Regulatory Commission, Shenzhen Stock Exchange and Shandong branch of China Securities Regulatory Commission. The Company carried out the following activities to continue to improve corporate governance:

1. In order to improve the efficiency of decision-making of the Board, the Company reduced the members of the Board and at the same time revised the Articles of Association after taking into consideration of the expiration of terms of some directors and the change of the session of the Board.
2. In order to carry out the spirit of the Notice regarding Implementation of Investor Protection in 2013 (Zheng Jian Ban Fa [2013] No. 21) by CSRC and the Notice regarding Further Implementation of Investor Protection of Listed Companies (Lu Zheng Jian Gong Si Zi [2013] No. 33) issued by Shandong branch of China Securities Regulatory Commission, conscientiously protect investors, especially the legal rights of public investors, the Company formulated and implemented Investor Relations Management System in accordance with the Work Guidance for Relations between Listed Companies and Investors and requirement of above Notices.
3. In accordance with The Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited, combining the change of the session of the Board and the situation of Articles of Association, the Company revised Implementation Rules of the Remuneration and Assessment Committee, Implementation Rules of the Nomination Committee, Implementation Rules of the Strategic Committee and Implementation Rules of the Audit Committee, further confirmed the responsibilities and work process of the Board and all professional committees and improved corporate governance.

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 CSRC. The regulated operations and the internal control standards would grow with the development of the Company.

VI Material Matters

I. Overview of corporate governance (Cont'd)

(III) 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 Rules Governing the Listing of Securities on the Stock Exchange ("Hong Kong 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 Hong Kong 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.

2. Communication with shareholders

During the reporting period, the Company held the annual general meeting on 15 May 2013.

In accordance with E1.2 of Corporate Governance Code and Corporate Governance Report under Appendix 14 to Hong Kong Listing Rules, Chairman of the Board shall attend the annual general meeting and 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.

Ms. Zhang Hong, chairman of the audit committee, Mr. Wang Aiguo, the chairman of the remuneration and assessment 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 a scrutineer.

(IV) 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 Hong Kong Listing Rules as the code of conduct for Directors' securities transactions. In response to the specific enquiries to all Directors and Supervisors by the Company, all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code during the six month period ended 30 June 2013.

(V) Audit Committee

The audit committee of the Company now comprises two independent non-executive Directors and one non-executive Director. The members of the audit committee are Ms. Zhang Hong, Mr. Wang Aiguo and Mr. Cui Youping. 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 six months ended 30 June 2013 prepared in accordance with the accounting standards.

VI Material Matters

II. Material litigation and arbitration

Applicable Not applicable

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

III. Media criticism

Applicable Not applicable

Description on media criticism	Disclosure Date	Disclosure index
Clarification on media criticism regarding the Company relating to matters such as “alleged discharge of waste water, delay in reclassifying construction in progress as fixed assets and reliance on government grants”	26 February 2013	http://www.cninfo.com.cn Announcement No.: 2013-016

IV. Matter related to bankruptcy and reorganisation

In order to facilitate production upgrade and comply with the national energy saving and emission reduction requirements, subject to the concept of “Notice on the action plan regarding eliminating outdated production capacity in 2012” (Nei Zheng Fa [2012] No. 28) issued by the People’s government of Inner Mongolia Autonomous Region, the Company decided to close down Hailaer Chenming by the end of May 2012 and wind it up in accordance with PRC laws and regulations. For further details, please refer to the Company’s “Announcement in respect of closing and eliminating outdated production capacity” posted on the website of CNINFO on 26 May 2012. As at the end of the reporting period, Hailaer Chenming was in the process of liquidation in accordance with the requirements of the PRC and relevant production lines and equipment are being removed.

VI Material Matters

V. Asset transactions

1. Acquisition of assets

Counterparty(ies) or ultimate controller(s)	Asset(s) acquired	Transaction consideration		Effect on operating of the Company (Note 3)	Effect on profit and loss of the Company (Note 4)	Ratio of the net profit contribution to the Company of the asset(s) over total net profit (%)	Connected transaction or not	Relationship with the party(ies) involved (Applicable to connected transaction)	Disclosure Date (Note 5)	Disclosure index
		(RMB'0,000)	Progress (Note 2)							
Yanbian Shixian Bailu Papermaking Co., Ltd.	6350mm paper machine	20,400	Asset title and liability were transferred.	Able to further leverage the advantage of the existing equipment of the Company and at the same time able to save the costs of acquisition.	No effect on the financial position and operating results during the reporting period.	No			16 May 2013	http://www.cninfo.com.cn

VI Material Matters

V. Asset transactions (Cont'd)

2. Disposal of assets

Counterparty(ies)	Asset disposed of	Disposal Date	Transaction consideration (RMB'0,000)	Net profit contribution to the Company from the beginning of the period up to the disposal date (RMB'0,000)	Effect on the Company of disposal (note 3)	Ratio of the net profit contribution to the Company of disposal of assets over total net profit (%)	Pricing basis of asset disposal	Connected transaction or not	Relationship with counterparty (ies) (applicable to connected transaction)	Relevant asset title transferred or not	Relevant liability transferred or not	Disclosure date	Disclosure index
Yanbian Shixian Bailu Papermaking Co., Ltd.	49% equity interest in Yanbian Chenming Paper Co., Ltd.	15 May 2013	5,400	-192.53	Net profit increased by RMB5.43 million due to asset disposal, in line with the development strategy of high-end products, capable of improving economic efficiency and having no adverse effect on the financial position and operating results of the Company.	1.62%	Based on the appraised price of an appraisal agency	No	Yes	Yes		16 May 2013	http://www.cninfo.com.cn
Yanbian State-owned Assets Investment Management Co., Ltd.	51% equity interest in Yanbian Chenming Paper Co., Ltd.	15 May 2013	5,600	-200.39	Net profit increased by RMB5.65 million due to asset disposal, in line with the development strategy of high-end products, capable of improving economic efficiency and having no adverse effect on the financial position and operating results of the Company.	1.7%	Based on the appraised price of an appraisal agency	No	Yes	Yes		16 May 2013	http://www.cninfo.com.cn
Hubei Zhongjian Haohua Environment Protection Co., Ltd.	51% equity interest in Wuhan Chenjian New-style Wall Materials Co., Ltd.	2 March 2013	510	-28.21	Net profit decreased by RMB3.00 million due to asset disposal, no adverse effect on the financial position and operating results of the Company.	-0.9%	Based on the appraised price of an appraisal agency	No	Yes	Yes		Not applicable	Not applicable
Shanghai Ruibao Environmental Technology Co., Ltd.)	98.36% equity interest in Shanghai Runchen Equity Investment Fund Co., Ltd.	26 April 2013	30,091.6	56.46	Net profit remaining unchanged due to asset disposal, conducive to protect the interests of the Company and shareholders, reducing investment risk, improving capital utilisation efficiency and having no adverse effect on the financial position and operating results of the Company.	0%	Based on the audited net assets as at 31 March 2013	No	Yes	Yes		27 April 2013	http://www.cninfo.com.cn

VI Material Matters

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

Not applicable.

VII. Significant connected party transactions

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

Connected party	Connected party relationship	Types of the connected party transactions	Subject matter of the connected party transactions	Pricing basis of the connected party transactions	Price of connected party transactions	Amount of connected party transactions (RMB'0000)	Percentage as the amount of similar transactions (%)	Settlement of connected party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Anhui Time Source Corporation	Associate	Sale	Machine-made paper	Market price and wauthorisation from the Board	Market price	8.68		Bank acceptance and telegraphic transfer		Not applicable	Not applicable
Total						8.68					
Description of return of bulk sales in details	Nil										
The actual performance of the estimated total amounts of day-to-day connected party transactions to be conducted in the period under review during the reporting period by type (if any)	Nil										
The difference between the transaction price and the market reference price (if applicable)	Nil										

2. Connected creditors' rights and debts transactions

Whether non-operating connected creditors' rights and debts transactions existed?

Yes No

Connected party	Connected party relationship	Type of creditor's rights and debts	Reason	Whether the non-operating capital being used or not	Opening balance (RMB '0,000)	Amount incurred during the period (RMB '0,000)	Closing balance (RMB '0,000)
Anhui Time Source Corporation	Associate	Creditors' rights due from a connected party	In the ordinary course of business	No	1,573.91	-1,573.91	0
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Associate	Creditors' rights due from a connected party	In the ordinary course of business	No	2.16	-2.16	0

Effect of connected creditors' rights and liabilities on the operating results and financial position of the Company

There is no effect on the operating results and financial position of the Company.

VI Material Matters

VII. Significant connected party transactions (Cont'd)

3. Other significant connected party transactions

On 6 February 2013, the Company convened the 8th extraordinary meeting of the sixth session of the Board, in which “Resolution on capital increase in Haiming Mining and introduction of the shareholder” was passed. The current registered capital of Haiming Chenming was relatively limited and did not commence any revenue generating operation. Having considered operational risks and capital requirements for future projects of Haiming Chenming, the Company decided to increase the capital of Haiming Chenming to RMB240 million upon discussion with shareholders, which benefited the Company and shareholders as a whole and shareholders could share all risks and work together. The Company, Liaoning BeiHai Industries Group Co., Ltd. and Shouguang Hengtai Enterprise Investment Company Limited made capital contributions in the amounts of RMB74.00 million, RMB42.00 million and RMB24.00 million respectively to the registered capital of Haiming Chenming. Upon completion of the capital increase, the registered capital of Haiming Mining increased to RMB240 million, which was owned as to 60%, 30% and 10% by the Company, BeiHai Industries and Hengtai Enterprise respectively. As the Chairman and some of the directors, supervisors and senior management of the Company had equity interest in Hengtai Enterprise, the capital contributions by Hengtai Enterprise to Haiming Mining constituted a connected transaction. The capital increase and introduction of new shareholders of Haiming Mining was completed on 13 March 2013. The registered capital of Haiming Mining changed to RMB240 million.

Relevant information regarding the tentative announcement disclosure website for significant connected party transactions

Name of tentative announcement	Disclosure date of the tentative announcement	Name of the tentative announcement disclosure website
Announcement in respect of capital increase in Haiming Mining and connected transaction	7 February 2013	http://www.cninfo.com.cn

VIII. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

During the reporting period, no assets of other companies was in the custody of the Company or vice versa.

Projects contributed profit or loss over 10% of the total profit of the Company during the reporting period.

Applicable Not applicable

(2) Contracting

During the reporting period, the Company did not contract other companies' assets or vice versa.

Projects contributed profit or loss over 10% of the total profit of the Company during the reporting period.

Applicable Not applicable

(3) Leasing

During the reporting period, the Company did not lease other companies' assets or vice versa.

Projects contributed profit or loss over 10% of the total profit of the Company during the reporting period.

Applicable Not applicable

VI Material Matters

VIII. Material contracts and implementation (Cont'd)

2. Guarantees

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

Unit: RMB'0,000

Name of obligor	Date of the related announcement disclosing the guarantee amount	Guarantees provided by the Company for subsidiaries				Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date (agreement date)	Guarantee provided					
Zhanjiang Chenming Paper Pulp Co., Ltd.	28 March 2012	300,000	24 May 2012	56,178.7	General guarantee	3 years	No	No	
Jiangxi Chenming Paper Co., Ltd.	21 December 2012	20,000	21 December 2012	10,000	General guarantee	3 years	No	No	
Jiangxi Chenming Paper Co., Ltd.	27 March 2013	200,000		0	General guarantee	3 years	No	No	
Huanggang Chenming Arboriculture Co., Ltd.	25 February 2010	16,000	20 April 2010	0	General guarantee	3 years	Yes	No	
Huanggang Chenming Arboriculture Co., Ltd.	25 February 2010	16,000	8 July 2010	2,970	General guarantee	3 years	No	No	
Huanggang Chenming Arboriculture Co., Ltd.	30 March 2011	20,000	19 September 2011	3,000	General guarantee	3 years	No	No	
Huanggang Chenming Arboriculture Co., Ltd.	28 March 2012	20,000	27 June 2012	2,600	General guarantee	3 years	No	No	
Shouguang Meilun Paper Co., Ltd.	24 August 2010	79,473	10 September 2010	49,429.6	General guarantee	5 years	No	No	
Shouguang Meilun Paper Co., Ltd.	29 October 2010	600,000	14 January 2011	0	General guarantee	3 years	No	No	
Shouguang Chenming Art Paper Co., Ltd.	28 March 2012	10,000		0	General guarantee	3 years	No	No	
Jilin Chenming Paper Co., Ltd.	28 March 2012	100,000		0	General guarantee	3 years	No	No	
Jilin Chenming Paper Co., Ltd.	27 March 2013	50,000		0	General guarantee	3 years	No	No	
Chenming (HK) Limited	29 October 2010	50,000	13 April 2011	50,000	General guarantee	3 years	No	No	
Shandong Chenming Paper Sales Company Limited	27 October 2011	400,000	15 March 2012	212,501.31	General guarantee	3 years	No	No	
Shouguang Chenming Import and Export Trade Co., Ltd.	28 March 2012	200,000		0	General guarantee	3 years	No	No	
Zhanjiang Meilun Paper Co., Ltd.	27 March 2013	50,000		0	General guarantee	3 years	No	No	
Yanbian Chenming Paper Co., Ltd.	27 March 2013	50,000		0	General guarantee	3 years	Yes	No	

VI Material Matters

VIII. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Unit: RMB'0,000

Name of obligor	Guarantees provided by the Company for subsidiaries						Fulfilled or not	Guarantee to related parties or not
	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term		
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		350,000		Total amount of guarantee provided for subsidiaries during the reporting period (B2)			189,867.56	
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		2,115,473		Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)			386,679.61	
Total amount of guarantee provided by the Company (the sum of the above two main categories)								
Total amount of guarantee approved during the reporting period (A1+B1)		350,000		Total amount of guarantee provided during the reporting period (A2+B2)			189,867.56	
Total amount of guarantee approved as at the end of the reporting period (A3+B3)		2,115,473		Total balance of guarantee provided as at the end of the reporting period (A4+B4)			386,679.61	
The percentage of total amount of guarantee provided (A4+B4) to the net assets of the Company (%)							28.25%	
Of which:								
Amount of guarantee provided for shareholders, beneficial controllers and its related parties (C)							0	
Amount of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (D)							320,500.91	
Total amount of guarantee provided in excess of 50% of net assets (E)							0	
Sum of the above three amount of guarantee (C+D+E)							320,500.91	
Explanation of possible joint obligation on outstanding guarantees provided (if any)							Nil	
Explanation of external guarantees in breach of the specified procedures (if any)							Nil	
During the reporting period, the Company did not have any compound guarantee.								

VI Material Matters

VIII. Material contracts and implementation (Cont'd)

3. Other material contracts

Name of the company entering into contract	Name of party involved in the contract	Date of contract	Book value of subject asset of the contract (RMB'0,000) (if any)	Appraised value of the subject asset (RMB'0,000) (if any)	Name of appraisal agency (if any)	Appraisal date (if any)	Pricing basis	Transaction price (RMB'0,000)	Connected party transaction or not	Connected party relationship	Progress as at the end of the reporting period
Guangdong Huirui Investment Co., Ltd.	Zhanjiang City Construction Project Administration Bureau	6 February 2013			Not applicable		Not applicable		No	Not applicable	The construction project related to the contract was being examined and approved. The construction had not commenced as at the end of the reporting period.

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

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, the controlling shareholder of the Company	(1) According to the plan on defective properties of the Company, Shouguang Chenming Holdings Company Limited has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding 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 defects cause the Company to incur any economic losses (including but not limited to damages, penalties and relocation costs), Shouguang Chenming Holdings will bear such economic losses; (3) during the corrective activities taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (including the administrative area of Shouguang city), the economic losses such as penalties or relocation costs implemented by competent administrative authorities and 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 issuance of H shares, no specific term	Strictly implemented

VI Material Matters

IX. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made during the reporting period or before the reporting period 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, the controlling shareholder of the Company	(1) 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 Chenming Group's business, or obtain any business opportunity which directly or indirectly competes against Chenming Group's business, 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 us 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 issuance of H shares, no specific term	Strictly implemented
Other undertakings made to minority shareholders of the Company					
Does the undertaking performed timely?	Yes				
Specific reasons for non-performance and further plans (if any)	Not applicable				

VI Material Matters

X. Engagement or dismissal of accounting firms

Has the interim financial report already been audited yet?

Yes No

The proposal for the engagement of the auditors for the year 2013 has been considered and approved on the 2012 Annual General Meeting held on 15 May, 2013. It was resolved to re-appoint RSM China CPA (Special General Partnership) as the auditors for the financial audit of the Company for 2013. The Company received a letter on the Change of RSM China CPA (Special General Partnership) into Ruihua CPA (Special General Partnership) from RSM in July 2013, which set out that RSM had merged with Crowe Horwath CPA and it was named as Ruihua CPA (Special General Partnership) after the merger. After the establishment of Ruihua, the staff and the business of RSM are transferred to Ruihua and RSM provides its service to its clients under the name of Ruihua. All the contracts previously entered into by RSM with the Company remain valid and Ruihua will succeed to and perform the corresponding duties, rights and obligations. The proposal for the change of the auditors was considered and approved at the 2013 First Extraordinary General Meeting on 21 August 2013, pursuant to which the Company appointed Ruihua CPA (Special General Partnership) as the auditors of the Company for 2013. For more details, please refer to the related announcements disclosed by the Company on 2 Aug 2013 and 22 Aug 2013.

XI. Punishment and rectification

The Company did not receive punishment during the reporting period.

Particulars on rectification

Applicable Not applicable

XII. Explanation of other material matters

1. Jilin Chenming Waste Collection Co., Ltd. was established in 2005 with registered capital of RMB1.00 million. Jilin Waste had been inactive for many years. With a view to saving relevant expenses, the Board of Jilin Chenming agreed to cancel the registration of Jilin Waste. Assets and liabilities of Jilin Waste were consolidated into Jilin Chenming for audit on 30 May 2013, while the relevant registration cancellation procedures were being processed.
2. Wuhan Xingzhilian Paper Company Limited was a wholly-owned subsidiary with registered capital of RMB20.00 million established by Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a controlling subsidiary of the Company, in February 2012 for investment in a household paper project. According to the Company's strategic plans and needs of production and operation, the household paper project was assigned to Wuhan Chenming for investment and development, so as to reduce relevant expenses. It was resolved at the fourteenth meeting of the fifth session of the Board of Wuhan Chenming that the registration of Wuhan Xingzhilian Paper Company Limited was approved to be cancelled. The relevant registration cancellation procedures were completed on 18 March 2013.

VI Material Matters

XII. Explanation of other material matters (Cont'd)

3. Information disclosure index for the first half of 2013

Subject matter	Date of publication	Websites of publication and their path
Third Announcement on Repurchase of B Shares and Reduction of Registered Capital	11 January 2013	http://www.cninfo.com.cn
Announcement on Notice of 2013 First Bondholder Meeting of "11 Chenming Bond"	11 January 2013	http://www.cninfo.com.cn
Indicative Announcement on Agreed Repurchase Type Securities Trading by a Shareholder	23 January 2013	http://www.cninfo.com.cn
Announcement on Failure to Convene 2013 First Bondholder Meeting of "11 Chenming Bond"	29 January 2013	http://www.cninfo.com.cn
Announcement on Estimated Annual Results for 2012	31 January 2013	http://www.cninfo.com.cn
Indicative Announcement on Receipt of Subsidies	31 January 2013	http://www.cninfo.com.cn
2012 Corporate Bonds Listing Announcement	1 February 2013	http://www.cninfo.com.cn
Notice of Seventh Extraordinary Meeting of the Sixth Session of the Board	1 February 2013	http://www.cninfo.com.cn
Joint Venture Established with Tianma Specialty Chemicals	1 February 2013	http://www.cninfo.com.cn
Indicative Announcement on Contracts Signed by Guangdong Huirui	7 February 2013	http://www.cninfo.com.cn
Zhanjiang Huirui Investment Co., Ltd. Renamed as Guangdong Huirui Investment Co., Ltd.	7 February 2013	http://www.cninfo.com.cn
Announcement on Resolutions of the Eighth Extraordinary Meeting of the Sixth Session of the Board	6 February 2013	http://www.cninfo.com.cn
Shareholding Structure of Haiming Mining Changed to Be Owned as to 60%, 30% and 10% by the Company, BeiHai Industries and Hengtai Enterprise	7 February 2013	http://www.cninfo.com.cn
Wuhan Chenming Commenced Construction of Household Paper Project of 136,000 Tonnes Annual Production Capacity; and 4800 Paper Machine production line of Wuhan Plant 2 Was Upgraded	7 February 2013	http://www.cninfo.com.cn
Guangdong Huirui Invested in Regulation Works Project	7 February 2013	http://www.cninfo.com.cn
Clarification Announcement of Media Coverage on the Company relating to matters such as Alleged Discharge of Waste Water, Delay in Reclassifying Construction in Progress as Fixed Assets and Reliance on Government Grants	26 February 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B Shares	28 February 2013	http://www.cninfo.com.cn
Announcement on Implementation of Repurchase of Part of B Shares	8 March 2013	http://www.cninfo.com.cn

VI Material Matters

XII. Explanation of other material matters (Cont'd)

3. Information disclosure index for the first half of 2013 (Cont'd)

Subject matter	Date of publication	Websites of publication and their path
Announcement on Resolutions of the Sixteenth meeting of the Sixth session of the Board	27 March 2013	http://www.cninfo.com.cn
Announcement on Resolutions of the Thirteenth Meeting of the Sixth Session of the Supervisory Committee	27 March 2013	http://www.cninfo.com.cn
Notice of 2012 Annual General Meeting	28 March 2013	http://www.cninfo.com.cn
Announcement in respect of Provision of Guarantee for the General Banking Facilities of Controlling Subsidiaries	28 March 2013	http://www.cninfo.com.cn
Announcement in respect of Provision of Financial Support to Several Controlling Subsidiaries	28 March 2013	http://www.cninfo.com.cn
2012 Annual Report summary	28 March 2013	http://www.cninfo.com.cn
Announcement on Entitlement of High-tech Enterprises	3 April 2013	http://www.cninfo.com.cn
Indicative Announcement on Refunds upon Receipt of Tax Revenue	3 April 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares	3 April 2013	http://www.cninfo.com.cn
Announcement on Estimated Results for the First Quarter of 2013	3 April 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares	12 April 2013	http://www.cninfo.com.cn
Additional Resolution on "Guangdong Huirui Authorised to Invested in Regulation Works Project"	26 April 2013	http://www.cninfo.com.cn
Indicative Announcement on Notice of 2012 Annual General Meeting	26 April 2013	http://www.cninfo.com.cn
Announcement on Issue of Dedicated Private Debt Financing Instruments	26 April 2013	http://www.cninfo.com.cn
Announcement on Resolutions of Seventeenth meeting of the Sixth session of the Board	26 April 2013	http://www.cninfo.com.cn
Announcement on Disposal of Equity Interest in Shanghai Runchun	27 April 2013	http://www.cninfo.com.cn
2013 First Quarter Report	27 April 2013	http://www.cninfo.com.cn
Indicative Announcement on Disposal of Equity Interest and Acquisition of Assets with Shixian Paper	3 May 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares	4 May 2013	http://www.cninfo.com.cn

VI Material Matters

XII. Explanation of other material matters (Cont'd)

3. Information disclosure index for the first half of 2013 (Cont'd)

Subject matter	Date of publication	Websites of publication and their path
Letter of Intent on Disposal of Equity Interest and Acquisition of Assets with Shixian Paper	7 May 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares	15 May 2013	http://www.cninfo.com.cn
Announcement on the Ninth Extraordinary Meeting of the Sixth session of the Board	15 May 2013	http://www.cninfo.com.cn
Announcement on Disposal of Equity Interest in Yanbian Chenming and Acquisition of Assets	15 May 2013	http://www.cninfo.com.cn
Announcement on Resolutions of 2012 Annual General Meeting	15 May 2013	http://www.cninfo.com.cn
Announcement on Resolutions of the First Meeting of the Seventh Session of the Board	16 May 2013	http://www.cninfo.com.cn
Announcement on Resolutions of the First Meeting of the Seventh Session of the Supervisory Committee	16 May 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares	24 May 2013	http://www.cninfo.com.cn
Indicative Announcement on Receipt of Incentive Fund	25 May 2013	http://www.cninfo.com.cn
Indicative Announcement	28 May 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares (I)	6 June 2013	http://www.cninfo.com.cn
Indicative Announcement on Progress of Repurchase of Part of B shares (II)	6 June 2013	http://www.cninfo.com.cn
Announcement on Resolutions of the First Extraordinary Meeting of the Seventh Session of the Board	27 June 2013	http://www.cninfo.com.cn
Capital increase in Jiangxi Chenming	28 June 2013	http://www.cninfo.com.cn
Jiangxi Chenming Invested in high-end Packaging Paper Project	28 June 2013	http://www.cninfo.com.cn
Notice of the 2013 Third Extraordinary General Meeting	28 June 2013	http://www.cninfo.com.cn
Notice of 2013 First Domestic Listed Share Class Meeting and 2013 First Overseas Listed Share Class Meeting	28 June 2013	http://www.cninfo.com.cn
Indicative Announcement on Receipt of Incentive Fund	28 June 2013	http://www.cninfo.com.cn
Announcement on 2013 Dividend Payment in respect of "11 Chenming Bond"	28 June 2013	http://www.cninfo.com.cn

VI Material Matters

XIII. Purchase, sale and redemption of shares

1. Particulars of Repurchase of B shares by the Company

On 12 December 2012, the Company convened the Third Extraordinary General Meeting, Domestic listed share (A shares and B shares) class meeting and overseas listed share (H shares) class meeting, on which resolutions in respect of repurchase of B shares by the Company were approved, respectively. On 26 February 2013, such repurchase of B shares by the Company had obtained the approval of the Shenzhen Stock Exchange and the Company had issued announcements such as Repurchase Report which marked the commencement of repurchase. As of the end of this reporting period, the Company cumulatively repurchased 86,573,974 B shares, representing 4.1985% of the Company's total share capital. The highest repurchase price was HK\$4.00 per share, while the lowest price was HK\$3.38 per share. The total amount paid amounted to HK\$330,911,185.31 (stamp duty and commission inclusive).

