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山東晨鳴紙業集團股份有限公司
SHANGDONG CHENMING PAPER HOLDINGS LIMITED*
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1812)

2014 Interim Report Summary

1. IMPORTANT NOTICE

This interim report summary is extracted from the text of the interim report. For details, investors should carefully read the text of the interim report published, at the same time, on the designated websites such as the website of CNINFO or Shenzhen Stock Exchange as approved by China Securities Regulatory Commission or the website of the Stock Exchange of Hong Kong Limited.

Company profile

Stock abbreviation	晨鳴紙業	Stock Code	000488
Stock abbreviation	晨鳴B	Stock Code	200488
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock Code	01812
Stock exchange on which the shares are listed	The Stock Exchange of Hong Kong		
Contact persons and contact methods	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
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2. MAJOR FINANCIAL DATA AND CHANGE OF SHAREHOLDERS

(1) 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

In accordance with the requirements of “Notice on the issuance of ‘Accounting Standard for Business Enterprises No. 2 — Long-term equity investments’” (Cai Kuai [2014] No. 14) and “Notice on the issuance of ‘Accounting Standard for Business Enterprises No. 41 — Disclosure of interests in other entities’” (Cai Kuai [2014] No. 16), entities listed overseas are encouraged to early adopt the above two accounting standards issued or amended in 2014. As a listed company in the PRC and Hong Kong, the Company implemented the above two accounting standards in preparation of the financial statements for the first half of 2014, and made retrospective adjustments to the data as at the end of 2013. The retrospective adjustments affected available-for-sale financial assets and long-term equity investments in the balance sheet but had no effect on the income statement. Please see Note 4. (1) “Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year” as set out in this Report for the details of the affected amounts.

	The reporting period	The corresponding period of the prior year		Increase/ decrease for the reporting period compared to the corresponding period of the prior year (%)
		Before adjustment	After adjustment	After adjustment
Revenue (RMB)	9,082,020,579.01	10,027,901,358.43	10,027,901,358.43	-9.43%
Net profit attributable to shareholders of the Company (RMB)	242,461,095.02	333,409,511.73	333,409,511.73	-27.28%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	57,813,473.27	134,539,548.74	134,539,548.74	-57.03%

	The reporting period	The corresponding period of the prior year		Increase/decrease for the reporting period compared to the corresponding period of the prior year (%)
		Before adjustment	After adjustment	After adjustment
Net cash flows from operating activities (RMB)	1,285,696,261.13	906,935,242.95	906,935,242.95	41.76%
Basic earnings per share (RMB per share)	0.12	0.16	0.16	-25.00%
Diluted earnings per share (RMB per share)	0.12	0.16	0.16	-25.00%
Rate of return on net assets on weighted average basis	1.72%	2.40%	2.40%	-0.68%
	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 (%)
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	50,465,774,693.92	47,521,883,569.18	47,521,883,569.18	6.19%
Net assets attributable to shareholders of the Company (RMB)	13,635,437,678.10	14,039,888,226.11	14,039,888,226.11	-2.88%
Share capital (shares) ^{Note 1}	1,936,405,467	1,975,471,967	1,975,471,967	-1.98%

Note 1: The Company repurchased and cancelled 39,066,500 H shares during the reporting period and, therefore, the total number of the shares of the Company was reduced by 39,066,500 shares.

(2) Table setting out shareholding of top ten shareholders of ordinary shares

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period		132,524, of which 103,446 were holders of A shares, 28,523 holders of B shares and 555 holders of H shares.				
Shareholdings of top ten shareholders of ordinary shares						
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held	Number of Restricted shares held	Share pledged or locked-up	
					Status of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.11%	350,691,500	0		0
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0		0
ZHONGRONG INTERNATIONAL TRUST CO., LTD. - HAITONG UMBRELLA BAO NO. 1 SECURITIES INVESTMENT ASSEMBLED FUNDS TRUST	Others	1.74%	33,696,131	0		0
PLATINUM ASIA FUND	Overseas legal person	1.67%	32,341,052	0		0
CAITONG FUND - EVERBRIGHT BANK - CAITONG FUND - YUAN MEI NO. 2 ASSETS MANAGEMENT PROGRAMME	Others	1.43%	27,706,556	0		0
CAITONG FUND - EVERBRIGHT BANK - YUAN MEI NO. 1 ASSETS MANAGEMENT PROGRAMME	Others	1.40%	27,198,049	0		0
YUNNAN INTERNATIONAL TRUST CO., LTD. - YUNNAN TRUST GROWTH 2013 - NO. 2 ASSEMBLED FUNDS TRUST PROGRAMME	Others	0.70%	13,547,397	0		0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.62%	12,036,985	0		0
BILL & MELINDA GATES FOUNDATION TRUST	Overseas legal person	0.52%	10,033,077	0		0
JIN Xing	Domestic nature person	0.42%	8,109,300	0		0

Shareholdings of top ten shareholders of ordinary shares						
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held	Number of Restricted shares held	Share pledged or locked-up	
					Status of shares	Number
Connected relationship or connected party relationship among the above shareholders		Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected with any of the shareholders above. They are not persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Both Caitong Fund - Everbright Bank - Caitong Fund - Yuan Mei No. 2 Assets Management Programme and Caitong Fund - Everbright Bank - Yuan Mei No. 1 Assets Management Programme are funds managed by Caitong Fund Management Co., Ltd. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each others.				

(3) Table setting out shareholding of top ten shareholders of preference shares

Applicable Not applicable

There was no shareholding of shareholder of preference share during the reporting period.

(4) Change of controlling shareholders or beneficial controllers

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

Change of beneficial controllers during the reporting period

Applicable Not applicable

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

2014 marked an important year of reform and innovation for paper making industry. The paper making industry in China has been entering into a new stage of transformation and upgrade in 2014. Some paper types are in a phase of overcapacity due to slowdown in economic growth and weakness in market demand, thus resulting in fierce competition in the paper making industry. In the first half of 2014, the domestic pulp and paper market was sluggish due to the macro environment. The overall market development was weak.