2. Apart from the above repurchase of B shares by the Company, the Company did not purchase, sell or redeem any listed outstanding securities of the Company during the reporting period.

VII Changes in Share Capital and Shareholders

I. Changes in shares

	Opening balance		Change during the reporting period (Increase/decrease)					Closing balance		
	Amounts	Percentage	New issue	Bonus shares	Shares		Sub-total	Amounts	Percentage	
		(%)			converted	Others			(%)	
I. Restricted shares	9,336,404	0.45%					-882,092	-882,092	8,454,312	0.41%
1. Shares held by the Senior Management	9,336,404	0.45%					-882,092	-882,092	8,454,312	0.41%
II. Non-restricted shares	2,052,709,537	99.55%					882,092	882,092	2,053,591,629	99.59%
1. RMB ordinary shares	1,103,942,052	53.54%					882,092	882,092	1,104,824,144	53.58%
2. Domestic listed foreign shares	557,497,485	27.04%					0	0	557,497,485	27.04%
3. Overseas listed foreign shares	391,270,000	18.97%					0	0	391,270,000	18.97%
III. Total number of shares	2,062,045,941	100%					0	0	2,062,045,941	100%

The reasons for such changes.

Applicable Not Applicable

During the reporting period, the restricted shares held by the Senior Management changed by 882,092 shares from 9,336,404 shares to 8,454,312 shares. The reasons for such changes were as follows: 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 (《深圳證券交易所上市公司董事、監事和高級管理人員所持本公司股份管理業務操作指南》), during the reporting period, 25% of the non-restricted RMB ordinary shares (A shares) held by former Senior Management of the Company leaving office for less than six months changed to restricted shares, i.e. 72,023 shares; during the reporting period, the sales restriction on the shares held by former Directors and Senior Management of the Company leaving office for more than six months expired and was released. Therefore, the nature of the 954,115 shares, used to be held by the Senior Management, was changed from restricted shares held by the senior management to non-restricted RMB ordinary shares (A shares).

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 attribute to shareholders of original shares of the Company in the latest year and the latest period.

Applicable Not Applicable

Other information considered necessary by the Company or required by the securities regulation 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

VII Changes in Share Capital and Shareholders

II. Total number of shareholders and shareholding

Unit: share

Total number of shareholders at the end of the reporting period

Total number of shareholders was 145,394, of which 116,069 were holders of A shares, 28,748 holders of B shares and 577 holders of H shares.

Shareholding of top ten shareholders

Names of shareholders	Nature of shareholders	Percentage of shareholding (%)	Number of shares held at as the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up	
							Status of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.90%	389,775,500	26,500	0	389,775,500		0
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	10.01%	206,403,657	-86,600,000	0	206,403,657		0
Agreed repurchase earmarked account at GF SECURITIES CO., LTD.	Domestic non-state-owned legal person	4.20%	86,600,000	86,600,000	0	86,600,000		0
PLATINUM ASIA FUND	Overseas legal person	1.57%	32,341,052	-11,139,325	0	32,341,052		0
BILL & MELINDA GATES FOUNDATION TRUST	Overseas legal person	1.34%	27,724,435	1,092,800	0	27,724,435		0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.58%	12,036,985	10,180,285	0	12,036,985		0
GE ASSET MANAGEMENT FUNDS PLC — GEAM CHINA A SHARE FUND	Overseas legal person	0.52%	10,806,649	7,664,454	0	10,806,649		0
BANK OF COMMUNICATIONS - HUAAN BAOLI ALLOCATION FUND	Domestic non-state-owned legal person	0.48%	10,000,000	-3,421,199	0	10,000,000		0
Jin Xing	Domestic natural person	0.38%	7,910,700	-106,500	0	7,910,700		0
Chen Hongguo	Domestic natural person	0.31%	6,334,527	0	4,750,895	1,583,632		0

Connected relationship or connect-party relationship among the above shareholders

Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected with any of the shareholders in the above. It is not a person 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 of any other shareholders of tradable shares are persons acting in concert and is also not aware of any other shareholders of tradable shares are connected with each others.

VII Changes in Share Capital and Shareholders

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

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
HKSCC NOMINEES LIMITED	389,775,500	Overseas listed foreign shares	389,775,500
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	206,403,657	RMB ordinary shares	206,403,657
Agreed repurchase earmarked account at GF SECURITIES CO., LTD.	86,600,000	RMB ordinary shares	86,600,000
PLATINUM ASIA FUND	32,341,052	Domestic listed foreign shares	32,341,052
BILL & MELINDA GATES FOUNDATION TRUST	27,724,435	RMB ordinary shares	27,724,435
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,036,985	Overseas listed foreign shares	12,036,985
GE ASSET MANAGEMENT FUNDS PLC — GEAM CHINA A SHARE FUND	10,806,649	RMB ordinary shares	10,806,649
BANK OF COMMUNICATIONS - HUAAN BAOLI ALLOCATION FUND	10,000,000	RMB ordinary shares	10,000,000
Jin Xing	7,910,700	RMB ordinary shares	2,127,100
		Domestic listed foreign shares	5,783,600
UBS AG	6,110,505	RMB ordinary shares	6,110,505
Connected relationship or connect-party relationship among each of the top ten shareholders of non-restricted shares, and between the top ten shareholders of non-restricted shares and the top ten shareholders	Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected with any of the shareholders in the above. It is not a person 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 of any other shareholders of tradable shares are persons acting in concert and is also not aware of any other shareholders of tradable shares are connected with each others.		

Whether shareholders of the Company make the agreed repurchase transactions during the reporting period.

Yes No

Unit: share

Beneficial shareholders participated in the trade	Securities company participated in the trade	Initially agreed repurchase trades		Share repurchase during the reporting period		As at the end of the reporting period	
		Number	Percentage (%)	Number	Percentage (%)	Number of shareholding	Percentage of shareholding (%)
Shouguang Chenming Holdings Company Limited	GF Securities Co., Ltd.	86,600,000	4.20%	0	0	86,600,000	4.20%

On 21 January 2013, Shouguang Chenming Holdings Company Limited, the controlling shareholder of the Company, disposed of 86,600,000 shares, representing 4.20% of the total share capital of the Company through agreed repurchase type securities trading. GF Securities Co., Ltd. is the securities company participated in the trade. The repurchase period is 1 year. During the reporting period, no repurchase trade has been processed by Chenming Holdings. As at the end of the reporting period, GF Securities Co., Ltd. held, through the agreed repurchase earmarked account, 86,600,000 shares of the Company, representing 4.20% of the total share capital of the Company.

VII Changes in Share Capital and Shareholders

III. Change of controlling shareholders or beneficial owners

Change of controlling shareholders during the reporting period.

Applicable Not Applicable

Change of beneficial owners during the reporting period.

Applicable Not Applicable

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

As at 30 June 2013, the following shareholders (other than the directors, supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong):

Name	Number of shareholding	Approximate shareholding as a percentage of (%)	
		Total share capital	Class of shares
Shouguang Chenming Holdings Company Limited	206,403,657 A shares (L)	10.01	18.54
The National Social Security Fund Council	35,270,000 H shares (L)	1.71	9.01
Agreed repurchase earmarked account at GF SECURITIES CO., LTD.	86,600,000 A shares (L)	4.20	7.78
PLATINUM ASIA FUND	32,341,052 B shares (L)	1.57	5.80

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

Save as disclosed in the above, as at 30 June 2013, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

VIII Directors, Supervisors and Senior Management

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

√ Applicable □ Not Applicable

Name	Position	Status	Share held as at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Share held as at the end of the period (shares)	Restricted shares granted at the beginning of the period (shares)	Restricted shares granted during the period (shares)	Restricted shares granted at the end of the period (shares)
Chen Hongguo	Chairman and general manager	In office	6,334,527	0	0	6,334,527	0	0	0
Yin Tongyuan	Vice Chairman	In office	2,423,640	0	0	2,423,640	0	0	0
Li Feng	Director, deputy general manager	In office	471,818	0	0	471,818	0	0	0
Geng Guanlin	Director, deputy general manager	In office	437,433	0	0	437,433	0	0	0
Tan Daocheng	Director	Resigned	185,700	0	0	185,700	0	0	0
Hou Huancai	Director	In office	628,915	0	0	628,915	0	0	0
Zhou Shaohua	Director, deputy general manager	In office	123,007	0	0	123,007	0	0	0
Cui Youping	Director	In office	0	0	0	0	0	0	0
Wang Xiaoqun	Director	In office	0	0	0	0	0	0	0
Wang Fengrong	Director	Resigned	0	0	0	0	0	0	0
Zhang Zhiyuan	Independent Director	In office	0	0	0	0	0	0	0
Wang Aiguo	Independent Director	In office	0	0	0	0	0	0	0
Zhang Hong	Independent Director	In office	0	0	0	0	0	0	0
Wang Yumei	Independent Director	Resigned	0	0	0	0	0	0	0
Wang Xiangfei	Independent Director	Resigned	0	0	0	0	0	0	0
Pan Ailing	Independent Director	In office	0	0	0	0	0	0	0
Gao Junjie	Chairman of Supervisory Committee	In office	39,606	0	0	39,606	0	0	0
Wang Ju	Supervisor	In office	0	0	0	0	0	0	0
Yang Hongqin	Supervisor	In office	0	0	0	0	0	0	0
Yin Qixiang	Supervisor	In office	0	0	0	0	0	0	0
Guo Guangyao	Supervisor	In office	0	0	0	0	0	0	0
Li Xueqin	Deputy general manager	In office	429,348	0	0	429,348	0	0	0
Wang Chunfang	Financial Controller, secretary to the Board	In office	30,000	70,000	0	100,000	0	0	0
Hu Changqing	Deputy general manager	In office	1,238	0	0	1,238	0	0	0
Shao Zhenzhong	Deputy general manager	In office	0	0	0	0	0	0	0
Chang Liting	Deputy general manager	In office	0	0	0	0	0	0	0
Li Zhenzhong	Deputy general manager	In office	0	0	0	0	0	0	0
Zhang Yanjun	Deputy general manager	Resigned	102,393	0	0	102,393	0	0	0
Xia Jigang	Deputy general manager	Resigned	0	0	0	0	0	0	0
Poon Shiu Cheong	Company secretary and qualified accountant	In office	0	0	0	0	0	0	0
Total	—	—	11,207,625	70,000	0	11,277,625	0	0	0

VIII Directors, Supervisors and Senior Management

II. Changes of Directors, Supervisors and Senior Management

Name	Position	Type	Date	Reason
Chen Hongguo	Chairman and general manager	Elected	16 May 2013	Change of the session
Yin Tongyuan	Vice Chairman	Elected	16 May 2013	Change of the session
Li Feng	Director	Elected	16 May 2013	Change of the session
Geng Guanlin	Director	Elected	16 May 2013	Change of the session
Zhou Shaohua	Director	Elected	16 May 2013	Change of the session
Hou Huancai	Director	Elected	16 May 2013	Change of the session
Wang Aiguo	Independent Director	Elected	16 May 2013	Change of the session
Zhang Zhiyuan	Independent Director	Elected	16 May 2013	Change of the session
Zhang Hong	Independent Director	Elected	16 May 2013	Change of the session
Cui Youping	Director	Elected	16 May 2013	Change of the session
Pan Ailing	Independent Director	Elected	16 May 2013	Change of the session
Wang Xiaogun	Director	Elected	16 May 2013	Change of the session
Gao Junjie	Chairman of Supervisory Committee	Elected	16 May 2013	Change of the session
Yang Hongqin	Supervisor	Elected	16 May 2013	Change of the session
Wang Ju	Supervisor	Elected	16 May 2013	Change of the session
Guo Guangyao	Supervisor	Elected	16 May 2013	Change of the session
Yin Qixiang	Supervisor	Elected	16 May 2013	Change of the session
Li Xueqin	Deputy general manager	Appointed	16 May 2013	Appointment
Li Feng	Deputy general manager	Appointed	16 May 2013	Appointment
Geng Guanlin	Deputy general manager	Appointed	16 May 2013	Appointment
Zhou Shaohua	Deputy general manager	Appointed	16 May 2013	Appointment
Wang Chunfang	Financial Controller, secretary to the Board	Appointed	16 May 2013	Appointment
Hu Changqing	Deputy general manager	Appointed	16 May 2013	Appointment
Shao Zhenzhong	Deputy general manager	Appointed	16 May 2013	Appointment
Li Zhenzhong	Deputy general manager	Appointed	16 May 2013	Appointment
Chang Liting	Deputy general manager	Appointed	16 May 2013	Appointment
Poon Shiu Cheong	Company secretary and qualified accountant	Appointed	16 May 2013	Appointment
Tan Daocheng	Director	Expiration of tenure	15 May 2013	Expiration of tenure
Wang Yumei	Independent Director	Expiration of tenure	15 May 2013	Expiration of tenure
Wang Fengrong	Director	Expiration of tenure	15 May 2013	Expiration of tenure
Zhang Yanjun	Deputy general manager	Expiration of tenure	16 May 2013	Expiration of tenure
Xia Jigang	Deputy general manager	Expiration of tenure	16 May 2013	Expiration of tenure
Wang Xiangfei	Independent Director	Expiration of tenure	15 May 2013	Expiration of tenure

VIII Directors, Supervisors and Senior Management

III. Changes in the information of Directors and Supervisors

Under Rule 13.51(B) of the Listing Rules, changes in the information of Directors and Supervisors since the date of annual report of the year ended 31 December 2012 are set out below:

Name of Director	Details of the changes
Tan Daocheng	No longer an executive director since 15 May 2013 due to expiration of tenure
Wang Yumei	No longer an independent non-executive director since 15 May 2013 due to expiration of tenure
Wang Fengrong	No longer a non-executive director since 15 May 2013 due to expiration of tenure
Wang Xiangfei	No longer an independent non-executive director since 15 May 2013 due to expiration of tenure
Pan Ailing	Being appointed as an independent non-executive director since 16 May 2013

IV. Remuneration of the Directors, Supervisors and Senior Management of the Company

1. Decision process for the remuneration of Directors, Supervisors and Senior Management

The remuneration plans of the Directors, Supervisors and Senior Management of the Company were assessed by the Remuneration Committee of the Board based on the performance of their management responsibilities and performance appraisal as well as the importance of the post, and considered and approved by the Board.

2. Basis for determining the remuneration of Directors, Supervisors and Senior Management

The remuneration of the Directors, Supervisors and Senior Management of the Company were paid through monthly salary and annual incentive award in accordance with the labour, personnel and salary management systems formulated by the Company.

3. Actual payment for the remuneration of Directors, Supervisors and Senior Management

The remuneration of the Directors, Supervisors and Senior Management of the Company were paid on a monthly basis.

V. Personnel of the Company

Staff number	13,026
Number of ex-employees or retired employees for whom the Company had obligations	14

Speciality composition

Type of speciality composition	Number of speciality composition
Production staff	7,423
Sales staff	965
Technical staff	1,867
Financial staff	202
Administrative staff	1,172
Other staff	1,397

Education level

Type of education level	Number (person)
Master or above	29
Bachelor	1,157
Post-secondary	2,832
Secondary and below	9,008

VIII Directors, Supervisors and Senior Management

VI. EQUITY INTERESTS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FILED IN COMPLIANCE WITH SFO

As at 30 June 2013, the interests held by each of the Directors, Supervisors and Chief Executives of the Company in the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, are set out as follows:

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Chen Hongguo (Note 1)	Chairman and Executive Director	6,334,527
Yin Tongyuan	Executive Director	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Hou Huancai	Executive Director	628,915
Zhou Shaohua	Executive Director	123,007
Gao Junjie	Chairman of Supervisory Committee	39,606

Associated corporations

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

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

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

Save as disclosed in the above, as at 30 June 2013, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules").

As at 30 June 2013, 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

Has the interim financial report already been audited yet?

Yes No

The interim financial report has not been audited yet.

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

	Unit: RMB	
Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	3,784,625,075.07	4,456,217,362.86
Balances with clearing companies		
Loans to banks and other financial institutions		
Held-for-trading financial assets		
Bills receivable	2,026,920,903.56	1,852,478,364.46
Accounts receivable	3,479,489,889.32	3,602,955,051.18
Prepayments	2,020,732,736.41	1,636,233,924.64
Premium receivable		
Receivables from reinsurers		
Reinsurance contract reserves receivable		
Interest receivable		
Dividend receivable		
Other receivables	1,442,941,265.70	1,284,655,342.63
Financial assets purchased under agreements to resell		
Inventories	4,090,593,802.98	4,412,548,700.68
Non-current assets due within one year		
Other current assets	1,716,259,432.97	1,803,256,307.61
Total current assets	18,561,563,106.01	19,048,345,054.06

IX Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Entrusted loans and advances to customers		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	87,902,951.07	356,796,777.78
Investment properties	20,342,571.97	21,211,699.99
Fixed assets	22,181,177,678.73	19,751,339,991.06
Construction in progress	2,757,926,003.96	5,017,604,821.59
Construction materials	205,573,437.90	75,054,992.09
Disposal of fixed assets	309,306,361.03	287,309,818.03
Consumable biological assets	1,251,776,376.25	1,169,269,054.15
Oil and gas assets		
Intangible assets	1,487,441,631.52	1,416,497,159.22
Development expenditure		
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	200,004,375.47	184,770,685.65
Deferred income tax assets	427,963,868.71	376,938,086.60
Other non-current assets		
Total non-current assets	28,949,699,043.78	28,677,076,873.33
Total assets	47,511,262,149.79	47,725,421,927.39
CURRENT LIABILITIES:		
Short-term borrowings	13,365,215,062.60	12,876,398,495.16
Borrowings from the central bank		
Customer bank deposits and due to banks and other financial institutions		
Placements from banks and other financial institutions		
Held-for-trading financial liabilities		
Bills payable	933,239,044.69	1,285,627,762.07
Accounts payable	2,962,663,447.39	3,239,781,724.81
Advance receipts	424,229,542.28	347,835,800.87
Assets sold under agreements to repurchase		
Handling charges and commission payable		
Staff remuneration payables	119,074,985.07	177,847,769.71
Taxes payable	88,882,227.52	106,816,413.87
Interest payable	246,955,329.53	133,046,123.31
Dividend payable	118,528,318.02	
Other payables	337,264,869.67	435,772,288.98
Due to reinsurers		
Insurance contract reserves		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Non-current liabilities due within one year	1,122,233,139.26	1,368,108,800.00
Other current liabilities	18,005,728.56	17,659,498.56
Total current liabilities	19,736,291,694.59	19,988,894,677.34

IX Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	3,535,153,218.64	3,933,167,835.94
Bonds payable	6,261,678,456.72	6,256,263,237.00
Long-term payables		
Special payables	733,851,240.79	641,526,872.70
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities	2,962,017,952.50	2,560,151,371.36
Total non-current liabilities	13,492,700,868.65	13,391,109,317.00
TOTAL LIABILITIES	33,228,992,563.24	33,380,003,994.34
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-up capital (or share capital)	2,062,045,941.00	2,062,045,941.00
Capital reserves	6,383,471,238.54	6,414,892,999.53
Less: Treasury shares	265,363,183.60	
Special reserves		
Surplus reserves	1,132,116,106.40	1,132,116,106.40
General risk provisions		
Retained profit	4,364,393,121.59	4,149,511,927.88
Foreign currency translation differences	9,038,071.60	929,205.04
Total equity attributable to equity holders of the company	13,685,701,295.53	13,759,496,179.85
Minority shareholders interests	596,568,291.02	585,921,753.20
Total owners' equity (or shareholders' equity)	14,282,269,586.55	14,345,417,933.05
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	47,511,262,149.79	47,725,421,927.39

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

IX Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

Item	Closing balance	Closing balance
CURRENT ASSETS:		
Monetary funds	2,379,448,927.80	3,057,756,467.02
Held-for-trading financial assets		
Bills receivable	1,811,587,848.26	2,592,967,374.30
Accounts receivable	2,780,039,014.14	342,497,381.57
Prepayments	1,070,998,960.33	646,962,478.93
Interest receivable		
Dividend receivable	692,535,466.11	512,215,933.76
Other receivables	9,462,455,307.41	9,232,778,999.32
Inventories	1,026,318,878.22	937,107,565.73
Non-current assets due within one year		500,000,000.00
Other current assets	136,459,973.38	62,260,013.84
Total current assets	19,359,844,375.65	17,884,546,214.47
NON-CURRENT ASSETS:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	8,672,786,106.24	8,991,578,553.83
Long-term equity investments	20,342,571.97	21,211,699.99
Fixed assets	5,335,487,462.32	5,006,474,783.75
Construction in progress	80,557,305.10	513,157,612.96
Construction materials	1,908,519.07	2,536,053.61
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	312,931,312.35	313,572,418.35
Development expenditure		
Goodwill		
Long-term prepaid expenses		
Deferred income tax assets	15,348,912.53	21,517,455.45
Other non-current assets		
Total non-current assets	14,439,362,189.58	14,870,048,577.94
TOTAL ASSETS	33,799,206,565.23	32,754,594,792.41