On one hand, some small and medium-sized enterprises left the market as a result of elimination of outdated production capacity and stricter environmental protection policy. This lowered the pressure of the new production capacity on the supply in the industry to a certain extent, which was conducive to a proactive increase in price proposed by enterprises. Meanwhile, the continued low level of raw material prices relieved the pressure on the operating costs of enterprises. On the other hand, the slow recovery of market demand prevented the price from rising. Enterprises therefore underwent more production and operation difficulties.

During the reporting period, the Company specified the working principles of “team building, strict management, outstanding business performance, achieving good results” for the year and strengthened their implementation and putting them into practice. It sorted out the existing management system, enhanced team building, strengthened strict management, improved incentive schemes and further mobilised the enthusiasm of the cadres and staff. The Company increased investment in high-efficiency areas by optimising product structure and increase. It improved performance appraisal systems to fully arouse the enthusiasm of sales staff. It reduced inventories to proactively respond to the market through measures including market research and timely developed marketing strategies. The Company also stepped up efforts to promote new products, the result of innovation and research and development and established professional sales teams for high value-added products including the “Forest Love” household paper, thermal paper and glassine paper to increase the revenue of the Company.

During the reporting period, Jilin Chenming’s environmental protection relocation project, Wuhan Chenming’s household paper project and Shouguang Meilun’s paper additives project commenced operation and were reclassified as fixed assets, which played an important role in the Company’s restructuring, cost reduction and efficiency enhancement. Jiangxi Chenming’s 350,000 tonne high-end packaging paper project, Zhanjiang Chenming’s 180,000 tonne paper cup sheets and 190,000 tonne culture paper projects, Huanggang Chenming’s

integrated forestry, pulp and paper project, Shouguang City's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Guangdong Huirui's waterfront comprehensive regulation works, and Wuhan Wan Xing's real estate, and other projects in the pipeline commenced orderly in accordance with our plans, which accelerated the transformation, upgrade and restructuring of the Company, thus further enhancing the Company's overall competitiveness.

During the reporting period, a finance company was approved to commence operation. Meanwhile, the financial leasing company also commenced operation. Therefore, the Company became the first enterprise in the paper making industry to own a finance company and a financial leasing company. The operation of the finance company enables the temporarily idle capital within the Group to be under the central management of the finance company for the operation in the interbank lending market and provision of various financial services, thus realising the transformation of capital management from a 'custody mode' to an 'operation mode' to effectively enhance the efficiency of the use of capital and achieve capital appreciation, and pave the way for new diversification in the development of the Company.

During the reporting period, the Company's revenue amounted to RMB9,082.0206 million, down by 9.43% from the corresponding period of the prior year. The operating costs were RMB7,378.9986 million, down by 10.57% from the corresponding period of the prior year. Operating profit and net profit attributable to equity holders of the Company were RMB22.0533 million and RMB242.4611 million respectively, down by 77.34% and 27.28% respectively from the corresponding period of the prior year. During the reporting period, the expenses for the period were RMB1,651.3395 million, down by 0.48% from the corresponding period of the prior year. Investment in research and development amounted to RMB186.0690 million, up by 20.80% from the corresponding period of the prior year. Net cash flows from operating activities were RMB1,285.6963 million, up by 41.76% from the corresponding period of the prior year.

(1) Year on year changes in major financial information

Unit: RMB

Item	During the reporting period	During the corresponding period of the prior year	Increase/decrease (%)	Reason for the change
Revenue	9,082,020,579.01	10,027,901,358.43	-9.43%	—
Operating costs	7,378,998,628.31	8,251,349,814.35	-10.57%	—
Selling and distribution expenses	524,593,811.50	570,398,742.45	-8.03%	—
Administrative expenses	500,133,881.63	602,523,953.98	-16.99%	—
Finance expenses	626,611,788.47	486,409,117.79	28.82%	—
Income tax expenses	34,033,045.12	82,871,206.26	-58.93%	①
Investments in research and development	186,069,011.16	154,034,416.74	20.80%	—
Net cash flows from operating activities	1,285,696,261.13	906,935,242.95	41.76%	②
Net cash flows from investing activities	-1,797,453,118.70	-885,800,802.95	-102.92%	③
Net cash flows from financing activities	709,490,179.43	-772,501,665.99	191.84%	④
Net increase in cash and cash equivalents	184,819,902.18	-744,802,455.71	124.81%	⑤

Explanation on major changes:

- ① The profitability of the Company decreased as compared to the corresponding period of the prior year due to the factors such as market and exchange rate changes.
- ② The Company increased the proportion of payment for goods by bills.
- ③ The Company made new external entrusted loans.
- ④ The borrowings for the period increased due to the projects.
- ⑤ The change was primarily due to changes in cash flow from operating activities, investing activities and financing activities.

(2) Analysis of asset and liability

Unit: RMB

Item	30 June 2014	31 December 2013	Increase/ decrease	Reason for the change
Monetary funds	3,357,075,224.97	2,547,729,794.24	31.77%	①
Construction in progress	3,383,652,916.06	5,266,031,817.60	-35.75%	②
Construction materials	23,245,677.92	63,968,067.62	-63.66%	③
Other non-current assets	900,000,000.00	—	100.00%	④
Interest payable	246,392,305.53	153,189,860.42	60.84%	⑤
Dividend payable	580,921,640.10	—	100.00%	⑥
Long-term payable	128,000,000.00	60,000,000.00	113.33%	⑦

Explanation on major changes:

- ① The establishment of Shandong Chenming Group Finance Co., Ltd. was approved. Its registered capital was RMB1 billion. Registration has not been made with the industrial and commercial administration as at the end of the reporting period.
- ② Jilin Chenming's environmental protection relocation project, Wuhan Chenming's household paper project and Shouguang Meilun's paper additives project were reclassified as fixed assets.
- ③ Jilin Chenming's environmental protection relocation project was reclassified as fixed assets.
- ④ The Company made new external entrusted loans due after one year.
- ⑤ The interest of "11 Chenming Bond", "12 Chenming Bond" and 2012 medium-term notes was payable by the Company.
- ⑥ Dividend on ordinary shares for 2013 was payable by the Company.
- ⑦ During the period, the Management Committee of Nanchang Economic and Technological Development Zone provided borrowings of RMB68.00 million for the phase II project of Jiangxi Chenming.