IX Financial Report

II. Financial Statements (Cont'd)

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

Item	Closing balance	Closing balance
CURRENT LIABILITIES:		
Short-term borrowings	8,669,987,185.21	7,847,558,953.68
Held-for-trading financial liabilities		
Bills payable	350,062,044.69	643,432,387.04
Accounts payable	1,115,421,346.15	1,044,590,466.45
Advance receipts	297,323,937.83	417,522,231.17
Staff remuneration payables	56,451,710.19	101,268,730.42
Taxes payable	21,040,290.06	25,109,370.51
Interest payable	243,805,361.17	129,893,611.11
Dividend payable	118,528,318.02	
Other payables	222,392,701.94	255,596,331.72
Non-current liabilities due within one year	316,254,500.00	514,843,000.00
Other current liabilities	2,328,791.64	2,328,791.64
Total current liabilities	11,413,596,186.90	10,982,143,873.74
NON-CURRENT LIABILITIES:		
Long-term borrowings	459,627,035.94	352,112,035.94
Bonds payable	5,764,309,594.33	5,760,200,575.93
Long-term payables		
Special payables		
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities	2,603,270,572.86	2,214,846,544.38
Total non-current liabilities	8,827,207,203.13	8,327,159,156.25
Total liabilities	20,240,803,390.03	19,309,303,029.99
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-up capital (or share capital)	2,062,045,941.00	2,062,045,941.00
Capital reserves	6,184,215,988.77	6,184,215,988.77
Less: Treasury shares	265,363,183.60	
Special reserves		
Surplus reserves	1,119,926,524.49	1,119,926,524.49
General risk provisions		
Retained profit	4,457,577,904.54	4,079,103,308.16
Foreign currency translation differences		
Total owners' equity (or shareholders' equity)	13,558,403,175.20	13,445,291,762.42
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	33,799,206,565.23	32,754,594,792.41

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

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II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	10,027,901,358.43	9,964,451,535.04
Including: Revenue	10,027,901,358.43	9,964,451,535.04
Interest income		
Earned premium		
Handling charges and commission income		
II. Total operating costs	9,944,996,711.69	10,185,836,150.89
Including: Operating costs	8,251,349,814.35	8,500,512,936.03
Interest expenses		
Handling charges and commission expenses		
Surrenders		
Net claims paid		
Net change in insurance contract reserves		
Policyholder dividend expenses		
Expenses for reinsurance accepted		
Business taxes and surcharges	38,967,507.99	31,846,785.11
Sales and distribution expenses	570,398,742.45	535,959,288.53
General and administrative expenses	602,523,953.98	562,794,713.60
Finance expenses	486,409,117.79	541,285,654.45
Loss on impairment of assets	-4,652,424.87	13,436,773.17
Plus: Gain on change in fair value ("-" denotes loss)	9,229,042.51	15,457,198.72
Investment income ("-" denotes loss)	5,183,185.10	-2,716,529.31
Including: Investment income from associates and joint ventures	421,036.92	-2,716,529.31
Foreign exchange gains ("-" denotes loss)		
III. Operating profit ("-" denotes loss)	97,316,874.35	-208,643,946.44
Plus: Non-operating income	336,305,361.16	223,467,731.90
Less: Non-operating expenses	39,540,627.38	2,305,018.44
Including: Loss on disposal of non-current assets	35,870,782.59	909,346.99
IV. Total profit ("-" denotes total loss)	394,081,608.13	12,518,767.02
Less: Income tax expenses	82,871,206.26	-12,866,933.23
V. Net profit ("-" denotes net loss)	311,210,401.87	25,385,700.25
Including: Net profit achieved by the acquisition before business merger		
Net profit attributable to shareholders of the Company	333,409,511.73	94,244,962.85
Minority shareholders interests	-22,199,109.86	-68,859,262.60
VI. Earnings per share:		
(I) Basic earnings per share	0.16	0.05
(II) Diluted earnings per share	0.16	0.05
VII. Other comprehensive income	8,108,866.56	-152,386.81
VIII. Total comprehensive income	319,319,268.43	25,233,313.44
Total comprehensive income attributable to shareholders of the Company	341,518,378.29	94,092,576.04
Total comprehensive income attributable to minority shareholders interests	-22,199,109.86	-68,859,262.60

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

IX Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Revenue	4,917,032,522.93	4,087,223,643.12
Less: Operating costs	3,976,552,277.16	3,448,243,509.14
Business taxes and surcharges	21,443,084.31	16,665,654.21
Selling and distribution expenses	151,177,561.24	125,030,947.56
General and administrative expenses	290,395,877.15	264,784,924.40
Finance expenses	254,845,387.49	244,992,432.75
Loss on impairment of assets	3,701,835.30	-7,044,869.23
Plus: Gain on change in fair value ("-" denotes loss)		
Investment income ("-" denotes loss)	255,712,842.31	42,792,407.91
Including: Investment income from associates and joint ventures	421,036.92	-2,716,529.31
II. Operating profit ("-" denotes loss)	474,629,342.59	37,343,452.20
Plus: Non-operating income	94,094,442.54	152,611,810.82
Less: Non-operating expenses	28,964,163.57	151,132.48
Including: Loss on disposal of non-current assets	28,464,163.57	126,486.38
III. Total profit ("-" denotes total loss)	539,759,621.56	189,804,130.54
Less: Income tax expenses	42,756,707.16	14,360,399.66
IV. Net profit ("-" denotes net loss)	497,002,914.40	175,443,730.88
V. Earnings per share:	—	—
(I) Basic earnings per share		
(II) Diluted earnings per share		
VI. Other comprehensive income		
VII. Total comprehensive income	497,002,914.40	175,443,730.88

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

IX Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Prepared by: Shandong Chenming Paper Holdings Limited

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	11,385,469,688.38	8,768,879,634.98
Net increase in customer bank deposits and due to banks and other financial institutions		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums under original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders		
Net increase from disposal of held-for-trading financial assets		
Cash received from interest, handling charges and commissions		
Net increase in placements from banks and other financial institutions		
Net capital increase of repurchase business		
Tax rebates received	6,507,666.33	4,195,458.50
Cash received relating to other operating activities	293,722,261.11	282,265,076.77
Subtotal of cash inflows from operating activities	11,685,699,615.82	9,055,340,170.25
Cash paid for goods and services	9,008,158,586.79	6,789,505,489.23
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other financial institutions		
Cash paid for claims under original insurance contracts		
Cash paid for interest, handling charges and commission		
Cash paid for policyholder dividend		
Cash paid to and for employees	410,741,602.10	477,021,702.85
Payments of taxes and surcharges	541,777,262.88	677,026,381.95
Cash paid relating to other operating activities	818,086,921.10	450,701,894.35
Subtotal of cash outflows from operating activities	10,778,764,372.87	8,394,255,468.38
Net cash flows from operating activities	906,935,242.95	661,084,701.87

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

Item	Amounts for the reporting period	Amounts for the prior period
II. Cash flows from investing activities:		
Cash received from investments		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20,828,975.62	278,250.65
Net cash received from disposal of subsidiaries and other business units	407,898,445.53	
Cash received relating to other investing activities	175,961,341.00	23,142,607.18
Subtotal of cash inflows from investing activities	604,688,762.15	23,420,857.83
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,490,489,565.10	853,885,514.09
Cash paid on investments		20,000,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	1,490,489,565.10	873,885,514.09
Net cash flows from investing activities	-885,800,802.95	-850,464,656.26
III. Cash flows from financing activities:		
Cash received from capital contribution	66,000,000.00	
Including: cash received from minority interest contribution to subsidiaries	66,000,000.00	
Cash received from borrowings	12,061,537,576.13	10,931,730,380.78
Cash received from bond issue		
Cash received relating to other financing activities	1,486,500,000.00	1,308,110,040.62
Subtotal of cash inflows from financing activities	13,614,037,576.13	12,239,840,421.40
Cash repayments of amounts borrowed	12,216,611,286.73	11,154,877,653.16
Cash paid for dividend and profit distribution or interest payment	731,354,603.87	618,762,463.88
Including: dividend and profit paid to minority interests by subsidiaries	15,687,493.50	11,577,192.00
Cash paid relating to other financing activities	1,438,573,351.52	
Subtotal of cash outflows from financing activities	14,386,539,242.12	11,773,640,117.04
Net cash flows from financing activities	-772,501,665.99	466,200,304.36
IV. Effect of foreign exchange rate changes on cash and cash equivalents	6,564,770.28	-4,572,555.48
V. Net increase in cash and cash equivalents	-744,802,455.71	272,247,794.49
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,343,550,185.45	2,317,048,619.53
VI. Balance of cash and cash equivalents as at the end of the period	1,598,747,729.74	2,589,296,414.02

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

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II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Prepared by: Shandong Chenming Paper Holdings Limited

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	3,976,388,687.84	4,945,717,360.44
Tax rebates received		
Cash received relating to other operating activities	343,215,249.54	149,176,538.97
Subtotal of cash inflows from operating activities	4,319,603,937.38	5,094,893,899.41
Cash paid for goods and services	5,033,798,986.49	2,646,840,470.86
Cash paid to and for employees	165,474,579.19	187,446,352.99
Payments of taxes and surcharges	291,241,251.17	327,460,414.34
Cash paid relating to other operating activities	1,071,544,485.43	932,284,647.01
Subtotal of cash outflows from operating activities	6,562,059,302.28	4,094,031,885.20
Net cash outflows from operating activities	-2,242,455,364.90	1,000,862,014.21
II. Cash flows from investing activities:		
Cash received from investments	896,725,533.01	50,000,000.00
Cash received from investment income	77,706,684.89	35,021,667.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	88,184.24	49,702.28
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	93,500.00	
Subtotal of cash inflows from investing activities	974,613,902.14	85,071,369.37
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	31,454,612.99	58,643,789.68
Cash paid on investments	74,206,250.00	69,465,450.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	105,660,862.99	128,109,239.68
Net cash flows from investing activities	868,953,039.15	-43,037,870.31

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II. Financial Statements (Cont'd)

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

Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from capital contribution		
Cash received from borrowings	7,783,390,709.33	5,960,484,091.71
Cash received from bond issue		
Cash received relating to other financing activities	1,486,500,000.00	1,083,500,000.00
Subtotal of cash inflows from financing activities	9,269,890,709.33	7,043,984,091.71
Cash repayments of amounts borrowed	7,018,797,223.94	7,700,146,887.89
Cash paid for dividend and profit distribution or interest payment	189,202,456.98	285,015,256.06
Cash paid relating to other financing activities	2,134,404,556.34	490,664,036.03
Subtotal of cash outflows from financing activities	9,342,404,237.26	8,475,826,179.98
Net cash flows from financing activities	-72,513,527.93	-1,431,842,088.27
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,333,058.28	-1,334,162.23
V. Net increase in cash and cash equivalents	-1,447,348,911.96	-475,352,106.60
Plus: Balance of cash and cash equivalents as at the beginning of the period	1,786,622,854.08	1,290,039,078.57
VI. Balance of cash and cash equivalents as at the end of the period	339,273,942.12	814,686,971.97

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

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II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Prepared by: Shandong Chenming Paper Holdings Limited

Amounts for the reporting period

Unit: RMB

Item	Amounts for the reporting period									
	Paid-up capital (or share capital)	Capital reserves	Less: treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Minority interests	Total owners' equity
I. Balance as at the end of the prior year	2,062,045,941.00	6,414,892,999.53			1,132,116,106.40		4,149,511,927.88	929,205.04	585,921,753.20	14,345,417,933.05
Plus: accounting policy change										
Corrections of prior period errors										
Others										
II. Balance as at the beginning of the year	2,062,045,941.00	6,414,892,999.53			1,132,116,106.40		4,149,511,927.88	929,205.04	585,921,753.20	14,345,417,933.05
III. Changes in the period										
(*) denotes decrease		-31,421,760.99	265,363,183.60				214,881,193.71	8,108,866.56	10,646,537.82	-63,148,346.50
(I) Net profit							333,409,511.73		-22,199,109.86	311,210,401.87
(II) Other comprehensive income		-31,421,760.99						8,108,866.56		-23,312,894.43
Sub-total of (I) and (II) above		-31,421,760.99					333,409,511.73	8,108,866.56	-22,199,109.86	287,897,507.44
(III) Capital paid in and reduced by owners									48,533,141.18	48,533,141.18
1. Capital paid in by owners									56,100,000.00	56,100,000.00
2. Amounts of share-based payments recognised in owners' equity										
3. Others									-7,566,858.82	-7,566,858.82
(IV) Profit distribution			265,363,183.60				-118,528,318.02		-15,687,493.50	-399,578,995.12
1. Transfer to surplus reserves										
2. Transfer to general risk provision										
3. Distribution to owners (shareholders)							-118,528,318.02		-15,687,493.50	-134,215,811.52
4. Others			265,363,183.60							-265,363,183.60
(V) Transfer within owners' equity										
1. Transfer from capital reserves to capital (or share capital)										
2. Transfer from surplus reserves to capital (or share capital)										
3. Transfer from surplus reserves to make up for losses										
4. Others										
(VI) Special reserves										
1. Appropriated in the period										
2. Used in the period										
(VII) Others										
IV. Balance as at the end of the period	2,062,045,941.00	6,383,471,238.54	265,363,183.60		1,132,116,106.40		4,364,393,121.59	9,038,071.60	596,568,291.02	14,282,269,586.55

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II. Financial Statements (Cont'd)

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

Amounts for the prior year

Unit: RMB

Item	Amounts for the prior year									
	Paid-up capital (or share capital)	Capital reserves	Equity attributable to shareholders of the Company			General risk provisions	Retained profit	Others	Minority interests	Total owners' equity
			Less: treasury shares	Special reserves	Surplus reserves					
I. Balance as at the beginning of the prior year	2,062,045,941.00	6,098,264,836.00			1,132,116,106.40		4,237,783,996.54	-1,588,560.03	1,459,152,539.48	14,987,774,859.39
Plus: Retrospective adjustments arising from business combination under common control										
Plus: accounting policy changes										
Corrections of prior period errors										
Others										
II. Balance as at the beginning of the year	2,062,045,941.00	6,098,264,836.00			1,132,116,106.40		4,237,783,996.54	-1,588,560.03	1,459,152,539.48	14,987,774,859.39
III. Changes in the period (* denotes decrease)										
(I) Net profit							94,244,962.85	-152,386.81	-68,859,262.60	25,385,700.25
(II) Other comprehensive income								-152,386.81		-152,386.81
Sub-total of (I) and (II)							94,244,962.85	-152,386.81	-68,859,262.60	25,233,313.44
(III) Capital paid in and reduced by owners										
1. Capital paid in by owners										
2. Amounts of share-based payments recognised in owners' equity										
3. Others										
(IV) Profit distribution										
1. Transfer to surplus reserves										
2. Transfer to general risk provision										
3. Distribution to owners (shareholders)							-309,306,891.20		-29,345,897.70	-338,652,788.90
4. Others										
(V) Transfer within owners' equity										
1. Transfer from capital reserves to capital (or share capital)										
2. Transfer from surplus reserves to capital (or share capital)										
3. Transfer from surplus reserves to make up for losses										
4. Others										
(VI) Special reserves										
1. Appropriated in the period										
2. Used in the period										
(VII) Other										
IV. Balance as at the end of the period	2,062,045,941.00	6,098,264,836.00			1,132,116,106.40		4,022,722,068.19	-1,740,946.84	1,360,947,379.18	14,674,355,383.93

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Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

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II. Financial Statements (Cont'd)

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

Prepared by: Shandong Chenming Paper Holdings Limited

Amounts for the reporting period

Unit: RMB

Item	Paid-up capital (or share capital)	Capital reserves	Amounts for the reporting period			General risk provisions	Retained profit	Total owners' equity
			Less: treasury shares	Special reserves	Surplus reserves			
I. Balance as at the end of the prior year	2,062,045,941.00	6,184,215,988.77			1,119,926,524.49	4,079,103,308.16	13,445,291,762.42	
Plus: accounting policy change								
Corrections of prior period errors								
Others								
II. Balance as at the beginning of the year	2,062,045,941.00	6,184,215,988.77			1,119,926,524.49	4,079,103,308.16	13,445,291,762.42	
III. Changes in the period								
("-" denotes decrease)			265,363,183.60			378,474,596.38	113,111,412.78	
(I) Net profit						497,002,914.40	497,002,914.40	
(II) Other comprehensive income								
Sub-total of (I) and (II) above						497,002,914.40	497,002,914.40	
(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments recognised in owners' equity								
3. Others								
(IV) Profit distribution			265,363,183.60			-118,528,318.02	-383,891,501.62	
1. Transfer to surplus reserves								
2. Transfer to general risk provision								
3. Distribution to owners (shareholders)						-118,528,318.02	-118,528,318.02	
4. Others			265,363,183.60				-265,363,183.60	
(V) Transfer within owners' equity								
1. Transfer from capital reserves to capital (or share capital)								
2. Transfer from surplus reserves to capital (or share capital)								
3. Transfer from surplus reserves to make up for losses								
4. Others								
(VI) Special reserves								
1. Appropriated in the period								
2. Used in the period								
(VII) Others								
IV. Balance as at the end of the period	2,062,045,941.00	6,184,215,988.77	265,363,183.60		1,119,926,524.49	4,457,577,904.54	13,558,403,175.20	

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II. Financial Statements (Cont'd)

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

Amounts for the prior year

Unit: RMB

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

Legal Representative:
Chen Hongguo

Financial controller:
Wang Chunfang

Head of the financial department:
Dong Lianming

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III. General Information of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of 31 December 2012, the cumulatively issued total share capital of the Company was 2,062,045,941 shares. Please see Note VII. 36 for details.

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

IX Financial Report

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

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

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

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

1. Basis of Preparation of the Financial Statements

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

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

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

The financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial positions of the Company and the Group for the six months ended 30 June 2013 and relevant information such as the operating results and cash flows of the Company and the Group of the first six months of 2013. In addition, the financial statements of the Company also comply with, in all material respects, the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” revised by the China Securities Regulatory Commission in 2010 and the notes thereto.

3. Accounting period

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

4. Reporting currency

The Company and its domestic subsidiaries recognise RMB as their reporting currency according to the primary economic environment in which they operate. The reporting currency of the Company and its domestic subsidiaries is Renminbi (“RMB”). Overseas subsidiaries of the Company, namely Chenming (HK) Co., Ltd., Chenming Paper Japan Co., Ltd. and Chenming GmbH, recognise U.S. dollar, Japanese Yen and Euro as their respective reporting currency according to the primary economic environment in which these subsidiaries operate. The Group prepares its financial statements in RMB.

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

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

(1) Business combination under common control

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

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

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

(2) Business combination not under common control

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

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

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

6. Basis for preparation of consolidated financial statements

(1) Basis for preparation of consolidated financial statements

① *Principle of determining the scope of consolidated financial statements*

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

② *Basis for preparation of the consolidated financial statements*

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

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

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

The 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 interests is presented in the consolidated income statement under the “net profit” line item as “minority interests”. When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders’ portion of the opening balance of owners’ equity of the subsidiary, the excess amount shall be allocated against minority interests.

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

(2) Accounting treatment for acquiring then disposing of (or vice versa) the equity interest of same subsidiary for two successive accounting years

Not applicable.

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

7. Standards for recognising cash and cash equivalents

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

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

(1) Foreign currency operations

① *Basis for translation of foreign currency transactions*

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

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

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate (generally, a spot exchange rate is the middle price quoted by the People's Bank of China on the day of transaction) on the balance sheet date. All differences are included in the consolidated income statement, except for: ① the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets which are qualified for capitalisation; ② except for other carrying amounts of the amortisation costs, the differences arising from changes of the foreign currency items available for sale.

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

(2) Basis for translation of foreign currency financial statements

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

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

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

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

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

9. Financial instruments

(1) Classification of financial instruments

Conventionally traded financial assets shall be recognised and derecognised at the trading date. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets when they are initially recognised.

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

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

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

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

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

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

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

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

② *Held-to-maturity investments*

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

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

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

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

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

9. Financial instruments (Cont'd)

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

③ *Loans and receivables*

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

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

④ *Available-for-sale financial assets*

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

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

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

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

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

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

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

② Other financial liabilities

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

③ Financial Guarantee Contracts

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

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

9. Financial instruments (Cont'd)

(3) Recognition and measurement of transfers of financial asset

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

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

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

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

(4) Derecognition of financial liabilities

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

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

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

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

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

9. Financial instruments (Cont'd)

(6) Impairment tests and provision of financial assets (excluding amount receivables)

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

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

① *Impairment of held-to-maturity investments and loans and receivables*

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

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

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

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

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

(7) **Reclassification of outstanding held-to-maturity investments as available-for-sale financial assets as a basis to show the intention or ability to make changes**

Not applicable.

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

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

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

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

Basis of determination or criterion of amount for individually significant items	Accounts receivable of more than RMB1 million is recognised as individually significant accounts receivable by the Group.
Method for making bad debt provision individually for individually significant items	For accounts receivable that is individually significant, the Group assesses such accounts receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognised are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

(2) Accounts receivable making bad debt provision by portfolio

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

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

Applicable Not applicable

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

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

(2) Accounts receivable making bad debt provision by portfolio (Cont'd)

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Reasons for making bad debt provisions individually

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

Method for making bad debt provisions

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

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

11. Inventories

(1) Classification of inventories

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

(2) Pricing of inventories upon delivery

Pricing method: First-in first-out 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 other amounts after tax and levies in daily operation. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

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

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

(4) The inventory taking system

Taking system: permanent inventory system

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

Low-value consumables

Amortisation method: lump-sum

Packaging materials

Amortisation method: lump-sum

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

12. Long-term equity investments

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

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

(2) Subsequent measurement and profit or loss recognition

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

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

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

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

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

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

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

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

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

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

The Group's share of net losses of the investee shall be recognised to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognising its share of profits after setting off against the share of unrecognised losses. If there is debit variation in relation to the long-term equity investments in associates and joint venture held prior to first adoption of the Accounting Standards for Business Enterprises by the Group on 1 January 2007, the amounts amortised over the original residual term using the straight-line method is included in the profit or loss for the period.

③ *Acquisition of minority interests*

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

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

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

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

④ *Disposal of long-term equity investments*

In these consolidated financial statements, where the parent company disposes of a portion of the long-term equity investments in a subsidiary without a change in control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. Where the parent company disposes of a portion of the long-term equity investments in a subsidiary resulting in the loss of control over that subsidiary, the relevant accounting policy set out in Note IV. 4. (2) "Basis for preparation of the consolidated financial statements" shall apply.

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

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

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

(4) Impairment test method and impairment provision

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

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

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

13. Investment Property

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

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

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

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

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

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

14. Fixed assets

(1) Conditions for recognition of fixed assets

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

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

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

(3) Method for depreciation of different fixed assets

Category	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Buildings and structures	20-40	5-10	2.25-4.75
Machinery and equipment	8-20	5-10	4.5-11.88
Electronic equipment	5	5-10	18.00-19.00
Transportation equipment	5-8	5-10	11.25-19.00

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

14. Fixed assets (Cont'd)

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

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

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

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

(5) Explanation on other matters

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

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

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

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

15. Construction in progress

(1) Types of the construction in progress

Construction in progress refers to expenditures incurred for outstanding construction projects such as new construction, renovation and expansion of the Company's fixed assets or technology and equipment upgrade and large-scale renovation works.

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

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

(3) Impairment testing methods and provision for impairment methods on construction in progress

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

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

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

16. Borrowing costs

(1) Principles for recognising capitalisation of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to acquisition or production of a capitalisation qualifying asset shall be capitalised as part of the cost of that asset upon the following condition is satisfied:

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

Other borrowing interest, discount or premium and foreign exchange difference shall be recognised as expense in the period in which they are incurred.

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

16. Borrowing costs (Cont'd)

(2) Period for capitalisation of borrowing costs

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.

(3) Period for suspension of capitalisation

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

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

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

17. Biological assets

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

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

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

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

18. Intangible assets

(1) Measurement of intangible assets

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

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

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

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

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

Item	Expected useful life	Basis
Land use rights	50	Legal use rights
Computer software	5-10	Expected revenue term

(3) Judgement basis on intangible assets with an indefinite useful life

Not applicable.