(3) Future Development

The industry to which the Company belongs is the paper making industry, which is a light industry. The paper making industry is an important basic raw materials industry which is closely related to the national economy and social development. The paper making industry features capital and skills intensive characteristics with prominent economy of scale. Its growth rate is strongly and positively correlated to that of GDP. In respect of the industry, since 2013, some

paper types are in a phase of overcapacity due to slowdown in economic growth and weak market demand, resulting in fierce competition in the paper making industry. The outlook of the domestic paper and pulp market is not promising due to the macro environment. The overall market development is weak with sluggish market condition. However, the development conditions for the paper making industry are gradually improving in the long run. 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. Elimination of outdated production capacity and the stricter environmental protection policy will force some small and medium-sized enterprises to leave the industry, thereby lowering the pressure of the new production capacity on the supply in the industry to a certain extent, which is conducive to a proactive increase in price proposed by enterprises. Meanwhile, the continued low level of raw material prices relieved the pressure on the operating costs of enterprises.

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. The Company has 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 operation of the finance company and the financial leasing company signifies that the Company has officially stepped into the financial sector. Moreover, the Company has engaged in various operations such as waterfront regulation, magnesite mining, and real estate development, thereby expanding its industry chain with a more rationalised industry positioning, which further strengthen the Company’s competitiveness and development potential. As the industry gradually recovers with the economic turnaround, the results of the Company will make great strides.

In 2014, the Company will focus on an overall strengthening of management and improving operational quality to ensure a sustainable development. In view of this, the Company has adopted the guidelines of “team building, strict management, outstanding business performance, achieving good results” as the working principles of the year. The Company will continue to focus on the following areas in the second half of 2014 in line with its strategic objectives:

Corporate Management: firstly, the Company will firmly establish and strictly implement the working principles of “team building, strict management, outstanding business performance, achieving good results”; and secondly, the Company will adopt four measures in corporate management, as follows: ① revise the existing management system by making it simple, effective, and easy to implement in order to create the basic conditions for strict management; ② enhance team building by employment of qualified employees and dismissal of unqualified employees; ③ strengthen strict and careful management, with special emphasis on “strict” and “careful”; and ④ improve incentive schemes by innovative incentives and adoption of appointment through competition to further mobilise the enthusiasm of the cadres and staff.

Operation and management: the Company will increase efficiency by optimising product structure and increase investment in high-efficiency areas. It will make reference to advanced corporate marketing incentives, improve performance appraisal systems to fully arouse the enthusiasm of sales staff. It will implement system optimisation and strictly control risk. The Company aims to reduce inventories and capital appropriations to proactively respond to the market through measures including market research and timely developed marketing strategies. The Company will also enhance new product promotion and establish professional sales teams for high value-added products to increase the revenue of the Company.

Production management: firstly, the Company places great emphasis on the operation of production upgrade projects and new production projects. It focuses on the management of its 800,000 tonnes coated paper project, 600,000 tonnes bleached kraft liner board project, Jilin Chenming’s environmental protection relocation project, Meilun’s paper additives projects and Wuhan’s specialty paper upgrade and household paper projects to accelerate growth in efficiency. Secondly, it will speed up product restructuring and new product development, strengthen new product development, enrich product structure, improve the ability to respond to the market, and increase sales of new products and high value-added products. Thirdly, special emphasis will be placed on technology development and application to improve the Company’s core competitiveness. Research on the use of fibre reinforced and filler modification technology as

well as new alternative adhesives technology will be conducted to reduce costs and increase efficiency. Fourthly, it will implement strict equipment management to eliminate serious accidents involving equipment. Fifthly, the Company will continue to implement post setting and staffing and reduce labour costs through post consolidation and improvement in automation.

Project management: firstly, the Company will revise and improve its original project management system to make the system fully reflect the principle for project construction of “careful planning, casting quality products, striving for progress and effectiveness verification”. Secondly, the Company will enhance the professional skills of project personnel by encouraging them to learn outside the Company and engage them to learn in the Company. Thirdly, it will adopt strict requirements from the pre-feasibility studies to process control, and from construction company tenders to selection of equipment suppliers to ensure the overall quality of the project. Fourthly, it will specific clear project details and quality objectives, highlight project staff’s accountability and implement a strict reward and punishment system. The Company will focus on implementing the following tasks: ① for projects under construction including Jiangxi Chenming’s 350,000 tonne high-end packaging paper, Zhanjiang Chenming’s 180,000 tonne paper cup sheets and 190,000 tonne culture paper projects, the Company will ensure comprehensive control and assessment, as well as strict quality and cost control to ensure timely commencement of production; ② planned and approved projects including Huanggang Chenming’s integrated forestry, pulp and paper project and Shouguang City’s 400,000 tonne chemical pulp project will undergo repeated verification and optimisation to ensure that these projects will become world-class quality products.

Other aspects: firstly, the Company will make full use of offshore funds and reduce finance costs through the finance company and financial leasing company. Secondly, it will reduce finance costs by increasing use of offshore funds, expanding financing channels and improving capital use efficiency. Thirdly, it aims to achieve economic efficiency by increasing trade volume through import and export companies, developing new customer sources, establishing strategic partnerships and controlling quality supplies. Fourthly, it will reduce inventories and improve contract compliance rate to reduce capital appropriations and financing costs.