(4) Impairment provision for intangible assets

For intangible assets with a finite useful life, the Group will judge if there is any indication of impairment as at the balance sheet date in respect of non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment 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. Intangible assets with an indefinite useful life and intangible assets not in working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

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

18. Intangible assets (Cont'd)

(4) Impairment provision for intangible assets (Cont'd)

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

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

(5) Specific standard on classifying the research phase and development phase of internal research and development activities of the Company

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

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

Expenditure arising from the development phase that satisfies the following conditions are recognised as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

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

(6) Calculation of expenditure on internal research and development activities

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

Expenditure arising from the development phase that satisfies condition (5) 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.

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

IX Financial Report

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

19. Long-term prepaid expenses

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

20. Accrued liabilities

(1) Criteria for recognition of accrued liabilities

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

(2) Method for measuring accrued liabilities

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

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

21. Repurchase of the Company's shares

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

The difference between the amount actually received and the carrying amount of the treasury shares is credited to the capital reserve for the transfer of treasury shares. 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.

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

22. Revenue

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

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

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

Revenue is recognised on an accrual basis under the relevant contracts or agreements.

(3) Basis for recognition of revenue from the rendering of services

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

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

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

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

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

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

Where the outcome of a construction contracts can be reliably estimated, it shall, on the balance sheet date, recognise contract revenue and contracts expenses using the percentage of completion method. The completion schedule of a contract shall be ascertained according to the portion of accumulative actual contract costs incurred to the estimated total contract costs or the completed contract work to the estimated total contracts work or the actually measured completion schedule.

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

23. Government grant

(1) Types

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

(2) Accounting treatment

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

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

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

24. Deferred income tax assets and deferred income tax liabilities

(1) Basis for recognition of deferred income tax assets

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

(2) Basis for recognition of deferred income tax liabilities

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

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

25. Operating lease and finance lease

(1) Accounting treatment of operating lease

① *Operating lease business with the Group recorded as lessee*

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

② *Operating lease business with the Group recorded as lessor*

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

(2) Accounting treatment of finance lease

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

The Group as a lessee under a finance lease

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

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

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

26. Assets held for sale

(1) Criteria for recognition of assets held for sale

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

(2) Accounting treatment for assets held for sale

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

If an asset or disposal group is classified as held for sale, but fails to meet recognition requirements for noncurrent assets held for sale, it shall no longer be classified as assets held for sale and calculated at the lower of the following two amounts: (1) the carrying amount of such asset or disposal group before being classified as assets held for sale subsequent to the adjustment to the originally recognised depreciation, amortisation or impairment under the condition that they are not classified as assets held for sale; and (2) the recoverable amount at the date on which no future sale is decided.

27. Changes in Significant Accounting Policies and Estimates

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

Yes No

There is no changes in significant accounting policies and accounting estimates during the reporting period.

(1) Changes in accounting policies

Any changes in significant accounting policies during the reporting period.

Yes No

(2) Changes in accounting estimates

Any changes in significant accounting estimates during the reporting period.

Yes No

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

28. Corrections on accounting errors in prior periods

Any prior accounting errors identified during the reporting period.

Yes No

There is no significant prior accounting errors identified during the reporting period.

(1) Retrospective restatement

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

Yes No

(2) Prospective application

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

Yes No

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

Critical accounting judgments and estimate

The Group needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately calculated during the application of the Group's accounting policies. Such judgments, estimates and assumptions are made based on the historical experiences of the Group'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 cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

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

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

(1) Provision for bad debts

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

(2) Allowance for inventories

Under the accounting policies of inventories and by measuring at the lower of cost and net realisable value, the Group makes allowance for inventories which have costs higher than net realisable value or become obsolete and slow-moving. Write-down of inventories to their net realisable values is based on the saleability 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.

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

29. Other significant accounting policies, accounting estimates and preparation method of financial statements (Cont'd)

Critical accounting judgments and estimate (Cont'd)

(3) Subsequent measurement of biological assets

The Group has appointed an independent professional valuer to value the fair value of the biological assets. When the valuer determines the fair value, the valuation method used by the valuer includes some assumptions. Directors have judged that the valuation method reflects the prevailing market conditions.

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

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

When the carrying amount of an asset or asset groups is higher than the recoverable amount, being the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

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

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

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

(5) Depreciation and amortisation

The Group 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 Group shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Group according to its previous 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.

(6) 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 Group'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.

(7) Income tax

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

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V. Taxation

1. Main Tax Types and Tax Rates of the Company

Tax type	Basis of taxation	Tax rate
Value added tax	Sales of goods	13% and 17%
Business tax	Rent income	3% and 5%
Urban maintenance and construction tax	Value-added tax and business tax payables	7%
Enterprise income tax	Taxable income	15% and 25%
Educational surcharges	Value-added tax and business tax payables	3%
Local educational surcharges	Value-added tax and business tax payables	2%

Rate of income tax for subsidiaries and branch factories

Subsidiary	Rate of income tax	Subsidiary	Rate of income tax	Subsidiary	Rate of income tax
Shandong Chenming Paper Holdings Limited	15%	Hailaer Chenming Paper Co., Ltd.	25%	Chenming GmbH	—
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	25%	Huanggang Chenming Paper Co., Ltd.	25%	Zhanjiang Chenjian New-style Wall Materials Co., Ltd.	25%
Haicheng Haiming Mining Company Limited	25%	Huanggang Chenming Arboriculture Co., Ltd.	Tax exempt	Zhanjiang Meilun Paper Pulp Co., Ltd.	25%
Shandong Chenming Power Supply Holdings Co., Ltd.	25%	Shouguang Chenming Industrial Logistics Co., Ltd.	25%	Zhanjiang Huirui Investment Co., Ltd.	25%
Chenming International Co., Ltd.	—	Shouguang Shun Da Customs Declaration Co, Ltd.	25%	Yangjiang Chenming Arboriculture Co., Ltd.	Tax exempt
Shouguang Meilun Paper Co. Ltd.	25%	Shandong Chenming Paper Sales Company Limited	25%	Zhanjiang Chenming Arboriculture Co., Ltd.	Tax exempt
Shouguang Chenming Tianyuan Arboriculture Co., Ltd.	25%	Fuyu Chenming Paper Co., Ltd.	25%	Nanchang Chenming Arboriculture Co., Ltd.	Tax exempt
Chenming (HK) Limited	17%	Shouguang Chenming Hongxin Packaging Co., Ltd.	25%	Shandong Chenming Xinli Power Co., Ltd.	25%
Jilin Chenming Paper Co., Ltd.	25%	Shouguang Chenming Papermaking Machine Co., Ltd.	25%	Shouguang Chenming Cement Co., Ltd.	25%
Shouguang Hengfeng Storage Co., Ltd.	25%	Shouguang Chenming Import and Export Trade Co., Ltd.	25%	Shandong Chenming Panels Co., Ltd.	25%
Shandong Grand View Hotel Co., Ltd.	25%	Shouguang Chenming Jiatai Property Management Co., Ltd.	25%	Shouguang Hongyi Decorative Packaging Co., Ltd.	25%
Shouguang Chenming Modern Logistic Co., Ltd.	25%	Zhanjiang Chenming Paper Pulp Co., Ltd.	25%	Shouguang Wei Yuan Logistics Company Limited	25%
Shouguang Chenming Art Paper Co., Ltd.	25%	Japan Chenming Paper Company Limited	—	Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	25%
Jilin Chenming Machinery Manufacturing Co., Ltd.	25%	Wuhan Chenming Qianneng Electric Power Co., Ltd.	25%	Shouguang Chenming Floor Board Co., Ltd.	25%
Jiangxi Chenming Paper Co., Ltd.	15%	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	25%	Shouguang Xinyuan Coal Co., Ltd.	25%

IX. Financial Report

V. Taxation (Cont'd)

2. Tax Incentives and Approvals

Enterprise Income Tax

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

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

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

Pursuant to the "Revenue Bill 2008" passed by The Legislative Council of the Hong Kong Special Administrative Region on 26 June 2008, Chenming (HK) Limited, a subsidiary of the Company, has been subject to a corporate income tax rate of 16.5% commencing 2008, and the applicable tax rate for 2013 was 16.5%.

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

Value-added Tax ("VAT") incentives

Pursuant to Cai Shui [1995] No. 44 "Circular on VAT Exemption for Certain Products Applying Integrated Use of Resources" issued by the State Administration of Taxation", enterprises engaged in utilisation of raw materials containing not less than 30% of coal gangue, stone coal, coal ash, bottom ash of coal boiler (excluding blast furnace water quenching residue) in the production of building material products shall be exempted from VAT. 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 2013.

Pursuant to Cai Shui Zi [1995] No. 44 "Circular on VAT Exemption for Certain Products Applying Integrated Use of Resources issued by the Ministry of Finance and the State Administration of Taxation" and the relevant requirements of Cai Shui [2001] Document No. 72, Shandong Chenming Panels Co., Ltd. (山東晨鳴板材有限責任公司), being a subsidiary of the Company and produce products that applied integrated use of resources, are subject to an immediate VAT refund policy.

IX. Financial Report

VI. Business Combination and Consolidated Financial Statements

1. Subsidiaries

(1) Subsidiaries acquired through establishment or investment

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Business activity	Actual investment as at the end of the period	Balance of other projects that substantially forms net investment in the subsidiary	Share holding (%)	Voting rights (%)	Whether consolidated	Minority interests	Minority interest used to offset the profit or loss of the minority interests	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Controlling subsidiary	Wuhan, China	Manufacture of paper	211,360,000.00	Manufacture and sales of paper products, the materials of manufacture of paper and machinery	202,824,716.34		50.93%	50.93%	Yes	212,564,273.65		
Haicheng Haiming Mining Company Limited	Controlling subsidiary	Haicheng, China	Mining	240,000,000.00	Processing and sales of magnetite and talc	144,000,000.00		60%	60%	Yes	96,000,000.00		
Shandong Chenming Power Supply Holdings Co., Ltd.	Controlling subsidiary	Shouguang, China	Electricity	99,550,000.00	Manufacture and supply of electricity and steam	157,810,117.43		86.71%	86.71%	Yes	19,779,983.50		
Jiangxi Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Nanchang, China	Manufacture of paper	US\$172,000,000	Production and etc. of machine-made paper, paperboard, paper panel, paper products and paper-making raw materials processing	697,548,406.40		51%	100%	Yes			
Shouguang Chenming Tiaryuan Arboriculture Co., Ltd.	Controlling subsidiary	Shouguang, China	Arboriculture	10,590,000.00	Development, nurture of fast growth poplar, forest, vegetable and fruit	7,199,000.00		68%	68%	Yes	-974,078.88		
Hailaer Chenming Paper Co., Ltd.	Controlling subsidiary	Hailaer, China	Manufacture of paper	16,000,000.00	Sales and processing; sales of machine- made paper and pulp paper	12,000,000.00		75%	75%	Yes	16,412,722.66		
Japan Chenming Paper Company Limited	Wholly-owned subsidiary	Tokyo, Japan	Trade of paper	US\$1,500,000	Trade of paper and raw materials	9,306,351.20		100%	100%	Yes			
Jilin Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Jilin City, China	Manufacture of paper	1,500,000,000.00	Processing and sales of machine-made paper, paperboard, paper product, paper pulp	1,501,350,000.00		100%	100%	Yes			
Shandong Grand View Hotel Co., Ltd.	Controlling subsidiary	Shouguang, China	Restaurant and beverage	US\$13,910,000	Restaurant and beverage services	80,500,000.00		70%	70%	Yes	-15,526,551.66		
Zhanjiang Chenming Paper Pulp Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Manufacture of paper pulp	3,000,000,000.00	Processing and sales of paper pulp	3,000,000,000.00		100%	100%	Yes			
Chenming (HK) Limited	Wholly-owned subsidiary	Hong Kong, China	Trade of paper	US\$100,000	Export and import trade of paper products and market research	783,310.00		100%	100%	Yes			
Shouguang Chenming Modern Logistic Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Transportation	10,000,000.00	Transportation of goods	10,000,000.00		100%	100%	Yes			
Shouguang Chenming Art Paper Co., Ltd.	Controlling subsidiary	Shouguang, China	Manufacture of paper	US\$20,000,000	Production and sales of machine-made paper	113,616,063.80		75%	75%	Yes	35,539,258.73		
Fuyu Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Fuyu, China	Manufacture of paper	208,000,000.00	Production and sales of machine-made paper and paperboard	208,000,000.00		100%	100%	Yes			
Huanggang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Huanggang, China	Arboriculture	70,000,000.00	Plantation, processing and sales of forests	70,000,000.00		100%	100%	Yes			

IX. Financial Report

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

1. Subsidiaries (Cont'd)

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

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Business activity	Actual investment as at the end of the period	Balance of other projects that substantially forms net investment in the subsidiary	Share holding (%)	Voting rights (%)	Whether consolidated	Minority interests	Minority interest used to offset the profit or loss of the minority interests	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Huanggang Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Huanggang, China	Arboriculture, establishment of paper pulp project	20,000,000.00	Operation and acquisition of forest; establishment of paper pulp projects	20,000,000.00		100%	100%	Yes			
Shouguang Meilun Paper Co. Ltd.	Wholly-owned subsidiary	Shouguang, China	Manufacture of paper	2,200,000,000.00	Production and sales of machine-made paper and paperboard	2,200,000,000.00		100%	100%	Yes			
Shouguang Shun Da Customs Declaration Co. Ltd.	Wholly-owned subsidiary	Shouguang, China	Customs declaration, inspection declaration	1,500,000.00	Business agency of professional customs declaration and inspection declaration	1,500,000.00		100%	100%	Yes			
Shandong Chenming Paper Sales Company Limited	Wholly-owned subsidiary	Shouguang, China	Sales of paper	100,000,000.00	Sales of machine-made paper, paperboard and paper making raw materials	100,000,000.00		100%	100%	Yes			
Shouguang Chenming Industrial Logistics Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Transportation	10,000,000.00	Land transport, storage of goods	10,000,000.00		100%	100%	Yes			
Shouguang Chenming Papermaking Machine Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Machinery manufacturing	2,000,000.00	Processing and repair of paper making machines	2,000,000.00		100%	100%	Yes			
Shouguang Chenming Import and Export Trade Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Import and export trade	10,000,000.00	Import and export of goods and technology	10,000,000.00		100%	100%	Yes			
Shouguang Chenming Jitai Property Management Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Property management	1,000,000.00	Property management	1,000,000.00		100%	100%	Yes			
Shouguang Chenming Hongxin Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Packaging	1,000,000.00	Sales of paper packaging	1,000,000.00		100%	100%	Yes			
Shouguang Hengfeng Storage Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Storage of goods, leasing	500,000.00	Storage and leasing, storage service	500,000.00		100%	100%	Yes			
Chenming International Co., Ltd.	Wholly-owned subsidiary	L.A., U.S.	Import and export, technology research and development	US\$3,000,000	Import and export, technology research and development	19,861,955.00		100%	100%	Yes			
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Controlling subsidiary	Wuhan, China	Electricity	88,240,000.00	Generation and sales of electricity and steam	45,000,000.00		51%	51%	Yes	39,025,404.63		
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Wholly-owned subsidiary	Wuhan, China	Real estate	20,000,000.00	Development of real estate and sales of commodity house	20,000,000.00		100%	100%	Yes			
Shandong Chenming Xinli Power Co., Ltd.	Controlling subsidiary	Shouguang, China	Electricity	US\$11,800,000	Generation and sales of electricity and steam	49,820,000.00		51%	51%	Yes	67,984,226.87		
Shouguang Chenming Cement Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Production and sales of cement	7,000,000.00	Utilisation of ash in the production of cement and sales of cement	7,000,000.00		100%	100%	Yes			

IX. Financial Report

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

1. Subsidiaries (Cont'd)

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

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Business activity	Actual investment as at the end of the period	Balance of other projects that substantially forms net investment in the subsidiary	Share holding (%)	Voting rights (%)	Whether consolidated	Minority interests	Minority interest used to offset the profit or loss of the minority interests of the subsidiary	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary
Shandong Chenming Panels Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Production and sales of panels	30,000,000.00	Decorative board of the layer of laminated board, wooden products, laminated board and fortified wooden floorboard	30,000,000.00		100%	100%	Yes			
Shouguang Chenming Floor Board Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Production and sales of floor board	500,000.00	Production, processing and sales of fortified wooden floorboard and impregnated paper	500,000.00		100%	100%	Yes			
Yangjiang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Yangjiang, China	Arboriculture	1,000,000.00	Plantation and development of forest, and technology consultation of forestry	1,000,000.00		100%	100%	Yes			
Zhanjiang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Arboriculture	1,000,000.00	Plantation of forest, nutrition and sales of seedling, processing and sales of timber and processing and sales of by-products of timber	1,000,000.00		100%	100%	Yes			
Jilin Chenming Machinery Manufacturing Co., Ltd.	Wholly-owned subsidiary	Jilin, China	Processing of machinery	600,000.00	Processing of machinery, manufacture, installation and repair of the equipment of machinery	600,000.00		100%	100%	Yes			
Nanchang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Nanchang, China	Arboriculture	10,000,000.00	Processing and sales of wooden finished products, semi-finished products and by-products of timber	10,000,000.00		100%	100%	Yes			
Zhanjiang Meilun Paper Pulp Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Manufacture of paper pulp	100,000,000.00	Manufacturing, production, processing and sales of paper pulp and relevant products	100,000,000.00		100%	100%	Yes			
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Wall materials	10,000,000.00	Manufacturing and sales of new-style wall materials of paper, consolidated utilisation of aerated fly ash	10,000,000.00		100%	100%	Yes			
Chenming GmbH	Wholly-owned subsidiary	Hamburg, Germany	Trade	€250,000	Trade of machine-made paper	206,250.00		100%	100%	Yes			

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

1. Subsidiaries (Cont'd)

(2) Subsidiaries acquired through business combination not under common control

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of Incorporation	Business Nature	Registered capital	Business activity	Actual investment as at the end of the period	Balance of other projects that substantially forms net investment in the subsidiary	Share holding (%)	Voting rights (%)	Whether consolidated	Minority interests	Setting off of the loss attributable to the minority shareholders of the subsidiaries in the current period from the owner's equity of the Company exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary	
												Minority interest used to offset the profit or loss of the minority interests	Minority interest portion of the opening balance of owners' equity of the subsidiary
Wuxi Songling Paper Co., Ltd.	Wholly-owned subsidiary	Wuxi, China	Papermaking	5,010,000.00	Sales, cutting and processing of paper	5,010,000.00		100%	100%	Yes			
Shouguang Runsheng Waste Paper Recycle Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Purchase and sales of waste and obsolete materials	1,000,000.00	Purchase and sales of waste and obsolete materials	1,000,000.00		100%	100%	Yes			
Shouguang Hongyi Decorative Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Packaging	1,550,000.00	Processing and sales of packaging products, indoor and outdoor decorations	1,700,000.00		100%	100%	Yes			
Shouguang Wei Yuan Logistics Company Limited	Wholly-owned subsidiary	Shouguang, China	Transportation	3,930,000.00	Transportation of goods, maintenance of vehicles, storage and loading of goods, international freight agency services	4,000,000.00		100%	100%	Yes			
Shouguang Xinyuan Coal Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Coal	3,000,000.00	Retail of coal, gasoline, construction materials and plumbing parts	2,000,000.00		100%	100%	Yes			
Zhanjiang Huirui Investment Co., Ltd.	Controlling subsidiary	Zhanjiang, China	Investment	258,000,000.00	Investment in marine engineering projects	131,560,000.00		51%	51%	Yes	125,765,277.99		

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

2. Explanation on changes in the scope of consolidation

Explanation on changes in the scope of consolidated statements

Applicable Not applicable

- (1) During the year (period), three more companies were consolidated as compared to the prior year due to the reasons as follows:

During the reporting period, the Company established three companies through investments, namely Chenming GmbH, Zhanjiang Meilun Paper Pulp Co., Ltd. and Zhanjiang Chenming New-style Wall Materials Co., Ltd., respectively;

In order to push forward with the Company's sales of paper products, further expand the Company's products' share in the European market, and establish a broader and more comprehensive marketing network, the Company decided to set up a sales company in Germany. On 7 January 2013, the Company obtained "Overseas Investment certificate" approved by the Ministry of Commerce, which ratified our establishment of Chenming GmbH with its registered capital of EUR25,000. The Company may make more investments timely based on the operations of the new company. It was included in the scope of consolidation since March 2013.

In order to make full use of ancillary facilities of public works, realise diversification of the product mix of the Company, and further lower the costs and increase the Company's capability to resist risks, the fifth extraordinary meeting of the six session of the Board of Directors approved "Resolution in relation to establishment of Zhanjiang Meilun Paper Pulp Co., Ltd.", with its registered capital amounting to RMB100.00 million and the company was included in the scope of consolidation since January 2013.

In order to strengthen comprehensive utilisation of resources and actively respond to national policy for resource utilisation, we decided to, based on local needs, set up Zhanjiang Chenming New-style Wall Materials Co., Ltd., which was invested by Zhanjiang Chenming, a wholly-owned subsidiary of our Company, with its registered capital amounting to RMB10.00 million. The company was included in the scope of consolidation since March 2013.

- (2) During the year (period), five companies were deconsolidated as compared to the prior year due to the reasons as follows:

The Company lost its control over Yanbian Chenming Paper Co., Ltd., Wuhan Chenjian New-style Wall Materials Co., Ltd. and Shanghai Runchen Equity Investment Fund Co., Ltd. due to disposal of equity interest during the period. Therefore, the above three companies ceased to be included in the scope of consolidation. The registration of Wuhan Xingzhilian Paper Company Limited and Jilin Chenming Waste Collection Co., Ltd. was cancelled according to actual needs of operations during the period. Therefore, the above two companies ceased to be included in the scope of consolidation.

On 26 April 2013, the seventeenth meeting of the six session of the Board of Directors of the Company passed "Resolution in relation to disposal of equity interests in Shanghai Runchen. On the same day, the Company entered into an equity transfer agreement with Shanghai Ruibao Environmental Technology Co., Ltd. (hereinafter referred to as Shanghai Runchen) to transfer 98.36% equity interest in Shanghai Runchen Equity Investment Fund Co., Ltd. at a consideration of RMB300.9160 million. The Company lost its control over Shanghai Runchen and Shanghai Runchen ceased to be included in the scope of consolidation effective from 26 April 2013.

On 15 May 2013, the Company entered into an equity transfer agreement with Yanbian Shixian Bailu Paper Co., Ltd and Yanbian State-owned Assets Management Co., Ltd. to transfer its 49% and 51% equity interest in Yanbian Chenming Paper Co., Ltd. (hereinafter referred to as Yanbian Chenming), respectively, at a consideration of RMB54.00 million and RMB56.00 million. The Company lost its control over Yanbian Chenming and Yanbian Chenming ceased to be included in the scope of consolidation effective from 15 May 2013.

On 31 January 2013, Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a subsidiary of the Company, entered into an equity transfer agreement with Hubei Zhongjian Haohua Environment Protection Co., Ltd. to transfer its 51% equity interest in Wuhan Chenjian New-style Wall Materials Co., Ltd. (hereinafter referred to as Chenjian Company) at a consideration of RMB5.10 million. The Company lost its control over Chenjian Company and Chenjian Company ceased to be included in the scope of consolidation.

IX. Financial Report

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

3. Entities newly included in the scope of consolidation during the reporting period and entities ceasing to be included in the scope of consolidation during the reporting period

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

Unit: RMB

Name	Net assets at the end of the period	Net profit for the period
Chenming GmbH	-6,817,223.74	-7,049,334.35
Zhanjiang Meilun Paper Pulp Co., Ltd.	99,918,870.83	-81,129.17
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	9,994,039.76	-5,960.24

Subsidiaries, special purpose vehicles and operating entities whose control resulting from, among other things, entrusting to operating or leasing not included in the scope of consolidation for the period

Unit: RMB

Name	Net assets as at the date of disposal	Net profit for the period from the beginning of the year to the date of disposal
Yanbian Chenming Paper Co., Ltd.	128,385,259.16	-3,929,284.60
Wuhan Chenjian New-style Wall Materials Co., Ltd.	30,245,726.25	-1,086,132.46
Wuhan Xingzhilian Paper Company Limited	18,654,752.92	-2,715.42
Shanghai Runchen Equity Investment Fund Co., Ltd.	305,931,289.86	573,994.12
Jilin Chenming Waste Collection Co., Ltd.	1,271,992.74	24,876.07

4. Subsidiaries eliminated due to disposal of controlling equity interest during the reporting period

Name of subsidiary	Date of disposal	Method to recognise profit or loss
Yanbian Chenming Paper Co., Ltd.	15 May 2013	The balance of disposal consideration and the value that is shown in the consolidated financial statements as the net asset as at the date of disposal of such subsidiary in respect of equity interest disposal is recognised as profit or loss from disposal.
Wuhan Chenjian New-style Wall Materials Co., Ltd.	31 January 2013	Ditto
Shanghai Runchen Equity Investment Fund Co., Ltd.	26 April 2013	Ditto

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

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

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VII. Notes to major items of the Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:	—	—	1,905,225.31	—	—	1,398,324.17
RMB	—	—	1,279,501.57	—	—	937,182.22
USD	49,900.00	6.1787	308,317.13	46,900.00	6.2855	294,789.95
EUR	38,000.00	8.0536	306,036.80	20,000.00	8.3176	166,352.00
JPY	181,606.00	0.062607	11,369.81			
Cash deposited in banks:	—	—	1,596,842,504.43	—	—	2,342,151,861.28
RMB	—	—	1,005,801,442.54	—	—	2,187,734,778.74
USD	91,735,539.01	6.1787	566,806,374.88	23,459,592.25	6.2855	147,455,267.10
EUR	1,360,671.91	8.0536	10,958,307.29	61,101.44	8.3176	508,217.34
HKD	229,524.04	0.79655	182,827.37	218,778.49	0.81085	177,396.54
JPY	209,138,792.00	0.062607	13,093,552.35	85,917,693.00	0.073049	6,276,201.56
Other monetary funds:	—	—	2,185,877,345.33	—	—	2,112,667,177.41
RMB	—	—	2,185,114,941.21	—	—	1,953,372,355.46
USD	123,392.32	6.1787	762,404.12	25,343,206.29	6.2855	159,294,723.14
EUR				11.88	8.3176	98.81
Total	—	—	3,784,625,075.07	—	—	4,456,217,362.86

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

- ① Other monetary funds of RMB862,078,959.81 (31 December 2012: RMB987,167,187.90) were the guarantee deposit for the application for bank acceptance with the banks by the Group;
- ② Other monetary funds of RMB624,193,752.79 (31 December 2012: RMB595,207,540.73) were the guarantee deposit for the application for letter of credit with the banks by the Group.
- ③ Other monetary funds of RMB597,600,000.00 (31 December 2012: RMB394,200,000.00) were the guarantee deposit for the application for guarantees with the banks by the Group.
- ④ the ownership of other monetary funds amounted to RMB102,004,632.73 (31 December 2012: RMB136,092,448.78) of the Group was restricted, of which certificates of time deposits of RMB102,004,632.73 were the pledge for the bank loans of US\$15,000,000.00 from J.P. Morgan for a term of two years.

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

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	1,963,488,430.13	1,852,478,364.46
Commercial acceptance	63,432,473.43	
Total	2,026,920,903.56	1,852,478,364.46

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

There is no bills reclassified into accounts receivable due to default on the part of the drawer during the reporting period.

Outstanding notes endorsed to other parties by the Company

Unit: RMB

Issuing Company	Issuing date	Maturity date	Amount	Remark
FUJIAN CHENHE TRADE CO., LTD.	19 February 2013	19 August 2013	10,000,000.00	Derecognised
WUXI YIFA PAPER CO., LTD.	31 May 2013	30 November 2013	9,000,000.00	
SAMSON PAPER (SHENZHEN) COMPANY LIMITED	30 May 2013	30 November 2013	8,446,585.69	
BEIJING NEW BUILDING MATERIAL (GROUP) CO., LTD.	10 April 2013	10 July 2013	8,001,500.00	Derecognised
TIANJIN QIRUN INVESTMENT CO., LTD.	24 May 2013	23 November 2013	7,548,000.00	
Total	—	—	42,996,085.69	—

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

3. Accounts receivable

(1) Disclosure of accounts receivable according to classification

Unit: RMB

Category	Closing balance		Provision for bad debts		Opening balance		Provision for bad debts	
	Book balance Amount	Ratio (%)	Amount	Ratio (%)	Book balance Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are individually significant and are provided for bad debts on individual basis	48,605,549.72	1.3%	48,605,549.72	100%	48,696,549.72	1.26%	48,696,549.72	100%
Accounts receivable that are provided for bad debts on portfolio basis								
Risk-free portfolio	513,023,073.75	13.78%			358,778,459.12	9.27%		
General portfolio	3,161,916,964.71	84.92%	195,450,149.14	6.18%	3,461,286,305.68	89.47%	217,109,713.62	6.27%
Sub-total for portfolio	3,674,940,038.46	98.7%	195,450,149.14	5.23%	3,820,064,764.80	98.74%	217,109,713.62	5.68%
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	25,640.70		25,640.70	100%	86,850.13		86,850.13	100%
Total	3,723,571,228.88	—	244,081,339.56	—	3,868,848,164.65	—	265,893,113.47	—

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

Applicable Not applicable

Unit: RMB

Accounts receivable	Book balance	Provision for bad debts	Percentage of provision	Reason
Loans	48,605,549.72	48,605,549.72	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	48,605,549.72	48,605,549.72	—	—

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

Applicable Not applicable

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

3. Accounts receivable (Cont'd)

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

Unit: RMB

Ageing	Closing balance			Opening balance		
	Book balance Amount	Ratio (%)	Provision for bad debts	Book balance Amount	Ratio (%)	Provision for bad debts
Within 1 year						
Of which:	—	—	—	—	—	—
Within 1 year	3,052,256,941.62	96.53%	152,612,847.09	3,350,375,732.48	96.8%	167,518,786.62
Sub-total of within 1 year	3,052,256,941.62	96.53%	152,612,847.09	3,350,375,732.48	96.8%	167,518,786.62
1 to 2 years	69,220,814.48	2.19%	6,922,081.45	65,152,312.73	1.88%	6,515,231.27
2 to 3 years	5,654,985.01	0.18%	1,130,997.00	3,353,205.93	0.1%	670,641.19
Over 3 years	34,784,223.60	1.1%	34,784,223.60	42,405,054.54	1.22%	42,405,054.54
Total	3,161,916,964.71	—	195,450,149.14	3,461,286,305.68	—	217,109,713.62

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Accounts receivable	Book balance	Provision for bad debt	Percentage of provision (%)	Reason
Loans	25,640.70	25,640.70	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	25,640.70	25,640.70	—	—

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

3. Accounts receivable (Cont'd)

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

Unit: RMB

Particulars of accounts receivable	Reason for reversal or recovery	Original basis for bad debt provision	Cumulative bad debt provision prior to reversal or recovery	Amount of reversal or recovery
Loans	Collection of payment for goods	Overdue for over 3 years and estimated the possibility to recover is least	26,468,300.18	26,468,300.18
Total	—	—	26,468,300.18	—

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

Unit: RMB

Accounts receivable	Book balance	Provision bad debt	Percentage of provision (%)	Reason
Loans	48,631,190.42	48,631,190.42	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	48,631,190.42	48,631,190.42	—	—

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(3) Particulars of top five accounts receivable

Unit: RMB

Name of entity	Relation with the Company	Amount	Term	As a percentage of the total of accounts receivable (%)
BEIJING ZHONGBANLIAN PRINTING MATERIALS CO., LTD.	Non-related party	70,386,844.77	Within 1 year	1.86%
SHANXI PRINTING MATERIALS COMPANY	Non-related party	40,052,952.98	Within 1 year	1.06%
JIANGSU XINHUABAI PRINTING CO., LTD.	Non-related party	28,109,243.64	Within 1 year	0.74%
YUNNAN PRINTING MATERIALS COMPANY	Non-related party	27,878,691.18	Within 1 year	0.74%
CHANGJIANG (HUBEI) PUBLISH & PRINT MATERIALS CO., LTD.	Non-related party	26,252,972.70	Within 1 year	0.69%
Total	—	192,680,705.27	—	5.09%

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

4. Other receivables

(1) Disclosure of other receivable according to classification

Unit: RMB

Category	Closing balance		Provision for bad debts		Opening balance		Provision for bad debts	
	Book balance Amount	Ratio (%)	Amount	Ratio (%)	Book balance Amount	Ratio (%)	Amount	Ratio (%)
Other receivable that are individually significant and are provided for bad debts on individual basis	8,918,424.06	0.59%	8,918,424.06	100%	8,918,424.06	0.66%	8,918,424.06	100%
Other receivable that are provided for bad debts on portfolio basis								
Risk-free portfolio	1,388,523,375.23	92.1%			1,213,593,786.15	89.91%		
General portfolio	96,464,341.15	6.4%	42,046,450.68	43.59%	113,580,888.39	8.41%	42,519,331.91	37.44%
Sub-total for portfolio	1,484,987,716.38	98.5%	42,046,450.68	2.83%	1,327,174,674.54	98.32%	42,519,331.91	3.2%
Other receivable that are individually insignificant but are provided for bad debts on individual basis	13,717,509.43	0.91%	13,717,509.43	100%	13,771,354.38	1.02%	13,771,354.38	100%
Total	1,507,623,649.87	-	64,682,384.17	-	1,349,864,452.98	-	65,209,110.35	-

Description of the classification of other receivables

Among risk-free portfolio, it mainly comprised of

- ① RMB242 million of equity transfer of the Company due from Henan Jianghe Paper Co., Ltd., RMB588 million of debts of the Company due from Shandong Chenming Paper Group Qihe Paperboard Co., Ltd. Date of payment of such account receivables was determined pursuant to the equity transfer agreement and the contract on assignment of debt. In addition, such contracts allowed us to supervise and inspect on-site operations of Qihe Paperboard. Currently, the Company assigned sent a group to carry out on-site supervision and inspection on a monthly basis, and, as such, there were no risks.
- ② RMB155 million of Zhanjiang Finance Bureau was due to Zhanjiang Chenming Paper Pulp Co., Ltd. of which RMB40.00 million was the performance guarantee deposits in relation to BT Project and would be refunded within 10 days following completion of construction and inspection of the project according to the contract. There were no risks. For the remaining amounts, namely construction reserve, it would be used to pay third parties or progress payments according to the contract.
- ③ RMB108 million of Development Area branch of Bureau of Land Resources of Wuhan was due to Wuhan Chenming Hanyang Paper Holdings Co., Ltd. Such amount was the premium for land acquisition and would be refunded after the completion of the auction process or acted as land premium. There were no risks.

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

4. Other receivables (Cont'd)

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

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

Applicable Not applicable

Unit: RMB

Other receivables	Book balance	Amount of bad debt	Percentage of provision (%)	Reason
Loans	8,918,424.06	8,918,424.06	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	8,918,424.06	8,918,424.06	—	—

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

Applicable Not applicable

Unit: RMB

Ageing	Closing balance		Provision for bad debts	Opening balance		Provision for bad debts
	Book balance Amount	Ratio (%)		Book balance Amount	Ratio (%)	
Within 1 year						
Of which:						
Within 1 year	33,592,788.12	34.83%	1,679,639.43	52,096,861.35	45.87%	2,604,843.05
Sub-total of within 1 year	33,592,788.12	34.83%	1,679,639.43	52,096,861.35	45.87%	2,604,843.05
1 to 2 years	9,851,467.35	10.21%	985,146.74	13,434,171.09	11.83%	1,343,417.10
2 to 3 years	17,048,026.47	17.67%	3,409,605.30	11,848,480.25	10.43%	2,369,696.05
Over 3 years	35,972,059.21	37.29%	35,972,059.21	36,201,375.70	31.87%	36,201,375.70
Total	96,464,341.15	—	42,046,450.68	113,580,888.39	—	42,519,331.90

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

4. Other receivables (Cont'd)

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

Unit: RMB

Particulars of other receivables	Book balance	Provision for bad debts	Provision rate (%)	Reason for provision
Amounts with customers	13,717,509.43	13,717,509.43	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	13,717,509.43	13,717,509.43	—	—

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

Unit: RMB

Particulars of the receivables	Reason for reversal or recovery	Original basis for bad debt provision	Cumulative bad debt provision prior to reversal or recovery	Amount of reversal or recovery
Amounts with customers	Collection of Amounts with customers	Overdue for over 3 years and estimated the possibility to recover is least	1,130,758.26	1,130,758.26
Total	—	—	1,130,758.26	—

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

Unit: RMB

Particulars of Amount receivables	Book balance	Amount of bad debt	Provision rate (%)	Reason
Loans	22,635,933.49	22,635,933.49	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	22,635,933.49	22,635,933.49	—	—

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

4. Other receivables (Cont'd)

(3) Nature and particulars of the significant other receivables

Unit: RMB

Name of entity	Amount	Nature and particulars of amount	As a percentage of the total of other receivables (%)
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	587,675,845.54	Transaction with customers	38.98%
Henan Jianghe Paper Co., Ltd.	242,253,083.33	Equity transfer	16.07%
Zhanjiang Finance Bureau	154,465,863.35	Construction reserve	10.25%
Development Area branch of Bureau of Land Resources of Wuhan	108,000,000.00	Land premium	7.16%
People's court in Shouguang	9,215,835.75	Litigation fee	0.61%
Total	1,101,610,627.97	—	73.07%

(4) Particulars of top five other receivables

Unit: RMB

Name of entity	Relation with the Company	Amount	Term	As a percentage of the total of other receivable (%)
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	Non-related party	587,675,845.54	Within 1 year	38.98%
Henan Jianghe Paper Co., Ltd.	Non-related party	242,253,083.33	Within 1 year	16.07%
Zhanjiang Finance Bureau	Non-related party	154,465,863.35	Within 1 year	10.25%
Development Area Branch of Bureau of Land Resources of Wuhan	Non-related party	108,000,000.00	2-3 years	7.16%
People's Court in Shouguang	Non-related party	9,215,835.75	Within 3 years	0.61%
Total	—	1,101,610,627.97	—	73.07%

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

5. Prepayments

(1) Prepayments stated according to ageing

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	1,791,974,042.49	88.68%	1,458,377,404.07	89.13%
1-2 years	124,910,387.31	6.18%	177,856,520.57	10.87%
2-3 years	18,892,975.98	0.93%		
Over 3 years	84,955,330.63	4.21%		
Total	2,020,732,736.41	—	1,636,233,924.64	—

(2) Particulars of top five prepayments

Unit: RMB

Name of entity	Relation with the Company	Amount	Term	Reasons for unsettlement
JIANGSU XINHAI PORT ENGINEERING CO., LTD	Non-related party	880,000,000.00	Within 1 year	Prepayments for construction fee according to the agreed contract
YANBIAN SHIXIAN BAILU PAPER CO., LTD	Non-related party	163,200,000.00	Within 1 year	Prepayments for the equipment according to the agreed contracts
SHOUGUANG CAILUN SHENXING FINE CHEMICAL CO., LTD.	Non-related party	108,061,470.46	Within 1 year	Prepayments for chemicals according to the agreed contract
Each village of Huanggang City	Non-related party	90,666,108.60	Within 1 year, 1-2 years, 2-3 years and over 3 years	Prepayments for forestry deposits according to the agreed contract
ANHUI YIQING SUPPLY & MARKETING COMPANY PUDONG COMPANY	Non-related party	67,789,609.04	Within 1 year	Prepayments for the goods according to the agreed contracts
Total	—	1,309,717,188.10	—	—

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

6. Inventories

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance	Book value	Book balance	Opening balance	Book value
		Impairment provision			Impairment provision	
Raw materials	2,170,242,284.06		2,170,242,284.06	1,961,862,887.18		1,961,862,887.18
Work-in-process products	86,872,999.27		86,872,999.27	179,769,195.77		179,769,195.77
Goods in stock	1,833,478,519.65		1,833,478,519.65	2,285,369,746.18	14,453,128.45	2,270,916,617.73
Total	4,090,593,802.98		4,090,593,802.98	4,427,001,829.13	14,453,128.45	4,412,548,700.68

(2) Impairment provision for inventories

Unit: RMB

Type of inventories	Opening book balance	Provision during the period	Decrease during the period		Closing book balance
			Reversal	Write-off	
Goods in stock	14,453,128.45			14,453,128.45	
Total	14,453,128.45			14,453,128.45	

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7. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid enterprise income tax	116,719,130.49	103,139,626.04
Non-credited VAT proceeds	1,599,540,302.48	1,700,116,681.57
Total	1,716,259,432.97	1,803,256,307.61

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

8. Investments in joint ventures and associates

Unit: RMB

Name of investee	Equity interest held by the Company (%)	Voting right in the investee by the Company (%)	Total assets as at the end of the period	Total liabilities as at the end of the period	Total net assets as at the end of the period	Total revenue from operations during the period	Net profit for the period
I. Joint venture							
II. Associate							
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	21.16%	21.16%	47,337,401.62	25,397,299.82	21,940,101.80	8,835,204.95	-709,591.59
Qingzhou Chenming Denaturation Amylum Co., Ltd.	30%	30%					

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

Qingzhou Chenming Denaturation Amylum Co., Ltd. made impairment provision in full over the prior years due to its underperformance.

9. Long-term investments in equity

(1) The breakdown of long-term investment in equity

Unit: RMB

Name of investee	Accounting method	Cost of investment	Opening balance	Changes	Closing balance	Shareholding in the investee (%)	Voting right in the investee (%)	Explanation of the inconsistency of shareholding and voting right in the investee	Impairment provision	Impairment provision for the period	Cash dividend for the period
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Equity method	900,000.00	900,000.00		900,000.00	30%	30%		900,000.00		
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Equity method	6,000,000.00	4,792,675.12	-150,149.58	4,642,525.54	21.16%	21.16%				
Shanghai Anzhou New Energy Co., Ltd.	Equity method	250,000,000.00	268,743,677.13	-268,743,677.13		49%	49%				
Shandong Paper Making & Printing Enterprises Corporation	Cost method	200,000.00	200,000.00		200,000.00	2%	2%		200,000.00		
Jinan Shangyou Commercial Company Limited	Cost method	350,000.00	350,000.00		350,000.00	5%	5%		350,000.00		
Zhejiang Province Guangyu Media Printing Company Limited	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	9.96%	9.96%				
Shouguang Mihe Water Company Limited	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	19.46%	19.46%				
Shanghai Forest & Paper E-Commerce Co., Ltd.	Cost method	1,400,000.00	1,400,000.00		1,400,000.00	14%	14%		1,139,574.47		
Anhui Time Source Corporation	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	10%	10%				
Weifang Xinye Capital Investment Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	3.76%	3.76%				
Shandong Hongqiao Venture Capital Co., Ltd.	Cost method	50,000,000.00	50,000,000.00		50,000,000.00	16.67%	16.67%				
Total	-	341,850,000.00	359,386,352.25	-268,893,826.71	90,492,525.54	-	-	-	2,589,574.47		

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

10. Investment properties

(1) Investment properties measured at cost

				Unit: RMB
Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Total original carrying amount	38,291,395.70			38,291,395.70
1.Buildings	38,291,395.70			38,291,395.70
II. Accumulated depreciation and accumulated amortisation in total	17,079,695.71	869,128.02		17,948,823.73
1.Buildings	17,079,695.71	869,128.02		17,948,823.73
III. Net book value of Investment properties in total	21,211,699.99	-869,128.02		20,342,571.97
1.Buildings	21,211,699.99	-869,128.02		20,342,571.97
IV. Book value of Investment properties in total	21,211,699.99	-869,128.02		20,342,571.97
1.Buildings	21,211,699.99	-869,128.02		20,342,571.97
				Unit: RMB
				For the period
Depreciation and amortisation for the period				869,128.02
Impairment provision for investment properties for the period				0.00

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

11. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance	
I. Total original carrying amount:	28,412,923,014.84	3,361,144,731.24	478,743,873.21	31,295,323,872.87	
Of which: Building	4,539,770,091.32	429,796,556.14	128,620,019.46	4,840,946,628.00	
Machinery and equipment	23,039,134,217.46	2,892,667,559.49	324,489,158.35	25,607,312,618.60	
Vehicle	216,843,313.45	31,076,083.31	13,867,558.15	234,051,838.61	
Electronic equipment and others	617,175,392.61	7,604,532.30	11,767,137.25	613,012,787.66	
	Opening book balance	Increase for the period	Provision for the period	Decrease for the period	Closing book balance
II. Accumulated depreciation and accumulated amortisation in total:	8,648,567,024.93	658,939,168.16	221,375,997.80	9,086,130,195.29	
Of which: Buildings	827,808,803.62	63,734,070.18	58,694,772.62	832,848,101.18	
Machinery and equipment	7,354,849,826.06	563,388,709.23	144,869,185.18	7,773,369,350.11	
Vehicles	88,283,565.63	9,964,003.85	8,177,113.44	90,070,456.04	
Electronic equipment and others	377,624,829.62	21,852,384.90	9,634,926.56	389,842,287.96	
	Opening book balance				Closing book balance
III. Net carrying amount of fixed assets	19,764,355,989.91	–	–	22,209,193,677.58	
Of which: Buildings	3,711,961,287.70	–	–	4,008,098,526.82	
Machinery and equipment	15,684,284,391.40	–	–	17,833,943,268.49	
Vehicles	128,559,747.82	–	–	143,981,382.57	
Electronic equipment and others	239,550,562.99	–	–	223,170,499.70	
IV. Total impairment provision	13,015,998.85	–	–	28,015,998.85	
Machinery and equipment	13,015,998.85	–	–	28,015,998.85	
Electronic equipment and others	–	–	–	–	
V. Total carrying amount of fixed assets	19,751,339,991.06	–	–	22,181,177,678.73	
Of which: Buildings	3,711,961,287.70	–	–	4,008,098,526.82	
Machinery and equipment	15,671,268,392.55	–	–	17,805,927,269.64	
Vehicles	128,559,747.82	–	–	143,981,382.57	
Electronic equipment and others	239,550,562.99	–	–	223,170,499.70	

Depreciation for the current period amounted to RMB658,939,168.16. RMB3,207,126,057.78 was reclassified from construction in progress into the original value of fixed assets for the current period.

Details of restricted fixed assets

As at 30 June 2013, the ownership of buildings and equipment of the carrying amount of RMB6,228,487,308.97 (the original value of RMB6,682,978,708.86) (31 December 2012: carrying amount of RMB6,351,131,719.77 and original value of RMB6,654,874,429.83) and intangible assets - land use rights of the carrying amount of RMB327,109,666.28 (31 December 2012: RMB330,717,493.46) was restricted as collateral for long-term borrowings of RMB2,943,826,182.70 (31 December 2012: RMB3,098,403,800.00) and long-term borrowings due within one year of RMB271,882,639.26 (31 December 2012: RMB290,625,800.00).