4. EVENTS RELATING TO THE FINANCIAL REPORT

(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

Applicable Not applicable

During the reporting period, in accordance with the requirements of “Notice on the issuance of ‘Accounting Standard for Business Enterprises No. 2 — Long-term equity investments’” (Cai Kuai [2014] No. 14) and “Notice on the issuance of ‘Accounting Standard for Business Enterprises No. 41 — Disclosure of interests in other entities’” (Cai Kuai [2014] No. 16), entities listed overseas are encouraged to early adopt the above two accounting standards issued or amended in 2014. The Company implemented the above two accounting standards in preparation of the financial statements for the first half of 2014 as a listed company in the PRC and Hong Kong, and made adjustments in accordance with the requirements therein.

Unit: RMB

Details and reason of changes in accounting policies	Items set out in relevant statements affected	Effect on the amounts as at 31 December 2013	Effect on the amounts as at 30 June 2014
In accordance with “Accounting Standard for Business Enterprises No. 2 — Long-term equity investments”, for any long-term equity investment unable to exercise common control or significant influence over the investee, and not quoted in an active market so that its fair value cannot be reliably measured, it is reported as an available-for-sale financial asset instead of a long-term equity investment by the Company.	Long-term equity investments	83,260,425.53	83,000,000.00
	Available-for-sale financial assets	83,260,425.53	83,000,000.00

(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

Applicable Not applicable

During the reporting period, there was no retrospective restatement to correct major accounting errors.

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

√ Applicable Not applicable

- ① During the reporting period, the Company established two companies through investments, namely Shandong Chenming Financial Leasing Co., Ltd. and Shandong Chenming Investment Limited.

In order to promote diversified development of the Company, further expand its business scope, enhance its overall strength and comprehensive competitiveness, develop new sources of profit growth, the Company convened the fourth extraordinary meeting of the seventh session of the Board on 17 January 2014, at which the Resolution on Establishing a Financial Leasing Company was considered and approved. On 21 February 2014, the Company invested RMB300.00 million, through Chenming (HK) Limited, a wholly-owned subsidiary of the Company, to establish Shandong Chenming Financial Leasing Co., Ltd., which was consolidated into the financial statements of the Company since February 2014.

In order to promote diversified development of the Company, further expand its business scope, enhance its overall strength and comprehensive competitiveness, develop new sources of profit growth, the Company convened the fourth meeting of the seventh session of the Board on 20 March 2014, at which the Resolution on Establishing Shandong Chenming Investment Co., Ltd. was considered and approved. On 26 March 2014, the Company invested RMB200.00 million, through Chenming (HK) Limited, a wholly-owned subsidiary of the Company, to establish Shandong Chenming Investment Co., Ltd., which was consolidated into the financial statements of the Company since March 2014.

- ② During the reporting period, the control over Shandong Chenming Xinli Power Co., Ltd. was lost due to disposal of equity interest, and therefore the company ceased to be included in the scope of consolidation; and the registration of Shouguang Chenming Tianyuan Arboriculture Co., Ltd. and Shouguang Hengfeng Storage Co., Ltd. were cancelled according to actual needs of operations. Therefore, the above two companies ceased to be included in the scope of consolidation.

On 15 November 2013, the Company convened the third extraordinary meeting of the seventh session of the Board and approved the Resolution on Disposal of Equity Interest in Xinli Power”. On 4 March 2014, the Company entered into an equity interest contract with Guangdong Dejun Investment Co., Ltd. to transfer its 51% equity interest in Shandong Chenming Xinli Power Co., Ltd. at a consideration of RMB76.1940 million. The Company lost its control over Xinli Power, which ceased to be included in the scope of consolidation with effect from 4 March 2014.

Shouguang Chenming Tianyuan Arboriculture Co., Ltd. and Shouguang Hengfeng Storage Co., Ltd. had not engaged in any business activity for years. The Company cancelled their registration to save the related expenses. The related assets and liabilities were consolidated into the financial statements of the Company. The above two companies ceased to be included in the scope of consolidation with effect from May 2014.

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

Applicable Not applicable

(5) As at 30 June 2014, no significant contingent event had to be disclosed by the Group.

5. DIVIDENDS

The Board does not recommend the distribution of cash dividends or bonus shares for the six months ended 30 June 2014.

6. FINANCIAL STATEMENT

Consolidated Income Statement

Unit: RMB

Item	Notes	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	2	9,082,020,579.01	10,027,901,358.43
Including: Revenue		9,082,020,579.01	10,027,901,358.43
Interest income			
Earned premium			
Handling charges and commission income			
II. Total operating costs	2	9,082,153,213.06	9,944,996,711.69
Including: Operating costs		7,378,998,628.31	8,251,349,814.35
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		35,500,467.78	38,967,507.99
Sales and distribution expenses		524,593,811.50	570,398,742.45
General and administrative expenses		500,133,881.63	602,523,953.98
Finance expenses		626,611,788.47	486,409,117.79
Loss on impairment of assets		16,314,635.37	-4,652,424.87
Plus: Gain on change in fair value (“-” denotes loss)		967,670.22	9,229,042.51
Investment income (“-” denotes loss)		21,218,247.82	5,183,185.10
Including: Investment income from associates and joint ventures		-1,890,171.00	421,036.92
Foreign exchange gains (“-” denotes loss)			
III. Operating profit (“-” denotes loss)		22,053,283.99	97,316,874.35
Plus: Non-operating income		253,711,372.78	336,305,361.16
Less: Non-operating expenses		14,028,105.87	39,540,627.38
Including: Loss on disposal of non-current assets		8,764,674.26	35,870,782.59