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

11. Fixed assets (Cont'd)

(2) Particulars of temporarily unused fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Net carrying amount	Note
Buildings	27,606,867.26	8,267,820.55		19,339,046.71	
Machinery and equipment	123,940,382.16	61,368,810.78		62,571,571.38	
vehicles	760,779.40	511,765.76		249,013.64	
Electronic equipment and others	26,564,079.01	14,629,021.58		11,935,057.43	

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

Item	Reason for not yet obtaining property right certificates	Estimated year for obtaining property right certificates
Shouguang Meilun Paper Co., Ltd.	Processing	2013
Shandong Chenming Paper Holdings Limited	Processing	2013
Fuyu Chenming Paper Co., Ltd.	Processing	2013
Zhanjiang Chenming Paper Pulp Co., Ltd.	Processing	2013

12. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Closing balance		
	Book balance	Impairment provisions	Carrying amount	Book balance	Impairment provisions	Carrying amount
Huanggang forestry pulp integration project	125,631,425.36		125,631,425.36	120,872,039.53		120,872,039.53
Relocation of Jilin	1,504,117,238.65		1,504,117,238.65	1,358,160,725.92		1,358,160,725.92
Technological improvements to white paper board project, etc.	32,208,656.89		32,208,656.89	18,231,971.17		18,231,971.17
600,000 tonnes white coated linerboard project (Meilun)				2,488,623,232.74		2,488,623,232.74
Power plant phase III further expansion (the Company)				483,981,213.99		483,981,213.99
Zhanjiang Chenming 700,000 tonnes pulp equipment upgrade	158,505,408.62		158,505,408.62	116,258,400.00		116,258,400.00
Magnesite mining	296,569,677.95		296,569,677.95	196,118,936.12		196,118,936.12
Household paper project phase one (Wuhan)	279,766,141.02		279,766,141.02	47,110,293.82		47,110,293.82
Technological improvements to speciality paper project (Wuhan)	40,340,958.04		40,340,958.04	37,306,505.60		37,306,505.60
Meilun papermaking additive project	133,450,371.93		133,450,371.93	50,464,830.16		50,464,830.16
Other construction in progress projects	187,336,125.50		187,336,125.50	100,476,672.54		100,476,672.54
Total	2,757,926,003.96		2,757,926,003.96	5,017,604,821.59		5,017,604,821.59

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

12. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects

Unit: RMB

Name of project	Budget (100 million)	Opening balance	Increase for the period	Reclassified to fixed assets	Other deductions	Investment to budget (%)	Construction progress	Accumulated capitalised interest amount	Of which: capitalised interest amount for the period	Capitalisation rate of the interest amount for the period (%)	Source of funds	Closing balance
Huangang forestry pulp integration project		120,872,039.53	4,759,385.83				To be completed				Self-raised	125,631,425.36
Relocation of Jilin	23.00	1,358,160,725.92	174,172,698.96		28,216,186.23	65.4%	To be completed	13,742,821.57	8,242,821.57	6.2%	Self-raised and borrowings	1,504,117,238.65
Technological improvements to white paper board project, etc. 600,000 tonnes white coated linerboard project (Meilun)	2.00 26.00	18,231,971.17 2,488,823,232.74	27,581,931.05 89,648,981.23	13,605,245.33 2,578,272,213.97		16.1%	To be completed completed				Self-raised Capital and borrowings	32,208,656.89
Power plant phase III further expansion (the Company)	5.80	483,981,213.99	71,071,928.66	555,053,142.65			completed				Self-raised	
Zhanjiang Chenming 700,000 tonnes pulp equipment upgrade	2.30	116,258,400.00	42,247,008.62			68.92%	To be completed	5,686,007.02	2,127,581.94	6%	Capital and borrowings	158,505,408.62
Magnesite mining	5.00	196,118,936.12	100,450,741.83			59.31%	To be completed				Self-raised	296,569,677.95
Household paper project phase one (Wuhan)	4.89	47,110,293.82	232,655,847.20			57.21%	To be completed	4,464,588.10	4,464,588.10	6.36%	Capital and borrowings	279,766,141.02
Technological improvements to speciality paper project (Wuhan)	2.50	37,306,505.60	3,034,452.44			16.14%	To be completed	1,516,410.56	1,516,410.56	6.06%	Capital and borrowings	40,340,958.04
Meilun papermaking additive project	3.50	50,464,830.16	82,985,541.77			38.13%	To be completed	2,113,219.11	2,113,219.11	6.55%	Capital and borrowings	133,450,371.93
Other construction in progress projects		100,476,672.54	182,352,814.90	60,195,455.83	35,297,906.11			597,685.46	597,685.46		Self-raised and borrowings	187,336,125.50
Total	74.99	5,017,604,821.59	1,010,961,332.49	3,207,126,057.78	63,514,092.34	-	-	28,120,731.81	19,062,306.74	-	-	2,757,926,003.96

Deduction in construction in progress of the relocation of Jilin Chenming: some assets were written off due to the relocation.

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

12. Construction in progress (Cont'd)

(3) Construction progress of material construction in progress

Projects	Construction progress	Note
Relocation of Jilin	65.40%	Construction progress was estimated on the basis of the percentage of investment to budget
Technological improvements to white paper board project, etc.	16.10%	Construction progress was estimated on the basis of the percentage of investment to budget
Zhanjiang Chenming 700,000 tonnes pulp equipment upgrade	68.92%	Construction progress was estimated on the basis of the percentage of investment to budget
Magnesite mining	59.31%	Construction progress was estimated on the basis of the percentage of investment to budget
Household paper project phase one (Wuhan)	57.21%	Construction progress was estimated on the basis of the percentage of investment to budget
Technological improvements to speciality paper project (Wuhan)	16.14%	Construction progress was estimated on the basis of the percentage of investment to budget
Meilun papermaking additive project	38.13%	Construction progress was estimated on the basis of the percentage of investment to budget

13. Materials for projects

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Special materials	38,672,668.55	174,591,997.36	26,829,447.44	186,435,218.47
Special equipment	36,382,323.54	34,331,451.02	51,575,555.13	19,138,219.43
Total	75,054,992.09	208,923,448.38	78,405,002.57	205,573,437.90

14. Disposal of fixed assets

Unit: RMB

Item	Opening carrying amount	Closing carrying amount	Reasons for disposal of
Disposal of fixed assets arising from the relocation of Jilin Chenming Paper Co., Ltd.	287,015,185.63	308,744,678.63	Relocation and retirement of fixed assets
Fuyu Chenming Paper Co., Ltd.	294,632.40	561,682.40	
Total	287,309,818.03	309,306,361.03	—

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

15. Consumable biological assets

(1) Measured at fair value

Unit: RMB

Item	Opening carrying amount	Increase for the period	Decrease for the period	Closing carrying amount
Consumable biological assets	1,169,269,054.15	87,692,588.35	5,185,266.25	1,251,776,376.25
Total	1,169,269,054.15	87,692,588.35	5,185,266.25	1,251,776,376.25

Explanation on consumable biological assets

- (1) Consumable biological assets are measured at fair value. The fair value of timber increased by RMB3,924,877.41 due to acquisition, increased by RMB74,538,668.43 due to breeding, decreased by RMB5,185,266.25 due to disposal, and increased by RMB9,229,042.51 due to change of fair value.
- (2) As of 30 June 2013, there was no significant difference between the fair value and cost of the timber planted during the year or unable to form any level of stocking in the consumable biological assets so its carrying amount was taken as its fair value. The timber forming a level of stocking was measured at fair value and its fair value was determined based on the valuation of China Faith Appraisers Co., Ltd. The consumable biological assets measured at carrying amount as their fair value amounted to RMB163,526,887.20 and the consumable biological assets measured at assessed value as their fair value amounted to RMB1,088,249,489.05.

16. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Total original carrying amount	1,607,671,950.95	124,282,537.40	40,901,250.89	1,691,053,237.46
Land use rights	1,590,505,598.38	123,344,613.44	40,901,250.89	1,672,948,960.93
Software	17,166,352.57	937,923.96		18,104,276.53
II. Total accumulated amortisation	191,174,791.73	14,807,626.85	2,370,812.64	203,611,605.94
Land use rights	179,397,382.19	13,838,700.94	2,370,812.64	190,303,637.13
Software	11,777,409.54	968,925.91		13,307,968.81
III. Total net carrying amount of intangible asset	1,416,497,159.22	109,474,910.55	38,530,438.25	1,487,441,631.52
Land use rights	1,411,108,216.19	109,505,912.50	38,530,438.25	1,482,645,323.80
Software	5,388,943.03	-31,001.95		4,796,307.72
Land use rights				
Software				
Total carrying amount of intangible asset	1,416,497,159.22	109,474,910.55	38,530,438.25	1,487,441,631.52
Land use rights	1,411,108,216.19	109,505,912.50	38,530,438.25	1,482,645,323.80
Software	5,388,943.03	-31,001.95		4,796,307.72

The amortisation amount was RMB14,807,626.85 during the period.

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

17. Goodwill

Unit: RMB

Name of investee or tem generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provisions at the end of the period
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60	
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57	
Total	20,283,787.17			20,283,787.17	

Explanation on impairment test method and impairment provision on goodwill.

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

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

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

On the balance sheet date, management of the Company assesses the recoverable amount of cash-generating unit which results goodwill, in order to determine whether to make provision for impairment loss accordingly. The recoverable amount of cash-generating unit is determined based on the estimated cash flow in financial budget of five years in the future by management, using the steady annual growth rate in the industry of 5% (2012: 5%) expected by the market, and time value of currency was estimated using the discount rate of 8.32% (2012: 8.32%). Management of the Company expects no provision for impairment loss is necessary to be made for goodwill during the reporting period.

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

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance	Reasons for other deductions
Expenses on improvement of leased assets	12,108,612.65			10,384,425.05	1,724,187.60	Disposal of Yanbian during the period
Woodland expenses	170,460,955.74	1,500,737.60	3,303,130.70		168,658,562.64	
Other	2,201,117.26	27,443,749.99	23,242.02		29,621,625.23	
Total	184,770,685.65	28,944,487.59	3,326,372.72	10,384,425.05	200,004,375.47	—

19. Deferred income tax assets and deferred income tax liabilities

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

Recognised deferred income tax assets and deferred income tax liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income tax assets:		
Provision for impairment of assets	69,610,826.50	76,283,989.46
Deductible losses	317,264,221.25	244,104,208.24
Elimination of unrealised profit arising from intra-group	15,583,569.74	20,805,987.85
Unpaid payables	9,026,201.63	17,531,699.23
Deferred income	16,479,049.59	18,212,201.82
Sub-total	427,963,868.71	376,938,086.60

Deferred income tax liabilities:

Breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	9,983,254.86	118,431,196.57
Deductible loss	396,383,253.04	329,374,556.35
Total	406,366,507.90	447,805,752.92

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

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

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

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

Unit: RMB

Year	Closing balance	Opening balance	Remark
2013	74,170.94	74,170.94	
2014	38,442,223.21	38,442,223.21	
2015	67,208,911.93	67,208,911.93	
2016	70,887,235.48	70,887,235.48	
2017	152,762,014.79	152,762,014.79	
2018	67,008,696.69		
Total	396,383,253.04	329,374,556.35	—

The breakdown of tax payable differences and deductible differences

Unit: RMB

Item	Amount of temporary differences	
	The end of the period	The beginning of the period
Tax payable differences		
Deductible differences		
Provision for impairment of assets	298,780,468.87	322,820,452.56
Preliminary expenses		
Deductible losses	1,277,501,916.10	976,416,833.00
Elimination of unrealised profit arising from intra-group	62,334,278.96	83,223,951.42
Unpaid payables	45,327,821.96	95,609,060.53
Deferred income	80,174,931.73	86,010,898.97
Sub-total	1,764,119,417.62	1,564,081,196.48

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

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

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

Constituent items of deferred income tax assets and liabilities after offsetting

Unit: RMB

Item	Deferred income tax assets or liabilities after offsetting as at the end of the reporting period	Deductible and taxable temporary differences after offsetting as at the end of the reporting period	Deferred income tax assets or liabilities after offsetting as at the beginning of the reporting period	Deductible and taxable temporary differences after offsetting as at the beginning of the reporting period
Deferred income tax assets	427,963,868.71		376,938,086.60	

20. Breakdown of provision for impairment of assets

Unit: RMB

Item	Opening balance of carrying amount	Increase for the period	Decrease for the period		Closing balance of carrying amount
			Reversal	Write-off	
I. Provisions for bad debts	331,102,223.82	7,946,633.57	27,599,058.44	2,686,075.22	308,763,723.73
II. Provisions for inventory impairment	14,453,128.45			14,453,128.45	
V. Provisions for long-term equity investment impairment	2,589,574.47				2,589,574.47
VII. Provisions for fixed assets impairment	13,015,998.85	15,000,000.00			28,015,998.85
Total	361,160,925.59	22,946,633.57	27,599,058.44	17,139,203.67	339,369,297.05

Explanation on provision for impairment of assets: in the write-off of the deduction of provision for impairment of assets, bad debt provision of RMB930,989.33 was deducted resulting from the disposal of Wuhan Chenjian New-style Wall Materials Co., Ltd. during the period.

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

21. Short-term borrowings

(1) Types of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	179,182,300.00	
Guarantee borrowings	2,786,800,195.61	3,893,489,091.48
Credit borrowings	7,393,570,548.12	5,925,909,403.68
Discounted borrowings	3,005,662,018.87	3,057,000,000.00
Total	13,365,215,062.60	12,876,398,495.16

Description of types of short-term borrowings

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

22. Bills payable

Unit: RMB

Type	Closing balance	Opening balance
Commercial acceptance	477,720,000.00	
Bank acceptance	455,519,044.69	1,285,627,762.07
Total	933,239,044.69	1,285,627,762.07

Amount to be due in the next accounting period amounted to RMB933,239,044.69.

23. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,641,403,781.25	2,937,983,262.67
1-2 years	194,742,863.12	158,572,722.64
2-3 years	53,418,963.91	49,693,420.80
Over 3 years	73,097,839.11	93,532,318.70
Total	2,962,663,447.39	3,239,781,724.81

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

23. Accounts payable (Cont'd)

(2) Explanation on significant trade payables aged over 1 year

Name of unit	Amount	Reason of being outstanding	Repaid after the reporting date
Artemis Forestry Co., Ltd	21,879,231.84	Temporary outstanding	No
America Chung Nam, Inc.	13,874,111.82	Temporary outstanding	No
Shandong Nge Logistics Co., Ltd.	12,787,406.09	Temporary outstanding	No
MODERN WOOD INVESTMENT LTD	9,165,994.97	Temporary outstanding	No
Henan Kaifeng High Pressure Valve Co., Ltd.	6,246,968.30	Temporary outstanding	No
Total	63,953,713.02	—	—

24. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	416,131,364.76	340,139,089.13
1-2 years	8,098,177.52	7,696,711.74
Total	424,229,542.28	347,835,800.87

(2) Explanation on significant advance receipts aged over one year

Name of unit	Amount	Reason for not being carried forward
Shandong Kailong Paper Science and Technology Co., Ltd	1,082,000.00	No delivery requirement from the counterparty
Total	1,082,000.00	

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

25. Staff remuneration payables

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Salaries, bonuses, allowance and subsidies	113,061,559.95	306,174,750.12	368,182,183.98	51,054,126.09
II. Staff welfare		16,485,322.27	16,485,322.27	
III. Social insurance premium	12,309,783.97	79,101,165.78	74,546,684.69	16,864,265.06
Of which: 1. Medical insurance premium	7,814,322.06	17,441,700.98	16,995,155.00	8,260,868.04
2. Pension insurance premium	3,130,098.40	53,423,932.88	50,446,111.74	6,107,919.54
3. Unemployment insurance premium	35,238.75	4,539,779.39	3,350,056.49	1,224,961.65
4. Work-related injury insurance premium	63,922.14	2,014,121.55	1,963,581.83	114,461.86
5. Maternity insurance premium	1,266,202.62	1,681,630.98	1,791,779.63	1,156,053.97
IV. Housing provident funds	10,020,193.56	27,476,033.96	29,423,015.11	8,073,212.41
V. Lay off welfare	3,083.97	21,919.31	12,928.13	12,075.15
VI. Others	18,804,595.54	328,846.40	336,066.44	18,797,375.50
VII. Union operation costs and employee education costs	23,648,552.72	6,162,247.08	5,536,868.94	24,273,930.86
Total	177,847,769.71	435,750,284.92	494,523,069.56	119,074,985.07

Amount of default payment within staff remuneration payables amounted to RMB0.00.

Union operation costs and employee education costs amounted to RMB24,273,930.86, non-monetary welfare amounted to RMB0.00 and compensation arising from termination of service amounted to RMB12,075.15.

26. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	6,070,319.82	39,231,100.57
Business tax	2,425,786.60	962,094.33
Enterprise income tax	51,838,806.21	42,565,684.15
Individual income tax	8,597,864.40	170,709.08
Urban maintenance and construction tax	3,487,867.18	2,792,836.34
Land use tax	3,554,528.92	8,114,849.29
Property tax	8,020,850.54	8,224,888.15
Educational surcharges and others	3,557,207.77	2,678,529.97
Stamp duty	1,328,996.08	2,075,721.99
Total	88,882,227.52	106,816,413.87

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

27. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	229,830,246.21	65,900,289.97
Interest on medium-term notes	17,125,083.32	67,145,833.34
Total	246,955,329.53	133,046,123.31

28. Dividend payable

Unit: RMB

Name of unit	Closing balance	Opening balance	Reason for failure to pay for over a year
2012 dividend	118,528,318.02		
Total	118,528,318.02		—

Description of dividend payable: please refer to V Directors' Report XI of this report for details.

29. Other payables

(1) Particulars of other payables

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	200,437,201.41	310,080,861.84
1-2 years	57,317,701.29	58,740,745.82
2-3 years	27,705,444.95	16,748,468.93
Over 3 years	51,804,522.02	50,202,212.39
Total	337,264,869.67	435,772,288.98

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

29. Other payables (Cont'd)

(2) Explanation on significant other payables aged over 1 year

Name of unit	Amount	Reason of being outstanding	Repaid after the reporting date
China Development Bank Guangdong branch	6,609,391.81	Temporary outstanding	No
Hangzhou Huadong Steel Structure Manufactory Co., Ltd.	1,195,000.00	Temporary outstanding	No
Asia Paper Markets (SIP) Co., Ltd.	867,050.87	Temporary outstanding	No
Shouguang Construction Co., Ltd, Chenming Branch	840,600.00	Temporary outstanding	No
Far East Cable Co., Ltd.	685,000.00	Temporary outstanding	No
Total	10,197,042.68	—	—

(3) Explanation of the significant other payables

Name of unit	Amount	Nature or details	Repaid after the reporting date
China Development Bank Guangdong branch	6,609,391.81	Prepaid interest	No
Hangzhou Huadong Steel Structure Manufactory Co., Ltd.	1,195,000.00	Amounts with customers	No
Asia Paper Markets (SIP) Co., Ltd.	867,050.87	Amounts with customers	No
Shouguang Construction Co., Ltd, Chenming Branch	840,600.00	Amounts with customers	No
Far East Cable Co., Ltd.	685,000.00	Amounts with customers	No
Total	10,197,042.68	—	—

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

30. Non-current liabilities due within one year

(1) Particulars of non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,122,233,139.26	1,368,108,800.00
Total	1,122,233,139.26	1,368,108,800.00

(2) Long-term borrowings due within one year

Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings		125,710,000.00
Secured borrowings	271,882,639.26	290,625,800.00
Guarantee borrowings	534,096,000.00	562,640,000.00
Credit borrowings	316,254,500.00	389,133,000.00
Total	1,122,233,139.26	1,368,108,800.00

Rollover of overdue borrowings within long-term borrowing due within a year amounted to RMB0.00.

Top five long-term borrowings due within one year

Unit: RMB

Borrowed by	Date of commencement	Date of termination	Currency	Rate (%)	Opening balance		Closing balance	
					Amount in foreign currency	Functional currency	Amount in foreign currency	Functional currency
Sumitomo Mitsui Banking Corporation (China) Limited	10 September 2010	10 September 2013	USD	3.36%	48,000,000.00	296,577,600.00		
China Development Bank Guangdong branch	25 March 2008	20 November 2013	RMB	5.9%		179,202,139.26		
Sumitomo Mitsui Banking Corporation (China) Limited	19 April 2011	11 March 2014	USD	2.98%	24,000,000.00	148,288,800.00		
The Export-Import Bank of China Qingdao branch	13 April 2011		RMB	4.51%		100,000,000.00		
J.P. Morgan	19 July 2011	19 July 2013	USD	2.32%	15,000,000.00	92,680,500.00		
Sumitomo Mitsui Banking Corporation (China) Limited	10 September 2010	10 September 2013	USD	3.36%			64,000,000.00	402,272,000.00
The Export-Import Bank of China Qingdao branch	28 June 2010	27 June 2013	USD	3.76%			36,000,000.00	226,278,000.00
China Development Bank Guangdong branch	25 March 2008	24 March 2013	USD	3.15%			30,000,000.00	188,565,000.00
China Development Bank Guangdong branch	25 March 2008	24 March 2013	RMB	5.9%				102,060,800.00
Agricultural Bank of China Shouguang sub-branch	26 January 2011	28 December 2013	RMB	4.7%				100,000,000.00
Total	–	–	–	–	–	816,749,039.26	–	1,019,175,800.00

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

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

31. Other current liabilities

Item	Unit: RMB	
	Closing book balance	Opening book balance
Deferred income to be amortised within one year	18,005,728.56	17,659,498.56
Total	18,005,728.56	17,659,498.56

Explanatory note to other current liabilities: the content should be asset-related government grant.

32. Long-term borrowings

(1) Type of Long-term borrowings

Item	Unit: RMB	
	Closing balance	Opening balance
Pledged borrowings		125,710,000.00
Secured borrowings	3,215,708,821.96	3,389,029,600.00
Guarantee borrowings	615,796,000.00	895,292,000.00
Credit borrowings	825,881,535.94	891,245,035.94
Less: long-term borrowings due within one year	1,122,233,139.26	1,368,108,800.00
Total	3,535,153,218.64	3,933,167,835.94

(2) Top five long-term borrowings

Borrowed by	Date of commencement	Date of termination	Currency	Rate (%)	Closing balance		Opening balance	
					Amount in		Amount in	
					foreign currency	Functional currency	foreign currency	Functional currency
China Development Bank Guangdong branch	25 March 2008	24 March 2023	USD	3.15%	320,000,000.00	1,977,184,000.00		
China Development Bank Guangdong branch	25 March 2008	24 March 2023	RMB	5.9%		966,642,182.70		
Sumitomo Mitsui Banking Corporation (China) Limited	21 March 2012	30 November 2014	USD	2.31%	30,000,000.00	185,361,000.00		
The Export-Import Bank of China Qingdao branch	20 June 2013	20 June 2015	USD	3.91%	20,000,000.00	123,574,000.00		
Bank of Communications Shouguang sub-branch	22 February 2013	21 February 2016	RMB	6.15%		100,000,000.00		
China Development Bank Guangdong branch	25 March 2008	24 March 2023	USD	3.15%			320,000,000.00	2,011,360,000.00
China Development Bank Guangdong branch	25 March 2008	24 March 2023	RMB	5.9%				1,087,043,800.00
Sumitomo Mitsui Banking Corporation (China) Limited	11 April 2011	11 March 2014	USD	2.98%			40,000,000.00	251,420,000.00
Mitsui syndicated loans	11 April 2011	11 March 2014	USD	2.98%			39,909,633.28	250,852,000.00
The Export-Import Bank of China Qingdao branch	13 April 2011	12 April 2014	RMB	5.51%				100,000,000.00
Total						3,352,761,182.70		3,700,675,800.00

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

33. Bonds payable

Unit: RMB

Bond name	Nominal value	Issue date	Term	Issued amount	Interest payable at the beginning of the period	Interest accrued during the period	Interest paid during the period	Interest payable at the end of the period	Closing balance
11 Chenming debt	2,000,000,000.00	06 July 2011	5years	1,982,000,000.00	59,169,444.44	59,500,000.01		118,669,444.45	1,970,493,148.96
11 Chenming Hong Kong debt	500,000,000.00	13 April 2011	5 years	491,750,000.00	2,944,508.30	6,834,399.90	6,628,939.84	3,149,968.36	497,368,862.39
12 Chenming debt	3,800,000,000.00	26 December 2012	5 years	3,773,400,000.00	3,578,333.33	104,432,500.07		108,010,833.40	3,793,816,445.37
Total	6,300,000,000.00			6,247,150,000.00	65,692,286.07	170,766,899.98	6,628,939.84	229,830,246.21	6,261,678,456.72

34. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Note
Relocation of Jilin Chenming due to environmental protection reason	641,526,872.70	150,000,000.00	57,675,631.91	733,851,240.79	
Total	641,526,872.70	150,000,000.00	57,675,631.91	733,851,240.79	—

Note on special accounts payable: During the reporting period, pursuant to the relocation compensation agreement entered into with China Development Jilin Co., Ltd., the Company received relocation compensation of RMB150 million. During the reporting period, the Company utilised the relocation compensation to offset loss on disposal of fixed asset and suspension of production of RMB6,682,941.54 and RMB50,992,690.37, respectively.