Item	Notes	Amounts for the reporting period	Amounts for the prior period
IV. Total profit (“-” denotes total loss)		261,736,550.90	394,081,608.13
Less: Income tax expenses	3	34,033,045.12	82,871,206.26
V. Net profit (“-” denotes net loss)		227,703,505.78	311,210,401.87
Including: Net profit achieved by the acquiree before business combination			
Net profit attributable to shareholders of the Company		242,461,095.02	333,409,511.73
Minority interest		-14,757,589.24	-22,199,109.86
VI. Earnings per share:	4	—	—
(I) Basic earnings per share		0.12	0.16
(II) Diluted earnings per share		0.12	0.16
VII. Other comprehensive income		-2,305,777.92	8,108,866.56
VIII. Total comprehensive income		<u>225,397,727.86</u>	<u>319,319,268.43</u>
Total comprehensive income attributable to shareholders of the Company		<u>240,164,021.10</u>	<u>341,518,378.29</u>
Total comprehensive income attributable to minority interest		<u>-14,766,293.24</u>	<u>-22,199,109.86</u>

Consolidated Balance Sheet

Unit: RMB

Item	Notes	Closing balance	Opening balance
CURRENT ASSETS:			
Monetary funds		3,357,075,224.97	2,547,729,794.24
Balances with clearing companies			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Bills receivable		2,248,149,475.62	2,870,443,681.49
Accounts receivable	5	3,174,703,520.27	3,102,643,083.54
Prepayments		1,810,805,884.03	1,589,021,331.24
Premium receivable			
Receivables from reinsurers			
Reinsurance contract reserves receivable			
Interest receivable			
Dividend receivable			
Other receivables	6	1,387,721,807.90	1,331,900,749.84
Financial assets purchased under agreements to resell			
Inventories		4,119,044,954.18	3,725,809,877.25
Non-current assets due within one year			
Other current assets		<u>1,827,429,366.35</u>	<u>1,740,520,586.37</u>
Total current assets		<u>17,924,930,233.32</u>	<u>16,908,069,103.97</u>

Item	Notes	Closing balance	Opening balance
Assets sold under agreements to repurchase			
Handling charges and commission payable			
Staff remuneration payables		121,611,538.00	130,271,812.18
Taxes payable	8	119,113,869.82	130,192,936.87
Interest payable		246,392,305.53	153,189,860.42
Dividend payable		580,921,640.10	
Other payables	9	526,234,433.28	486,836,595.89
Due to reinsurers			
Insurance contract reserves			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Non-current liabilities due within one year	10	941,964,400.00	1,287,804,452.66
Other current liabilities		<u>3,990,678,171.80</u>	<u>3,878,735,536.52</u>
Total current liabilities		<u><u>22,266,250,324.39</u></u>	<u><u>19,313,922,411.70</u></u>
NON-CURRENT LIABILITIES:			
Long-term borrowings	11	3,981,294,707.90	3,723,865,807.90
Bonds payable		5,772,774,960.37	5,768,418,612.73
Long-term payables		128,000,000.00	60,000,000.00
Special payables		1,148,088,048.84	971,805,561.39
Estimated liabilities			
Deferred income tax liabilities			
Other non-current liabilities		<u>3,066,066,119.63</u>	<u>3,045,517,642.57</u>
Total non-current liabilities		<u><u>14,096,223,836.74</u></u>	<u><u>13,569,607,624.59</u></u>
TOTAL LIABILITIES		<u><u>36,362,474,161.13</u></u>	<u><u>32,883,530,036.29</u></u>

Item	Notes	Closing balance	Opening balance
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):			
Paid-up capital (or share capital)		1,936,405,467.00	1,975,471,967.00
Capital reserves		6,149,082,212.53	6,204,682,028.94
Less: Treasury shares			30,954,891.40
Special reserves			
Surplus reserves		1,132,116,106.40	1,132,116,106.40
General risk provisions			
Retained profit		4,403,178,396.50	4,741,638,941.58
Foreign currency translation differences		<u>14,655,495.67</u>	<u>16,934,073.59</u>
Total equity attributable to equity holders of the company		13,635,437,678.10	14,039,888,226.11
Minority interest		467,862,854.69	598,465,306.78
Total owners' equity (or shareholders' equity)		<u>14,103,300,532.79</u>	<u>14,638,353,532.89</u>
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)		<u>50,465,774,693.92</u>	<u>47,521,883,569.18</u>

7. NOTES TO FINANCIAL STATEMENTS

(1) Basis of Preparation of the Financial Statements

The Group's financial statements are prepared on a going concern basis and based on actual transactions and events, in accordance with the accounting standards for business enterprises promulgated by the Ministry of Finance of PRC on 15 February 2006 and 41 specific accounting standards as promulgated and amended on and after the same date, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2010) of China Securities Regulatory Commission.

In accordance with the requirements of "Notice on the issuance of 'Accounting Standard for Business Enterprises No. 2 -Long-term equity investments'" (Cai Kuai [2014] No. 14) and "Notice on the issuance of 'Accounting Standard for Business Enterprises No. 41 -Disclosure of interests in other entities'" (Cai Kuai [2014] No. 16), entities listed overseas are encouraged to early adopt the above two accounting standards issued or amended in 2014. The Company implemented the above two accounting standards in preparation of the financial statements for the first half of 2014 as a listed company in the PRC and Hong Kong. For the details of changes in accounting policies arising from the adoption the new accounting standards, please refer to Note IV. 31 "Changes in Significant Accounting Policies and Estimates".

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. Non-current assets held for sale are stated at the lower of fair value less estimated costs, and the original carrying value when it was qualified as held for sale. In the event that depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

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 as at 30 June 2014 and relevant information such as the operating results and cash flows of the Company and the Group for the first half of 2014. 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.