35. Other Non-current liabilities

Unit: RMB

Item	Closing balance of carrying amount	Opening balance of carrying amount
Deferred income	388,252,921.40	375,881,264.56
Medium-term notes and privately placed bonds	2,573,765,031.10	2,184,270,106.80
of which: due within 1 year		1,100,000,000.00
due within 1 to 2 years		
due within 2 to 5 years	2,600,000,000.00	1,100,000,000.00
unamortised issue expenses	-26,234,968.90	-15,729,893.20
Total	2,962,017,952.50	2,560,151,371.36

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

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

35. Other Non-current liabilities (Cont'd)

Among which, the breakdown of the above deferred income is as follows:

Item	Closing balance	Opening balance
Government grants in respect of assets		
Special subsidy funds for environmental protection	73,385,034.98	63,922,883.01
Project fund for National technological support scheme	7,523,075.00	7,605,425.00
Special subsidy fund for Songhuajiang environmental protection project	27,275,829.84	27,790,829.88
Modification of alkaline recycling system	4,883,749.85	4,883,749.85
Atmospheric pollution prevention and treatment subsidy fund		
Sewage treatment and water conservation reconfiguration project	12,404,360.57	12,899,569.87
Financial grants for technological modification project	1,972,781.97	1,972,781.97
Project on integrated development of pulp and paper in Zhejiang	277,833,104.95	273,472,850.82
Others	980,712.80	992,672.72
Less: deferred income to be amortised within 1 year	18,005,728.56	17,659,498.56
Total	388,252,921.40	375,881,264.56

Note: Deferred income of RMB25,867,841.00 was received during the period. Deferred income recognised through profit or loss was RMB8,603,382.74.

36. Share capital

Unit: RMB

	Opening balance	New issue	Change during the period (Increase/decrease)			Sub-total	Closing balance
			Bonus shares	Shares converted from reserve	Others		
Total number of shares	2,062,045,941.00	0.00	0.00	0.00	0.00	0.00	2,062,045,941.00

37. Treasury shares

Explanation on treasury shares

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Repurchase part of B shares of the Company		265,363,183.60		265,363,183.60
Total		265,363,183.60		265,363,183.60

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

37. Treasury shares (Cont'd)

Explanation on treasury shares:

At the 2012 third extraordinary general meeting of the Company, the resolution in respect of the repurchase of part of the domestic listed foreign shares (B shares) of the Company was reviewed and approved. During the 12 months from the date of passing of the resolution on the repurchase at a general meeting, the Company proposes to repurchase not more than 150 million domestic listed foreign shares (B shares). The number of the shares to be repurchased will be determined by the number of the shares actually repurchased upon expiry of the repurchase period subject to repurchase at the repurchase price equal to or below HK\$4 per share based on the change of the market price of the domestic listed foreign shares (B shares) during the period of the implementation of the repurchase proposal with reference to the operations of the Company and its funding position. From 7 March 2013 to 30 June 2013, 86,573,974 B shares have been cumulatively repurchased by the Company, which represented 4.1985% of the total share capital of the Company. Ceiling price was HK\$4.00 per share while floor price was HK\$3.38 per share. A total amount of HK\$ 330,911,185.31 was paid (including stamp duty and commissions).

38. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	5,713,148,731.33			5,713,148,731.33
Other capital reserves	701,744,268.20		31,421,760.99	670,322,507.21
Total	6,414,892,999.53		31,421,760.99	6,383,471,238.54

Explanation on capital reserves: capital reserves decreased during the period due to the transfer of the equity interest in Yanbian Chenming.

39. Surplus reserve

Unit: RMB

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

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

40. Retained profit

Item	Amounts	Unit: RMB
		Proportion of appropriation or allocation
Retained profit as at the end of the prior year before adjustment	4,149,511,927.88	—
Retained profit as at the beginning of the year after adjustment	4,149,511,927.88	—
Plus : Net profit for year attributable to shareholders of the parent company	333,409,511.73	—
Ordinary dividend payable	118,528,318.02	
Retained profit as at the end of the period	4,364,393,121.59	—

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

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

41. Revenue and operating costs

(1) Revenue and operating costs

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Revenue from principal activities	9,829,074,992.64	9,862,709,415.43
Revenue from other activities	198,826,365.79	101,742,119.61
Operating costs	8,251,349,814.35	8,500,512,936.03

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

41. Revenue and operating costs (Cont'd)

(2) Principal activities (by industry)

Unit: RMB

Industry name	Amounts during the period		Amounts during the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
I. Machine-made paper	8,848,173,025.18	7,326,007,309.03	9,216,139,824.70	7,909,765,293.16
II. Electricity and steam	803,178,978.83	667,582,441.74	415,231,784.63	360,583,271.43
III. Construction materials	109,279,405.02	91,159,060.57	163,649,151.64	134,290,206.98
IV. Paper chemicals			40,108,732.97	31,277,925.63
V. Hotel	19,689,151.28	4,853,289.68	24,253,681.15	6,367,047.37
VI. Hotels	48,754,432.33	39,934,984.09	3,326,240.34	2,293,200.11
Total	9,829,074,992.64	8,129,537,085.11	9,862,709,415.43	8,444,576,944.68

(3) Principal activities (by product)

Unit: RMB

Product name	Amounts during the period		Amounts during the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Light weight coated paper	501,851,702.17	426,670,112.16	599,263,279.24	546,228,892.26
Duplex press paper	1,371,028,527.11	1,134,137,789.43	1,520,629,992.03	1,325,662,646.62
Writing paper	185,288,743.85	161,211,366.92	152,926,898.85	146,337,134.17
Coated paper	2,160,140,193.34	1,877,854,601.69	2,146,633,544.01	2,044,364,500.36
News press paper	774,970,941.13	569,464,168.35	878,669,387.09	671,377,990.27
Paperboard	75,457,462.04	70,449,307.72	293,356,674.72	283,499,896.76
White paper board	1,101,886,281.24	875,218,954.34	979,292,604.55	801,231,392.96
Other machine-made paper	2,677,549,174.30	2,211,001,008.42	2,645,367,444.21	2,091,062,839.76
Electricity and steam	803,178,978.83	667,582,441.74	415,231,784.63	360,583,271.43
Building materials	109,279,405.02	91,159,060.57	163,649,151.64	134,290,206.98
Paper chemicals			40,108,732.97	31,277,925.63
Hotel	19,689,151.28	4,853,289.68	24,253,681.15	6,367,047.37
Others	48,754,432.33	39,934,984.09	3,326,240.34	2,293,200.11
Total	9,829,074,992.64	8,129,537,085.11	9,862,709,415.43	8,444,576,944.68

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

41. Revenue and operating costs (Cont'd)

(4) Principal activities (by geographical areas)

Unit: RMB

Region	Amounts during the period		Amounts during the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Mainland China	8,269,892,081.97	6,674,839,221.55	8,429,732,938.38	7,047,508,278.17
Hong Kong	325,828,258.19	231,375,805.11	85,042,051.22	82,802,641.61
U.S.	176,059,601.45	175,946,606.21	74,652,473.46	70,989,361.06
Japan	86,957,710.96	91,020,040.44	99,795,928.67	97,186,265.13
Southeast Asia	188,351,001.08	185,553,307.61	128,741,768.46	125,361,950.58
Middle East	249,421,527.92	244,493,213.57	203,094,484.24	201,948,291.67
Europe	128,149,696.15	128,477,031.97	129,403,908.38	124,403,235.71
South Africa	111,537,253.23	111,419,524.87	123,402,201.61	120,069,947.66
Other countries and regions	292,877,861.69	286,412,333.78	588,843,661.01	574,306,973.09
Total	9,829,074,992.64	8,129,537,085.11	9,862,709,415.43	8,444,576,944.68

(5) Revenue from top 5 customers of the Company

Unit: RMB

Name of customer	Revenue from principle activities	Percentage of the total revenue of the Company (%)
INTERNATIONAL FOREST PRODUCTS	115,264,196.18	1.15%
VITAL SOLUTIONS PTE LTD	93,452,376.88	0.93%
BEIJING ZHONGBANLIAN PRINTING MATERIALS CO., LTD.	81,197,667.74	0.81%
SHANGHAI YAOJI PLAYING CARD CO., LTD.	85,516,453.69	0.85%
BEIJING MUCUN PAPER CO., LTD.	75,050,797.59	0.75%
Total	450,481,492.08	4.49%

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42. Business taxes and surcharges

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Calculation standard
Business tax	5,832,299.61	7,548,025.90	3% or 5% of the income
Urban maintenance and construction tax	18,277,248.56	13,391,191.15	5-7% of the value added tax and business tax paid
Educational surcharges	12,894,018.95	9,323,433.40	3% of the value added tax and business tax paid
Others	1,963,940.87	1,584,134.66	
Total	38,967,507.99	31,846,785.11	—

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

43. Selling and distribution expenses

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Wages and surcharges	67,659,759.74	57,464,171.45
Depreciation expense	10,612,838.57	11,079,947.27
Warehouse expense	5,252,715.19	4,028,052.09
Utilities expense	3,115,321.98	3,582,776.04
Sales commission and consignment commission charge		3,071,018.21
Transportation expense	387,964,117.84	364,668,776.81
Cargo handling charges	12,327,966.67	11,971,838.24
Travel expense	19,279,665.75	15,655,400.80
Hospitality expense on business purpose	30,603,367.66	32,425,464.00
Office expense	2,999,329.34	3,001,146.71
Rental expense	3,553,679.69	
Others	27,029,980.02	29,010,696.91
Total	570,398,742.45	535,959,288.53

44. General and administrative expenses

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Wages and surcharges	116,586,345.12	121,892,556.35
Insurance premium for staff	18,660,014.18	21,768,254.37
Depreciation expense	29,118,564.28	29,162,968.44
Waste disposal expense	17,851,951.10	20,054,348.58
Hospitality expense on business purpose	11,306,119.68	12,925,818.51
Amortization of intangible assets	15,077,529.50	16,338,125.24
Technological development expense	154,034,416.74	147,761,690.01
Tax	32,176,223.99	43,460,228.32
Production interruption loss	118,765,772.80	43,459,259.99
Insurance premium	10,985,773.65	10,618,890.71
Others	77,961,242.94	95,352,573.08
Total	602,523,953.98	562,794,713.60

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

45. Finance expenses

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Interest expenses	729,787,021.37	722,193,327.18
Less: interest income	183,899,985.11	79,124,229.96
Less: capitalised interest amount	19,062,306.74	142,807,022.80
Foreign exchange gains and losses	-72,465,754.66	18,877,469.88
Capitalised foreign exchange gains and losses amount		
Others	32,050,142.93	22,146,110.15
Total	486,409,117.79	541,285,654.45

46. Gain on change in fair value

Source of gain on change in fair value	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Biological assets measured at fair value	9,229,042.51	15,457,198.72
Total	9,229,042.51	15,457,198.72

47. Investment income

(1) Breakdown of investment income

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the equity method	421,036.92	-2,716,529.31
Investment gain on disposal of long-term equity investments	5,176,688.18	
Others	-414,540.00	
Total	5,183,185.10	-2,716,529.31

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

47. Investment income (Cont'd)

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

Unit: RMB

Investee	Amounts during the period	Amounts during the prior period	Reason for change
ARJO WIGGINS CHENMING SPECIALTY PAPER CO., LTD.		-2,891,895.50	Provision for impairment has been fully provided to investee.
JIANGXI JIANGBAO MEDIA COLOUR PRINTING CO., LTD.	-150,149.58	175,366.19	Change in revenue of investee
SHANGHAI BANGTAI NEW ENERGY TECHNOLOGY CO., LTD.	571,186.50		Change in revenue of investee
Total	421,036.92	-2,716,529.31	—

48. Loss on impairment of assets

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
I. Loss on bad debts	-19,652,424.87	13,436,773.17
II. Loss on fixed asset impairment	15,000,000.00	
Total	-4,652,424.87	13,436,773.17

49. Non-operating income

(1) Non-operating income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Amounts included in current extraordinary gains and losses
Total gain on disposal of non-current assets	7,414,212.57	2,840,815.25	
Of which: Gain on disposal of fixed assets	7,414,212.57	2,840,815.25	7,414,212.57
Gain on debt restructuring	39,984.11	10,000,000.00	39,984.11
Government grants	118,562,462.37	179,712,857.44	112,054,796.04
Compensation for demolition	199,583,037.58	9,925,075.95	199,583,037.58
Other	10,705,664.53	20,988,983.26	10,705,664.53
Total	336,305,361.16	223,467,731.90	

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

49. Non-operating income (Cont'd)

(2) Breakdown of government grants

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Note
Expansion grants	112,054,796.04	175,517,398.94	Amortised deferred income amounted to RMB2,232,500.04 and income-related expansion grants amounted to RMB 109,822,296.00.
Value-added tax refund	6,507,666.33	4,195,458.50	
Total	118,562,462.37	179,712,857.44	—

50. Non-operating expenses

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Amounts included in current extraordinary gains and losses
Total loss on disposal of non-current assets	35,870,782.59	909,346.99	
Of which: Loss on disposal of fixed assets	35,870,782.59	909,346.99	
Losses from exchange of non-monetary assets		239,349.34	
Donation		500,000.00	
Other	3,669,844.79	656,322.11	
Total	39,540,627.38	2,305,018.44	

51. Income tax expenses

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Current income tax calculated according to tax laws and relevant rules	151,457,198.79	70,437,525.65
Adjustment to deferred income tax	-68,585,992.53	-83,304,458.88
Total	82,871,206.26	-12,866,933.23

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

52. Calculation of basic earnings per share and diluted earnings per share

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

Item	Amounts during the period	Amounts during the prior period
Net profit for the period attributable to ordinary shareholders	333,409,511.73	94,244,962.85
Of which: net profit attributable to continuing operations	333,409,511.73	94,244,962.85
Net profit attributable to discontinued operations		
Net profit after deducting extraordinary gains and losses attributable to ordinary shareholders of the Company	134,539,548.74	-103,989,811.77
Of which: net profit attributable to continuing operations	134,539,548.74	-103,989,811.77
Net profit attributable to discontinued operations		

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

Item	Amounts during the period	Amounts during the prior period
Number of outstanding ordinary shares as at the beginning of the year	2,062,045,941.00	2,062,045,941.00
Add: number of weighted ordinary shares issued during the year		
Less: number of weighted ordinary shares repurchased during the year	17,687,393.00	
Number of outstanding ordinary shares as at the end of the year	2,044,358,548.00	2,062,045,941.00

53. Other comprehensive income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Translation difference of financial statements denominated in foreign currency	8,108,866.56	-152,386.81
Sub-total	8,108,866.56	-152,386.81
Total	8,108,866.56	-152,386.81

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

54. Notes to the cash flow statements

(1) Cash received relating to other operating activities

	Unit: RMB
Item	Amounts
Expansion grants	183,899,965.11
Interest income	109,822,296.00
Total	293,722,261.11

(2) Cash paid relating to other operating activities

	Unit: RMB
Item	Amounts
Expense and bank balances	818,086,921.10
Total	818,086,921.10

(3) Cash received relating to other investing activities

	Unit: RMB
Item	Amounts
Compensation for demolition in Jilin	150,000,000.00
Special subsidy funds	25,961,341.00
Total	175,961,341.00

(4) Cash received relating to other financing activities

	Unit: RMB
Item	Amounts
13 Chenming privately placed bonds	1,486,500,000.00
Total	1,486,500,000.00

(5) Cash paid relating to other financing activities

	Unit: RMB
Item	Amounts
Increase in restricted bank deposits	73,210,167.92
Repayment of the principal of medium-term notes	1,100,000,000.00
Repurchase B shares	265,363,183.60
Total	1,438,573,351.52

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

55. Supplementary information on cash flow statements

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amounts during the period	Amounts during the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	311,210,401.87	25,385,700.25
Add: Provision for impairment of assets	-4,652,424.87	13,436,773.17
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	659,808,296.18	796,121,382.28
Amortization of intangible assets	14,807,626.85	19,753,084.13
Amortization of long-term prepaid expenses	3,326,372.72	6,517,551.36
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-54,880.45	-1,931,468.26
Loss on change in fair value (“-” denotes gain)		
Loss of changes in fair value (“-” denotes gain)	-9,229,042.51	-15,457,198.72
Finance expenses (“-” denotes gain)	703,169,573.91	579,386,304.38
Investment loss (“-” denotes gain)	-5,183,185.10	2,716,529.31
Decrease in deferred income tax assets (“-” denotes increase)	51,025,782.11	-83,304,458.88
Increase in deferred income tax liabilities (“-” denotes decrease)		
Decrease in inventories (“-” denotes increase)	321,954,897.70	132,109,969.74
Decrease in operating receivables (“-” denotes increase)	-571,423,611.99	-515,991,848.48
Increase in operating payables (“-” denotes decrease)	-485,317,241.37	-297,657,618.41
Others	-82,507,322.10	
Net cash flows from operating activities	906,935,242.95	661,084,701.87
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Cash balance at the end of the period	1,598,747,729.74	2,589,296,414.02
Less: cash balance at the beginning of the period	2,343,550,185.45	2,317,048,619.53
Net increase in cash and cash equivalents	-744,802,455.71	272,247,794.49

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

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

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

Supplementary information	Unit: RMB	
	Amounts during the period	Amounts during the prior period
I. Relevant information with respect to acquisition of subsidiaries and other operating units	—	—
II. Relevant information with respect to disposal of subsidiaries and other operating units:	—	—
1. Consideration from disposal of subsidiaries and other operating units	416,016,016.71	
2. Cash and cash equivalents received from disposal of subsidiaries and other operating units	416,016,016.71	
Less: cash and cash equivalents held by subsidiaries and other operating units	8,117,571.18	
3. Net cash received from disposal of subsidiaries and other operating units	407,898,445.53	
4. Net assets of subsidiaries disposed of	463,727,948.34	
Current assets	410,280,305.40	
Non-current assets	463,265,373.67	
Current liabilities	405,624,159.31	
Non-current liabilities	4,193,571.42	

- (3) Cash and cash equivalents composition

Item	Unit: RMB	
	Closing balance	Opening balance
I. Cash	1,598,747,729.74	2,343,550,185.45
Of which: Treasury cash	1,905,225.31	1,398,324.17
Bank deposit that can be used for payment at any time	1,596,842,504.43	2,342,151,861.28
III. Balance of cash and cash equivalent at end of period	1,598,747,729.74	2,343,550,185.45

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VIII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Relationship	Company type	Place of incorporation	Legal representative	Business nature	Registered capital	Currency Shareholding of the parent company on the Company (%)	Voting right of the parent company on the Company (%)	Ultimate controlling party of the Company	Organization code
Shouguang Chenming Holdings Co., Ltd.	Controlling shareholder	Limited liability company	Shouguang City	Chen Hongguo	Investment in manufacture of paper, electricity, steam, arboriculture	1,685.4200 million	10.01%	10.01%	Shouguang Chenming Holdings Co., Ltd.	78348518-9

2. Subsidiaries of the Company

Details please refer to Note (VI).1.Subsidiaries

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

Details please refer to Note (VII).9. Long-term equity investments.

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

4. Related party transactions

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

Table on sales of goods and provision of services

Unit: RMB

Related party	Details of related party transactions	Pricing principle of related party transactions and decision making process	Amounts during the period		Amounts during the prior period	
			Amount	As a percentage of similar transaction amounts (%)	Amount	As a percentage of similar transaction amounts (%)
Anhui Time Source Corporation	Sales of paper	Market price Authorised by the Board	86,823.93		24,371,109.40	0.29%

(2) Guarantees provided for related parties

Unit: RMB

Guarantor	Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
The Company	Jiangxi Chenming Paper Co., Ltd	100,000,000.00	21 December 2012	20 December 2015	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	29,700,000.00	8 July 2010	7 July 2013	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	30,000,000.00	19 September 2011	18 September 2014	No
The Company	Huanggang Chenming Arboriculture Co., Ltd.	26,000,000.00	27 June 2012	26 June 2015	No
The Company	Shouguang Meilun Paper Co., Ltd.	494,296,000.00	10 September 2010	9 September 2015	No
The Company	Zhanjiang Chenming Paper & Pulp Co., Ltd.	561,787,000.00	24 May 2012	23 May 2015	No
The Company	Shandong Chenming Paper Sales Company Limited	2,125,013,195.61	15 March 2012	14 March 2015	No
The Company	Chenming (HK) Limited	500,000,000.00	13 April 2011	12 April 2014	No
Total		3,866,796,195.61			

(3) Other related party transactions

Details please refer to VII.5. Other significant related party transactions in Section VI.

5. Related party accounts receivables and accounts payables

Accounts receivables of the listed company due from the related part

Unit: RMB

Item	Related party	At the end of period		At the beginning of the period	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Anhui Time Source Corporation	Accounts receivable	-69.40	0.00	15,739,073.73	0.00
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Accounts receivable	0.00	0.00	21,627.00	0.00
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Other receivables	1,290,901.12	1,290,901.12	1,290,901.12	0.00

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IX. Contingency

As of 30 June 2012, no significant contingent event had to be disclosed by the Group.

X. Commitments

1. Significant commitments

(1) Capital commitment

Unit: RMB

Item	Closing balance	Opening balance
Contracted but not yet recognised in the financial statements – Commitments in relation to acquisition and construction of long-term assets	1,457,417,859.84	3,492,740,126.70
Total	1,457,417,859.84	3,492,740,126.70

(2) Operating lease commitments

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

Unit: RMB

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	32,869,266.95	25,750,281.07
The second year after balance sheet date	14,061,923.90	14,197,441.54
The third year after balance sheet date	13,816,414.54	13,894,570.34
In the years thereafter	572,127,952.10	592,968,638.49
Total	632,875,557.49	646,810,931.44

2. Performance of commitments for the prior period

As of 30 June 2013, no significant commitments had to be disclosed by the Company.

XI. Events occurring after balance sheet date

1. Description of significant events after balance sheet date

Not applicable.

2. Profit distribution after balance sheet date

Not applicable.

3. Other events after balance sheet date

No event after balance sheet date had to be disclosed.