(2) Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Revenue from principal activities	8,961,621,363.25	9,829,074,992.64
Revenue from other activities	120,399,215.76	198,826,365.79
Operating costs	7,378,998,628.31	8,251,349,814.35

(2) Principal activities (by industries)

Unit: RMB

Industry name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
I. Machine-made paper	8,545,843,565.79	7,004,509,499.62	8,848,173,025.18	7,326,007,309.03
II. Electricity and steam	198,681,459.85	144,716,153.44	803,178,978.83	667,582,441.74
III. Construction materials	94,627,856.04	76,921,331.07	109,279,405.02	91,159,060.57
IV. Paper chemicals	42,387,862.87	27,967,694.33		
V. Hotel	14,901,686.03	3,398,372.51	19,689,151.28	4,853,289.68
VI. Others	65,178,932.67	63,565,414.91	48,754,432.33	39,934,984.09
Total	8,961,621,363.25	7,321,078,465.88	9,829,074,992.64	8,129,537,085.11

(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	348,081,994.57	316,335,859.11	501,851,702.17	426,670,112.16
Duplex press paper	1,441,112,796.55	1,134,551,552.38	1,371,028,527.11	1,134,137,789.43
Writing paper	82,378,061.06	62,326,659.34	185,288,743.85	161,211,366.92
Coated paper	2,185,259,143.15	1,820,063,708.25	2,160,140,193.34	1,877,854,601.69
News press paper	519,433,041.74	385,119,601.80	774,970,941.13	569,464,168.35
Paperboard	375,085,910.27	356,635,077.75	75,457,462.04	70,449,307.72
White paper board	940,339,733.70	758,413,648.95	1,101,886,281.24	875,218,954.34
Other machine-made paper	2,654,152,884.75	2,171,063,392.04	2,677,549,174.30	2,211,001,008.42
Electricity and steam	198,681,459.85	144,716,153.44	803,178,978.83	667,582,441.74
Building materials	94,627,856.04	76,921,331.07	109,279,405.02	91,159,060.57
Paper chemicals	42,387,862.87	27,967,694.33		
Hotel	14,901,686.03	3,398,372.51	19,689,151.28	4,853,289.68
Others	65,178,932.67	63,565,414.91	48,754,432.33	39,934,984.09
Total	8,961,621,363.25	7,321,078,465.88	9,829,074,992.64	8,129,537,085.11

(4) Principal activities (by geographical areas)

Unit: RMB

Region	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	7,170,230,465.09	5,592,480,772.13	8,269,892,081.97	6,674,839,221.55
Other countries and regions	1,791,390,898.16	1,728,597,693.75	1,559,182,910.67	1,454,697,863.56
Total	8,961,621,363.25	7,321,078,465.88	9,829,074,992.64	8,129,537,085.11

(3) 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	89,458,831.33	151,457,198.79
Adjustment to deferred income tax	-55,425,786.21	-68,585,992.53
Total	34,033,045.12	82,871,206.26

(4) Calculation of basic earnings per share and diluted earnings per share

(1) Basic earnings per share and diluted earnings per share over the periods

Profit for the reporting period	Amounts during the period		Amounts during the prior period	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.12	0.12	0.16	0.16
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	0.03	0.03	0.07	0.07

(2) Calculation of earnings per share and diluted earnings per share

- ① Net profit for the period attributable to ordinary shareholders for the purpose of calculating basic 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	242,379,341.87	333,409,511.73
Of which: net profit attributable to continuing operations	242,379,341.87	333,409,511.73
net profit attributable to discontinued operations		
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	57,813,473.27	134,539,548.74
Of which: net profit attributable to continuing operations	57,813,473.27	134,539,548.74
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 period	1,963,987,467.00	2,062,045,941.00
Add: number of weighted ordinary shares issued during the period		
Less: number of weighted ordinary shares repurchased during the period	27,582,000.00	17,687,393.00
Number of outstanding ordinary shares as at the end of the period	1,936,405,467.00	2,044,358,548.00

(5) Accounts receivable

(1) Disclosure of accounts receivable according to classification

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Accounts receivable that are individually significant and provided for bad debts separately	48,535,549.72	1.42%	48,535,549.72	100.00%	48,605,549.72	1.46%	48,605,549.72	100.00%
Accounts receivable that are provided for bad debts on portfolio basis								
Risk-free portfolio	364,437,072.32	10.69%			457,124,812.49	13.73%		
General portfolio	2,997,855,973.92	87.89%	187,589,525.97	6.26%	2,823,789,275.45	84.81%	178,271,004.40	6.31%
Sub-total for portfolio	3,362,293,046.24	98.58%	187,589,525.97	5.58%	3,280,914,087.94	98.54%	178,271,004.40	5.43%
Total	3,410,828,595.96	—	236,125,075.69	—	3,329,519,637.66	—	226,876,554.12	—

Presentation of accounts receivable according to ageing analysis is as follows:-

Unit: RMB

Item	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	3,238,736,233.95	94.95%	3,172,267,013.90	95.28%
1-2 years	57,140,092.15	1.68%	50,136,238.22	1.50%
2-3 years	34,334,137.13	1.01%	26,223,349.82	0.79%
Over 3 years	80,618,132.73	2.36%	80,893,035.72	2.43%
Total	3,410,828,595.96	100.00%	3,329,519,637.66	100.00%

Accounts Receivable that are individually significant and are provided for bad debts separately at the end of the period.

Unit: RMB

Particulars of accounts receivable	Book balance	Provision for bad debts	Provision ratio	Reason for bad debt provision
Payment for goods	48,535,549.72	48,535,549.72	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered
Total	48,535,549.72	48,535,549.72	—	—

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

Unit: RMB

Ageing	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio		Amount	Ratio	
Within 1 year						
Of which:	—	—	—	—	—	—
Within 1 year	2,874,217,506.67	95.88%	142,909,775.34	2,715,360,837.57	96.16%	135,768,041.85
Sub-total within 1 year	2,874,217,506.67	95.88%	142,909,775.34	2,715,360,837.57	96.16%	135,768,041.85
1-2 years	57,140,092.15	1.91%	5,714,009.21	50,127,138.22	1.78%	5,012,713.82
2-3 years	34,415,792.09	1.15%	6,883,158.41	26,013,813.66	0.92%	5,202,762.73
Over 3 years	32,082,583.01	1.07%	32,082,583.01	32,287,486.00	1.14%	32,287,486.00
Total	2,997,855,973.92	—	187,589,525.97	2,823,789,275.45	—	178,271,004.40

(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
Payment of goods	Collection of payment of goods	Overdue for over three years and unlikely to be recovered	18,932,595.33	18,932,595.33
Total	—	—	18,932,595.33	—

(3) There was no accounts receivable from any company in which the Company held 5% (5% inclusive) or more voting rights during the reporting period.

(4) Particulars of top five accounts receivable

Unit: RMB

Name of entity	Relationship with the Company	Amount	Term	As a percentage of the total of accounts receivable
SHANGHAI YAOJI PLAYING CARD CO., LTD.	Non-related party	66,745,929.97	Within 1 year	1.96%
ARSGIA TEJARAT SHEKOUH	Non-related party	38,822,063.37	Within 1 year	1.14%
SHANGHAI CHANGYI ADHESIVE PRODUCTS CO., LTD.	Non-related party	34,739,822.41	Within 1 year	1.02%
CHANGJIANG (HUBEI) PUBLISH PRINT MATERIALS CO., LTD.	Non-related party	31,438,946.94	Within 1 year	0.92%
SHENZHEN CENTURY HONGBO TRADING CO., LTD.	Non-related party	29,798,619.00	Within 1 year	0.87%
Total	—	201,545,381.69	—	5.91%

(6) Other receivables

(1) Disclosure of other receivables according to classification

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Other receivables that are individually significant and are provided for bad debts separately	9,402,148.72	0.64%	9,402,148.72	100.00%	8,918,424.06	0.64%	8,918,424.06	100.00%
Other receivables that are provided for bad debts on portfolio basis								
Risk-free portfolio	1,280,335,707.85	87.82%			1,251,663,625.86	89.22%		
General portfolio	155,208,086.94	10.65%	47,821,986.89	30.81%	128,661,773.06	9.17%	48,424,649.08	37.64%
Sub-total for portfolio	1,435,543,794.79	98.46%	47,821,986.89	3.33%	1,380,325,398.92	98.39%	48,424,649.08	3.51%
Other receivables that are individually insignificant but are provided for bad debts separately	13,033,288.78	0.89%	13,033,288.78	100.00%	13,717,509.43	0.97%	13,717,509.43	100.00%
Total	1,457,979,232.29	—	70,257,424.39	—	1,402,961,332.41	—	71,060,582.57	—

The presentation of other receivables according to ageing analysis is as follows

Unit: RMB

Item	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	811,045,422.43	55.63%	1,200,466,405.38	85.57%
1-2 years	475,294,947.82	32.60%	100,811,139.72	7.18%
2-3 years	111,535,001.35	7.65%	41,370,171.48	2.95%
Over 3 years	60,103,860.69	4.12%	60,313,615.83	4.30%
Total	1,457,979,232.29	100.00%	1,402,962,332.41	100.00%

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

Unit: RMB

Particulars of other receivables	Book balance	Provision for bad debts	Provision ratio	Reason for provision
Open credit	9,402,148.72	9,402,148.72	100.00%	Most of them are open credit for over three years and are unlikely to be recovered
Total	9,402,148.72	9,402,148.72	—	—

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

Unit: RMB

	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
Ageing	Amount	Ratio		Amount	Ratio	
Within 1 year						
Of which:						
Within 1 year	84,518,376.98	54.45%	4,225,918.85	44,912,660.62	34.91%	2,245,633.03
Sub-total within 1 year	84,518,376.98	54.45%	4,225,918.85	44,912,660.62	34.91%	2,245,633.03
1-2 years	14,821,413.23	9.55%	1,482,141.32	6,967,923.12	5.42%	696,792.31
2-3 years	18,194,337.51	11.72%	4,439,967.51	39,123,706.98	30.41%	7,824,741.40
Over 3 years	37,673,959.22	24.27%	37,673,959.22	37,657,482.34	29.26%	37,657,482.34
Total	155,208,086.94	—	47,821,986.90	128,661,773.06	—	48,424,649.08

Other receivables that are individually insignificant but are provided for bad debts separately as at the end of the period

Unit: RMB

Particulars of other receivables	Book balance	Provision for bad debts	Provision ratio	Reason for bad debts provision
Open credit	13,033,288.78	13,033,288.78	100.00%	Most of them are open credit for over three years and are unlikely to be recovered
Total	13,033,288.78	13,033,288.78	—	—

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

Unit: RMB

Particulars of other receivables	Reason for reversal or recovery	Original basis for bad debt provision	Cumulative bad debt provision prior to reversal or recovery	Amount of reversal or recovery
Open credit	Collection of open credit	Overdue for over three years and unlikely to be recovered	2,334,907.71	2,334,907.71
Total	—	—	2,334,907.71	—

(3) No outstanding amount within other receivables due from shareholders holding 5% or more (including 5%) in the voting shares of the Company during the reporting period

(4) Particulars of top five other receivables

Unit: RMB

Name of entity	Relationship with the Company	Amount	Term	As a percentage of the total of other receivables
WUHAN CHENMING WAN XING REAL ESTATE CO., LTD.	Related party	579,535,749.56	Within 1 year, 1-2 years	39.75%
SHANDONG JIANGHE PAPER CO. LTD.	Non-related party	530,094,699.70	1-2 years	36.36%
ZHANJIANG FINANCE BUREAU	Non-related party	102,587,813.35	Within 1 year	7.04%
JIANGSU XINHAI PORT ENGINEERING CO., LTD.	Non-related party	38,546,912.03	Within 1 year	2.64%
VALTRA INC. of Finland	Non-related party	12,198,802.77	2 to 3 years	0.84%
Total	—	1,262,963,977.41	—	86.63%

(7) Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,941,094,036.07	2,251,158,621.76
1-2 years	199,785,442.15	240,434,222.13
2-3 years	80,880,278.33	120,073,847.85
Over 3 years	95,747,969.76	83,503,235.40
Total	3,317,507,726.31	2,695,169,927.14

(2) During the reporting period, the accounts payable were not due to any shareholders or related parties holding over 5% (5% inclusive) voting rights of the Company's shares