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XII. Other material matters

1. Assets and liabilities measured at fair value

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value for the period	Accumulated change in fair value charged to equity	Provision for impairment during the period	Closing balance
Financial assets					
Consumable biological assets	1,169,269,054.15	9,229,042.51	150,788,202.99		1,251,776,376.25
Total	1,169,269,054.15	9,229,042.51	150,788,202.99		1,251,776,376.25
Financial liabilities	0.00	0.00	0.00		0.00

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

1. Accounts receivable

(1) Accounts receivable

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable collectively provided for bad debt								
No-risk portfolio	2,772,651,402.81	99.56%			335,827,030.39	96.73%		
General-risk portfolio	12,242,348.10	0.44%	4,854,736.77	39.66%	11,346,123.83	3.27%	4,675,772.65	41.21%
Portfolio sub-total	2,784,893,750.91	100%	4,854,736.77	0.17%	347,173,154.22	100%	4,675,772.65	1.35%
Total	2,784,893,750.91	-	4,854,736.77	-	347,173,154.22	-	4,675,772.65	-

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

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Ageing	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year						
Of which:						
Within 1 year	5,234,588.64	42.76%	261,729.43	7,021,422.29	61.88%	351,071.11
Sub-total of Within 1 year	5,234,588.64	42.76%	261,729.43	7,021,422.29	61.88%	351,071.11
1 to 2 years	2,683,057.92	21.91%	268,305.80			
Over 3 years	4,324,701.54	35.33%	4,324,701.54	4,324,701.54	38.12%	4,324,701.54
Total	12,242,348.10	-	4,854,736.77	11,346,123.83	-	4,675,772.65

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

1. Accounts receivable (Cont'd)

(2) Top five other receivables are as follows:

Unit: RMB

Entity name	Relationship with the Company	Amount	Term	As a percentage of the total accounts receivable (%)
Shandong Chenming Paper Sales Co., Ltd	Related party within the scope of consolidation	1,631,000,639.55	Within 1 year	58.57%
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	1,063,318,703.90	Within 1 year	38.18%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Related party within the scope of consolidation	60,198,684.52	Within 1 year	2.16%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	8,850,089.49	Within 1 year	0.32%
Shouguang Cailun Beihai Mud Filling Co., Ltd.	unrelated parties	7,873,351.43	Within 1 year, 1 to 2 years	0.28%
Total	—	2,771,241,468.89	—	99.51%

(3) Information on accounts receivable of the related parties

Unit: RMB

Entity name	Relationship with the Company	Amount	As a percentage of the total accounts receivable (%)
Shandong Chenming Paper Sales Co., Ltd	Related party within the scope of consolidation	1,631,000,639.55	58.57%
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	1,063,318,703.90	38.18%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Related party within the scope of consolidation	60,198,684.52	2.16%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	8,850,089.49	0.32%
Shandong Chenming Panels Co., Ltd.	Related party within the scope of consolidation	4,224,803.34	0.15%
Shandong Grand View Hotel Co., Ltd.	Related party within the scope of consolidation	5,058,482.01	0.18%
Total	—	2,772,651,402.81	99.56%

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

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

2. Other receivables

(1) Other receivables

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables which are individually significant and individually provided for bad debt	8,918,424.06	0.09%	8,918,424.06	100%	8,918,424.06	0.1%	8,918,424.06	100%
Other receivables collectively provided for bad debt								
No-risk portfolio	9,424,695,370.21	99.13%			9,181,123,808.55	99%		
General-risk portfolio	59,897,989.61	0.63%	22,138,052.41	36.96%	70,216,527.05	0.76%	18,561,336.28	26.43%
Portfolio sub-total	9,484,593,359.82	99.76%	22,138,052.41	0.23%	9,251,340,335.60	99.76%	18,561,336.28	0.2%
Other receivables which are not individually significant but individually provided for bad debt	13,717,509.43	0.15%	13,717,509.43	100%	13,771,354.38	0.14%	13,771,354.38	100%
Total	9,507,229,293.31	—	44,773,985.90	—	9,274,030,114.04	—	41,251,114.72	—

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

Applicable Not applicable

Unit: RMB

Other receivables	Book balance	Amount of bad debt	Percentage of provision (%)	Reason
Loans	8,918,424.06	8,918,424.06	100%	Mainly are loans aged over three years and are unlikely to be recovered
Total	8,918,424.06	8,918,424.06	—	—

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

Applicable Not applicable

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

2. Other receivables (Cont'd)

(1) Other receivables (Cont'd)

Unit: RMB

Ageing	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year						
Of which:						
Within 1 year	20,630,663.14	34.44%	1,031,533.16	35,120,692.33	50.02%	1,756,034.63
Sub-total of within 1 year	20,630,663.14	34.44%	1,031,533.16	35,120,692.33	50.02%	1,756,034.63
1 to 2 years	6,862,602.09	11.46%	686,260.21	11,321,624.73	16.12%	1,132,162.48
2 to 3 years	14,980,581.67	25.01%	2,996,116.33	10,126,338.52	14.42%	2,025,267.70
Over 3 years	17,424,142.71	29.09%	17,424,142.71	13,647,871.47	19.44%	13,647,871.47
Total	59,897,989.61	—	22,138,052.41	70,216,527.05	—	18,561,336.28

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Other receivables	Book balance	Bad debt provision	Percentage of provision (%)	Reason for provision
Amounts with customers	13,717,509.43	13,717,509.43	100%	Over three years and are unlikely to be recovered
Total	13,717,509.43	13,717,509.43	—	—

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

2. Other receivables (Cont'd)

(2) Explanation of the significant other receivables

Entity name	Amount	Nature or details	As a percentage of the total other receivable (%)
Shouguang Meilun Paper Co., Ltd.	4,800,126,130.20	Amounts with customers	50.49
Zhanjiang Chenming Paper Pulp Co., Ltd.	1,014,497,849.49	Amounts with customers	10.67
Jilin Chenming Paper Co., Ltd.	664,575,920.60	Amounts with customers	6.99
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	587,675,845.54	Amounts with customers	6.18
Shouguang Chenming Art Paper Co., Ltd.	581,562,982.94	Amounts with customers	6.12
Total	7,648,438,728.77	—	80.45

(3) Top five other receivables are as follows

Entity name	Relationship with the Company	Amount	Term	Unit: RMB	As a percentage of the total other receivable (%)
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	4,800,126,130.20	Within 1 year		50.49
Zhanjiang Chenming Paper Pulp Co., Ltd.	Related party within the scope of consolidation	1,014,497,849.49	Within 1 year		10.67
Jilin Chenming Paper Co., Ltd.	Related party within the scope of consolidation	664,575,920.60	Within 1 year		6.99
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	Non-related party	587,675,845.54	Within 1 year		6.18
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	581,562,982.94	Within 1 year		6.12
Total	—	7,648,438,728.77	—		80.45

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

2. Other receivables (Cont'd)

(4) Overview of other receivables of the related parties

Unit: RMB

Entity name	Relationship with the Company	Amount	As a percentage of the total other receivable (%)
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	4,800,126,130.20	50.73%
Zhanjiang Chenming Paper Pulp Co., Ltd.	Related party within the scope of consolidation	1,014,497,849.49	10.72%
Jilin Chenming Paper Co., Ltd.	Related party within the scope of consolidation	664,575,920.60	7.02%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	581,562,982.94	6.15%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Related party within the scope of consolidation	556,048,864.00	5.88%
Shandong Grand View Hotel Co., Ltd.	Related party within the scope of consolidation	355,350,993.70	3.76%
Jiangxi Chenming Paper Co., Ltd.	Related party within the scope of consolidation	210,090,730.81	2.22%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	188,512,575.67	1.99%
Zhanjiang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	153,166,808.30	1.62%
Shandong Chenming Paper Sales Co., Ltd.	Related party within the scope of consolidation	134,927,068.48	1.43%
Huanggang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	112,066,344.19	1.18%
Huanggang Chenming Paper Co., Ltd.	Related party within the scope of consolidation	111,474,860.75	1.18%
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Related party within the scope of consolidation	62,641,498.37	0.66%
Haicheng Haiming Mining Co., Ltd.	Related party within the scope of consolidation	42,496,633.33	0.45%
Yangjiang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	3,011,000.00	0.03%
Shouguang Chenming Tianyuan Arboriculture Co., Ltd.	Related party within the scope of consolidation	2,427,092.83	0.03%
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Related party within the scope of consolidation	1,142,777.77	0.01%
Hailaer Chenming Paper Co., Ltd.	Related party within the scope of consolidation	197,660.63	0.00%
Chenming International Co., Ltd.	Related party within the scope of consolidation	12,820.00	0.00%
Shandong Chenming Xinli Power Co., Ltd.	Related party within the scope of consolidation	200.00	0.00%
Total	—	8,994,330,812.06	95.06%

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

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

3. Long-term equity investments

Investee	Accounting method	Investment cost	Opening Balance	Change	Closing balance	Equity interest in the investee held by the Company (%)	Voting right in the investee by the Company (%)	Explanation of the inconsistent of equity interest and voting right in the investee	Impairment provision	Impairment provision during the period	Cash dividend for the period	Unit: RMB
												30,213,771.35
Shandong Chenming Power Supply Holdings Co., Ltd.	Cost method	157,810,117.43	157,810,117.43		157,810,117.43	86.71%	86.71%					
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Cost method	202,824,716.34	202,824,716.34		202,824,716.34	50.93%	50.93%					
Haibei Chenming Paper Co., Ltd.	Cost method	12,000,000.00	12,000,000.00		12,000,000.00	75%	75%					
Yanbian Chenming Paper Co., Ltd.	Cost method	96,725,533.01	96,725,533.01	-96,725,533.01								
Shougang Chenming Tianyuan Arboriculture Co., Ltd.	Cost method	7,199,000.00	7,199,000.00		7,199,000.00	68%	68%					
Jiangxi Chenming Paper Co., Ltd.	Cost method	697,548,406.40	697,548,406.40		697,548,406.40	51%	100%					
Shandong Paper Making & Printing Enterprises Corporation	Cost method	200,000.00	200,000.00		200,000.00	2%	2%		200,000.00			
Jinan Shangyou Commercial Co., Ltd.	Cost method	350,000.00	350,000.00		350,000.00	5%	5%		350,000.00			
Zhejiang Province Guangyu Media Printing Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	9.96%	9.96%					
Qingzhou Chenming Deratation Anyium Co., Ltd.	Equity method	900,000.00	900,000.00		900,000.00	30%	30%					
Shandong Grand View Hotel Co., Ltd.	Cost method	80,500,000.00	80,500,000.00		80,500,000.00	70%	70%		900,000.00			
Jilin Chenming Paper Co., Ltd.	Cost method	1,501,350,000.00	1,501,350,000.00		1,501,350,000.00	100%	100%					
Ario Wiggins Chenming Specialty Paper Co., Ltd.	Equity method	80,100,000.00										
Zhejiang Chenming Paper Pulp Co., Ltd.	Cost method	3,000,000,000.00	3,000,000,000.00		3,000,000,000.00	100%	100%			180,000,000.00		
Chenming (HK) Limited	Cost method	783,310.00	783,310.00		783,310.00	100%	100%					
Shougang Chenming Modern Logistic Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100%	100%					
Fuyu Chenming Paper Co., Ltd.	Cost method	208,000,000.00	208,000,000.00		208,000,000.00	100%	100%					
Shougang Chenming Art Paper Co., Ltd.	Cost method	113,616,063.80	113,616,063.80		113,616,063.80	75%	75%					
Shougang Mihe Water Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	19.46%	19.46%			1,139,574.47		
Shanghai Forest & Paper E-Commerce Co., Ltd.	Cost method	1,400,000.00	1,400,000.00		1,400,000.00	14%	14%					
Huanggang Chenming Arboriculture Co., Ltd.	Cost method	70,000,000.00	70,000,000.00		70,000,000.00	100%	100%					
Huanggang Chenming Paper Pulp Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	100%	100%					
Jiangxi Jiebao Media Colour Printing Co., Ltd.	Equity method	6,000,000.00	4,792,675.12	-1,501,49.58	4,642,525.54	21.16%	21.16%					
Shougang Mallun Paper Co., Ltd.	Cost method	2,200,000,000.00	2,200,000,000.00		2,200,000,000.00	100%	100%					
Chenming International Co., Ltd.	Cost method	19,861,955.00	19,861,955.00		19,861,955.00	100%	100%					
Shougang Shun Da Customs Declaration Co., Ltd.	Cost method	1,500,000.00	1,500,000.00		1,500,000.00	100%	100%					
Anhui Shida Resources Holdings Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	10%	10%					
Shougang Chenming Paper Sales Co., Ltd.	Cost method	100,000,000.00	100,000,000.00		100,000,000.00	100%	100%					
Shougang Hengliang Storage Co., Ltd.	Cost method	500,000.00	500,000.00		500,000.00	100%	100%					
Shougang Chenming Import and Export Trade Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100%	100%					
Shougang Chenming Papermaking Machine Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100%	100%					
Shougang Chenming Papermaking Machine Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100%	100%					
Shougang Chenming Industrial Logistics Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100%	100%					
Shougang Chenming Hongyun Packaging Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100%	100%					
Shandong Hongqiao Venture Capital Co., Ltd.	Cost method	50,000,000.00	50,000,000.00		50,000,000.00	16.67%	16.67%					19,313,686.50
Shanghai Runchen Equity Investment Fund Co., Ltd.	Cost method	300,000,000.00	300,000,000.00	-300,000,000.00								
Japan Chenming Paper Co., Ltd.	Cost method	9,306,351.20	9,306,351.20		9,306,351.20	100%	100%					
Weifang Xinye Capital Investment Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	3.76%	3.76%					
Haicheng Haining Mining Co., Ltd.	Cost method	70,000,000.00	70,000,000.00	74,000,000.00	144,000,000.00	60%	60%					
Chenming GmbH	Cost method	70,000,000.00	70,000,000.00	4,083,235.00	4,083,235.00	100%	100%					
Total	-	9,075,475,453.18	8,994,168,128.30	-3,18,792,447.59	8,675,375,680.71	-	-	-	2,589,574.47	-	-	229,527,457.85

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

4. Revenue and operating costs

(1) Revenue

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Revenue from principal activities	4,329,750,335.77	3,703,428,614.56
Revenue from other activities	587,282,187.16	383,795,028.56
Total	4,917,032,522.93	4,087,223,643.12
Operating costs	3,976,552,277.16	3,448,243,509.14

(2) Principal activities (by industry)

Unit: RMB

Industry name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	3,144,305,160.63	2,467,851,375.93	3,114,476,781.75	2,574,426,997.64
Electricity and steam supply	1,185,445,175.14	947,682,863.91	588,951,832.81	498,093,999.00
Total	4,329,750,335.77	3,415,534,239.84	3,703,428,614.56	3,072,520,996.64

(3) Principal activities (by product)

Unit: RMB

Product name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Light weight coated paper	42,567,195.18	32,695,986.33	48,662,606.09	40,091,730.46
Duplex press paper	307,034,036.77	239,323,219.24	235,566,674.59	184,544,726.15
Writing paper	28,685,162.06	23,678,690.73	20,947,059.71	18,244,231.13
Coated paper	710,385,033.97	532,334,754.44	720,179,569.18	668,282,035.42
News press paper	709,752,411.59	541,945,417.17	704,748,171.31	532,979,502.38
White paper board	779,851,217.12	632,739,824.47	794,054,103.00	651,137,851.95
Other machine-made paper	566,030,103.94	465,133,483.55	590,318,597.87	479,146,920.15
Electricity and steam supply	1,185,445,175.14	947,682,863.91	588,951,832.81	498,093,999.00
Total	4,329,750,335.77	3,415,534,239.84	3,703,428,614.56	3,072,520,996.64

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

4. Revenue and operating costs (Cont'd)

(4) Principal activities (by geographical areas)

Unit: RMB

Geographical area	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	4,124,261,209.19	3,242,787,868.07	3,454,822,431.78	2,850,493,502.72
Hong Kong	205,489,126.58	172,746,371.77	248,606,182.78	222,027,493.92
Total	4,329,750,335.77	3,415,534,239.84	3,703,428,614.56	3,072,520,996.64

(5) Revenue from top 5 customers of the Company

Unit: RMB

Name of customer	Total revenue	Percentage of the total revenue of the Company (%)
Shandong Chenming Paper Sales Company Limited	2,846,255,627.72	57.89%
Chenming (HK) Limited	205,489,126.58	4.18%
Shouguang Meilun Paper Co., Ltd.	82,696,070.01	1.68%
Shouguang Chenming Art Paper Co., Ltd.	9,226,878.63	0.19%
Shouguang Chenming Import and Export Trade Co., Ltd.	726,689.14	0.01%
Total	3,144,394,392.08	63.95%

5. Investment income

(1) Breakdown of investment income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method	229,527,457.85	28,487,270.13
Income from long-term equity investments accounted for using the equity method	-150,149.58	-2,716,529.31
Investment gain on disposal of long-term equity investments	14,190,483.70	
Others	12,145,050.34	17,021,667.09
Total	255,712,842.31	42,792,407.91

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

5. Investment income (Cont'd)

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

Unit: RMB

Investee	Amounts during the period	Amounts during the prior period	Reason for change
Zhanjiang Chenming Paper Pulp Co., Ltd.	180,000,000.00		
Shanghai Runchen Equity Investment Fund Co., Ltd.	19,313,686.50		
Shandong Chenming Power Supply Holdings Co., Ltd.	30,213,771.35	28,487,270.13	
Total	229,527,457.85	28,487,270.13	—

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

Unit: RMB

Investee	Amounts during the period	Amounts during the prior period	Reason for change
Arjo Wiggins Chenming Specialty Paper Co., Ltd.		-2,891,895.50	
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	-150,149.58	175,366.19	
Total	-150,149.58	-2,716,529.31	—

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

6. Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amounts during the period	Amounts during the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	497,002,914.40	175,443,730.88
Plus: Provision for impairment of assets	3,701,835.30	-7,044,869.23
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	168,610,612.74	306,244,526.12
Amortisation of intangible assets	4,668,034.28	4,630,549.74
Loss on assets written-off (“-” denotes gain)	25,327,282.02	-2,008,319.17
Finance expenses (“-” denotes gain)	531,515,104.30	423,895,393.90
Investment loss (“-” denotes gain)	-255,712,842.31	-42,792,407.91
Decrease in deferred income tax assets (“-” denotes increase)	6,168,542.92	117,112.03
Decrease in inventory (“-” denotes increase)	-89,211,312.49	-152,953,350.16
Decrease in operating receivables (“-” denotes increase)	-2,628,076,731.12	-890,031,497.71
Increase in operating payables (“-” denotes decrease)	-506,448,804.94	1,185,361,145.72
Net cash flows from operating activities	-2,242,455,364.90	1,000,862,014.21
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Cash balance at the end of the period	339,273,942.12	814,686,971.97
Less: cash balance at the beginning of the period	1,786,622,854.08	1,290,039,078.57
Net increase in cash and cash equivalents	-1,447,348,911.96	-475,352,106.60

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XIV. Supplementary information

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

Unit: RMB

Item	Amount	Description
Profit or loss from disposal of non-current assets (included offset amount of provision for assets impairment)	-28,456,570.02	
Government grants included in profit and loss for the period (except for government grants closely related to the ordinary course of business of the Company that were given under at a fixed standard amount or quantity as stipulated by the State)	112,054,796.04	
Gains and losses from debt restructuring	39,984.11	
Non-operating gains and losses other than the above items	206,618,857.32	
Changes in fair value of consumable biological assets	9,229,042.51	
Less: Effect of income tax	28,181,423.03	
Effect of minority interests (after tax)	72,434,723.94	
Total	198,869,962.99	—

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

2. Return on net assets and earnings per share

Unit: RMB

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	2.40%	0.16	0.16
Net profit attributable to holders of ordinary shares of the Company, after deducting extraordinary gains and losses	0.97%	0.07	0.07

XIV. Supplementary information (Cont'd)

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

Items in balance sheet:

- (1) The closing balance of prepayments as at 30 June 2013 was RMB2,020,732,736.41, up by 23.50% as compared with the opening balance mainly due to the new prepayment for plant and equipment of the Company's subsidiary, Zhanjiang Meilun Pulp Paper Co., Ltd., of RMB194 million and increase in Company's prepayment for raw materials.
- (2) The closing balance of long-term equity investments as at 30 June 2013 was RMB87,902,951.07, down by 75.36% as compared with the opening balance mainly due to the transfer of equity interests in Shanghai Runchen Equity Investment Fund Co., Ltd. by the Company.
- (3) The closing balance of construction in progress as at 30 June 2013 was RMB2,757,926,003.96, down by 45.04% as compared with the opening balance mainly due to the 600,000 tonnes white coated linerboard project of Shouguang Meilun transferred to fixed assets in January 2013.
- (4) The closing balance of construction materials as at 30 June 2013 was RMB205,573,437.90, up by 173.90% as compared with the opening balance mainly due to an increase in materials for relocation of Jilin Chenming.
- (5) The closing balance of bills payables as at 30 June 2013 was RMB933,239,044.69, down by 27.41% as compared with the opening balance mainly due to a decrease in bank acceptance bills issued by the Company for payment for goods during the reporting period.
- (6) The closing balance of advance receipts as at 30 June 2013 was RMB424,229,542.28, up by 21.96% as compared with the opening balance mainly due to the greater efforts made by the Company on customer exploration and an increase in advance receipts.
- (7) The closing balance of staff remuneration payables as at 30 June 2013 was RMB119,074,985.07, down by 33.05% as compared with the opening balance mainly due to a decrease in outstanding staff remuneration of the Company.
- (8) The closing balance of interest payables as at 30 June 2013 was RMB246,955,329.53, up by 85.62% as compared with the opening balance mainly due to the medium-term notes and corporate loans interest withdrew by the Company.
- (9) The closing balance of other payables as at 30 June 2013 was RMB337,264,869.67, down by 22.61% as compared with the opening balance mainly due to a decrease in deposits and advances received by the Company during the reporting period and a change in the scope of consolidation arising from disposal of subsidiaries.
- (10) The closing balance of treasury shares as at 30 June 2013 was RMB265,363,183.60, up by 100% as compared with the opening balance mainly due to the repurchased shares during B share repurchase by the Company being transferred to treasury shares.

XIV. Supplementary information (Cont'd)

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

Items in income statement:

- (1) Revenue during the reporting period was RMB10,027,901,358.43, up by 0.64% from the corresponding period of the prior year mainly due to an increase in sales resulting from market recovery.
- (2) Operating costs during the reporting period was RMB8,251,349,814.35, down by 2.93% from the corresponding period of the prior year mainly due to a decrease in raw materials price.
- (3) Finance expenses during the reporting period was RMB486,409,117.79, down by 10.14% from the corresponding period of the prior year mainly due to an increase in exchange gains as a result of RMB appreciation.
- (4) Loss on impairment of assets during the reporting period was RMB-4,652,424.87, down by 134.62% from the corresponding period of the prior year mainly due to a decrease in bad debt provisions as a result of change in account receivables items.
- (5) Changes in fair value during the reporting period was RMB9,229,042.51, down by 40.29% from the corresponding period of the prior year mainly due to the changes in fair value of forestry assets.
- (6) Investment income during the reporting period was RMB5,183,185.10, up by 290.80% from the corresponding period of the prior year mainly due to the investment income of RMB5.1767 million arising from disposal of subsidiaries.
- (7) Non-operating income during the reporting period was RMB336,305,361.16, up by 50.49% from the corresponding period of the prior year mainly due to compensation for the suspension of Wuhan Plant I and transfer of government subsidies.
- (8) Non-operating expenses during the reporting period were RMB39,540,627.38, up by 1,615.41% from the corresponding period of the prior year mainly due to the loss on disposal of accumulated and idle non-current assets.
- (9) Income tax expenses during the reporting period was RMB82,871,206.26, up by 744.06% from the corresponding period of the prior year mainly due to an increase in income tax expenses provision according to tax law as a result of increase in revenue under the recovering market.
- (10) Gross profit, net profits, net profits attributable to owners of parent company and gains and losses attributable to minority shareholders during the reporting period were RMB394,081,608.13, RMB311,210,401.87, RMB333,409,511.73 and RMB-22,199,109.86 respectively, up by 3,047.93%, 1,125.93%, 253.77% and 67.76% from the corresponding period of the prior year mainly due to an increase in profit margin of paper products, profits and income tax as a result of the recovering paper industry, as well as a decrease in losses of non-wholly owned subsidiaries of the Company resulting in decrease in gains and losses attributable to minority shareholders.

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 website 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

21 August 2013



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