(3) Explanation on significant trade payable for over 1 year

Name of creditors	Amount	Reason for being outstanding	Repaid after the reporting date
ANDRITZ (CHINA) CO., LTD.	20,114,963.00	Temporarily outstanding	No
SHANDONG NGE LOGISTICS CO., LTD.	9,706,231.34	Temporarily outstanding	No
VOITH INTERNATIONAL TRADE (SHANGHAI) CO., LTD.	4,747,703.87	Temporarily outstanding	No
SHANDONG SWAN WATER ENGINEERING CO., LTD.	4,377,011.99	Temporarily outstanding	No
Total	38,945,910.20		

(8) Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	20,532,603.43	6,620,418.81
Business tax	1,132,381.06	596,310.07
Enterprise income tax	74,491,436.79	104,402,645.76
Individual income tax	512,409.39	1,780,803.13
Urban maintenance and construction tax	3,454,870.35	1,713,580.49
Land use tax	5,961,895.73	5,495,793.45
Property tax	7,074,400.32	7,824,057.43
Educational surcharges and others	3,175,613.44	446,510.66
Stamp duty	2,778,259.31	1,312,817.07
Total	119,113,869.82	130,192,936.87

(9) Other payables

Particulars of other payables

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	389,933,521.83	419,910,089.94
1-2 years	84,995,822.48	23,967,481.29
2-3 years	11,932,189.97	16,877,980.44
Over 3 years	39,372,899.00	26,081,044.22
Total	526,234,433.28	486,836,595.89

(10) 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	941,964,400.00	789,115,500.00
Payable bonds due within one year		498,688,952.66
Total	941,964,400.00	1,287,804,452.66

(2) Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	270,990,800.00	269,313,900.00
Guarantee borrowings	263,333,600.00	175,925,600.00
Credit borrowings	407,640,000.00	343,876,000.00
Total	941,964,400.00	789,115,500.00

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

(11) Long-term borrowings

Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,936,041,471.96	3,053,648,871.96
Guarantee borrowings	386,661,600.00	470,888,400.00
Credit borrowings	1,600,556,035.94	988,444,035.94
Less: long-term borrowings due within one year	941,964,400.00	789,115,500.00
Total	3,981,294,707.90	3,723,865,807.90

8. PURCHASE, SALE AND REDEMPTION OF SHARES

(1) Particulars of Repurchase of H shares by the Company

On 21 August 2013, the Company convened the 2013 First extraordinary shareholders' meeting, Class Meeting for Holders of Domestic Listed Shares (A shares and B shares) and Class Meeting for Holders of Overseas Listed Shares (H shares), at each of which proposals concerning the repurchase of H shares of the Company were approved. On 10 October 2013, Shandong Province Commerce Department issued a Preliminary Reply to Capital Reduction by Shandong Chenming Paper Holdings Limited (Lu Shang Wu Wai Zi Zi [2013] No. 705), which intended to agree that the Company repurchased not more than 39.127 million issued overseas listed foreign shares (H share). The number of repurchased shares will be determined by the actual amount of shares repurchased and the registered capital should be reduced accordingly.

On 1 November 2013, the reply from Shouguang City Branch of the State Administration of Foreign Exchange consented to the foreign exchange purchase quota in respect of the H shares repurchased by the Company.

The Company has commenced repurchase of its H shares since 11 December 2013. As of the end of the term of such repurchase on 9 May 2014, the Company repurchased 39,066,500 shares, representing 1.9776% of the Company's total share capital. The highest repurchase price was HK\$3.60 per share, while the lowest price was HK\$3.17 per share. The total amount paid amounted to HK\$133,556,245.00 (before stamp duty and commission).

As of 15 May 2014, the Company has cancelled the repurchased 39,066,500 overseas listed foreign shares (H shares).

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

9. 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 of Hong Kong Limited (the "Listing Rules").

- (1) The chairman and general manager of the Company is Mr. Chen Hongguo. Mr. Chen Hongguo performs the roles of the chairman and the general manager for the overall management of the Company. This constitutes a deviation from the principles and code provisions of A2 - Directors and Chief Executive Office in Corporate Governance Code and Corporate Governance Report under Appendix 14 to the 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) Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising its non-executive directors only. As Mr. Cui Youping ceased to be a non-executive director and a member of the audit committee of the Company after the conclusion of the annual general meeting, the number of the members of the audit committee was below a minimum of three members under the Rule 3.21 of the Listing Rules. However, the Board was unable to convene a meeting from the conclusion of the annual general meeting on 9 May 2014 to 30 June 2014 to appoint a member of the audit committee in order to satisfy the requirement of Rule 3.21 of the Listing Rules. Nonetheless, the Board held a Board meeting on 27 August 2014 to appoint Ms. Yang Guihua, a non-executive director as a member of the audit committee to fill the vacancy.
- (3) Communication with shareholders

During the reporting period, the Company held the annual general meeting on 9 May 2014.

Mr. Chen Hongguo, the chairman of the Board and the strategic committee, 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.

10. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors’ securities transactions. The Company had made specific enquiry of all Directors and Supervisors and all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code for the six months ended 30 June 2014.

11. AUDIT COMMITTEE

The audit committee of the Company now comprises two independent non-executive Directors and one non-executive Director. The members of the audit committee are Ms. Zhang Hong, Mr. Wang Aiguo and Ms. Yang Guihua. The audit committee reviewed the accounting standards and practices adopted by the Group with the management of the Company and discussed and reviewed the interim results and interim report for the six months ended 30 June 2014 prepared in accordance with the accounting standards.

By order of the Board
Shandong Chenming Paper Holdings Limited
CHEN HONGGUO
Chairman

Shandong, the PRC, 27 August 2014

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng, Mr. Geng Guanglin, Mr. Hou Huancai and Mr. Zhou Shaohua, the non-executive Directors are Mr. Wang Xiaoqun and Ms. Yang Guihua and the independent non-executive Directors are Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing.

** For identification purposes only*