



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

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

Stock code: 1812

INTERIM REPORT
2014



I Important Notice, Table of Contents and Definitions

The board (the “Board”) of directors (the “Directors”), the supervisory committee (the “Supervisory Committee”), 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, Dong Lianming, head in charge of accounting and Liu Jun, 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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I Important Notice, Table of Contents and Definitions

Definitions

Item	means	Definition
Company or Chenming Paper Group	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Shenzhen Stock Exchange	means	Shouguang Chenming Holdings Company Limited
Stock Exchange	means	Shenzhen Stock Exchange
CSRC	means	The Stock Exchange of Hong Kong
Shandong CSRC	means	China Securities Regulatory Commission
Shouguang Henglian	means	Shandong branch of China Securities Regulatory Commission
Shouguang Hengtai	means	Shouguang Henglian Enterprise Investment Co. Ltd.
Jiangxi Chenming	means	Shouguang Hengtai Enterprise Investment Company Limited
Wuhan Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Chenming (HK)	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Zhanjiang Chenming	means	Chenming (HK) Limited
Jilin Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Chenming GmbH	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun	means	Chenming GmbH
Guangdong Huirui	means	Shouguang Meilun Paper Co., Ltd.
Xinli Power	means	Guangdong Huirui Investment Co., Ltd.
Haicheng Haiming	means	Shandong Chenming Xinli Power Co., Ltd.
Cheming Power	means	Haicheng Haiming Mining Company Limited
	means	Shandong Chenming Power Supply Holdings Co., Ltd.

II Company Profile

I. 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		
Chinese name of the Company	山東晨鳴紙業集團股份有限公司		
Chinese short name of the Company	晨鳴紙業		
English name of the Company	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
English short name of the Company	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

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

III. Other information

1. Contact methods of the Company

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

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2013 Annual Report for details.

2. Information disclosure and places for inspection

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

Applicable Not applicable

There was no change of the newspapers designated by the Company for information disclosure, designated websites for the publication of the Interim Report as approved by CSRC and places for inspection of the Company's Interim Report during the reporting period. Please refer to 2013 Annual Report for details.

3. Change of registration information

Whether the registration information changed during the reporting period

Applicable Not applicable

	Date of Registration	Address of Registration	Legal Person Business License Registration Number	Taxation Registration Number	Organisation Code
Registration at the beginning of the reporting period	2 January 2014	Shandong Administration for Industry & Commerce	370000400001170	370783613588986	61358898-6
Registration at the end of the reporting period	28 May 2014	Shandong Administration for Industry & Commerce	370000400001170	370783613588986	61358898-6

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

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 section IX. IV. 31 “Changes in significant accounting policies and estimates” 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 (%) After adjustment
		Before 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%
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.

III Summary of Accounting Data and Financial Indicators

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

III. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	73,764,935.36	
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	100,763,109.28	
Gain or loss from debt restructuring	623,626.67	
Gain or loss from change in fair value of consumable biological assets	967,670.22	
Non-operating gains and losses other than the above items	64,271,540.63	
Less: Effect of income tax	44,085,625.09	
Effect of minority interest (after tax)	11,657,635.32	
Total	184,647,621.75	—

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

Applicable Not applicable

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

IV Directors' Report

I. Overview

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's revenue amounted to RMB9,082.0206 million, down by 9.43 % from the corresponding period of the prior year. The net profit attributable to shareholders of the Company was RMB242.4611 million, down by 27.28% from the corresponding period of the prior year.

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.

IV Directors' Report

II. Analysis of principal operations

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.

Year on year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/decrease (%)	Reason for the change
Revenue	9,082,020,579.01	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.

IV Directors' Report

II. Analysis of principal operations (Cont'd)

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

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

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

III. Analysis of liquidity, financial resources and capital structure in accordance with generally accepted accounting principles in Hong Kong

As of 30 June 2014, the Group's current ratio was 80.50%. The quick ratio was 62.00%. The gearing ratio was 72.05%. The accounts receivable turnover ratio was 375.09% (Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%). The inventory turnover ratio was 350.26% (Inventory turnover ratio = cost of sales of the products/weighted average net inventory*100%).

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

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

As of 30 June 2014, the total bank borrowings, corporate loans, medium-term notes and privately placed bonds of the Group were RMB16,789 million, RMB5,773 million, RMB2,581 million and RMB3,964 million (As at the end of the prior year: the total bank borrowings, corporate loans, medium-term notes and privately placed bonds, and short-term commercial paper of the Group were RMB18,185 million, RMB6,267 million, RMB2,577 million and RMB3,853 million, respectively). As of 30 June 2014, the Group had monetary funds of RMB3,357 million (As at the end of the prior year: RMB2,548 million) in total (For the breakdown of monetary funds, please refer to "Section IX. VII.1 Note on monetary funds" in this report).

To strengthen our financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2014, the Group had 12,761 employees. The total staff remuneration for the first half of 2014 amounted to RMB336.0257 million (as at the end of the prior year, the Group had 12,954 employees. The total staff remuneration for 2013 amounted to RMB665.6397 million).

Major investment projects of the Company during the second half of 2014 will include 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 project, Wuhan Wan Xing's real estate development project and other projects.

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

For details of the restricted assets of the Group as of 30 June 2014, please refer to "Section IX. VII. 12. Details of restricted fixed assets" in this report.

As at 30 June 2014, no contingent event was required to be disclosed by the Group.

IV Directors' Report

IV. Components of principal operations

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/decrease of revenue as compared to the corresponding period of the prior year	Increase/decrease of operating costs as compared to the corresponding period of the prior year	Increase/decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	8,545,843,565.79	7,004,509,499.62	18.04%	-3.42%	-4.39%	0.83%
Electricity and heat	198,681,459.85	144,716,153.44	27.16%	-75.26%	-78.32%	10.28%
Chemical products	42,387,862.87	27,967,694.33	34.02%	—	—	—
Construction materials	94,627,856.04	76,921,331.07	18.71%	-13.41%	-15.62%	2.13%
Hotel	14,901,686.03	3,398,372.51	77.19%	-24.32%	-29.98%	1.84%
Others	65,178,932.67	63,565,414.91	2.48%	33.69%	59.17%	-15.61%
By products						
Light weight coated paper	348,081,994.57	316,335,859.11	9.12%	-30.64%	-25.86%	-5.86%
Duplex press paper	1,441,112,796.55	1,134,551,552.38	21.27%	5.11%	0.04%	3.99%
Writing paper	82,378,061.06	62,326,659.34	24.34%	-55.54%	-61.34%	11.35%
White paper board	940,339,733.70	758,413,648.95	19.35%	-14.66%	-13.35%	-1.22%
Container paperboard	375,085,910.27	356,635,077.75	4.92%	—	—	—
Coated white paperboard	294,879,370.13	284,598,760.23	3.49%	—	—	—
Coated white linerboard	200,359,591.57	193,325,571.97	3.51%	165.53%	174.42%	-3.13%
Paperboard	2,185,259,143.15	1,820,063,708.25	16.71%	1.16%	-3.08%	3.64%
News press paper	519,433,041.74	385,119,601.80	25.86%	-32.97%	-32.37%	-0.66%
Electrostatic paper	840,427,787.43	638,909,675.65	23.98%	-2.42%	-6.03%	2.92%
Household paper	253,924,521.39	230,635,298.13	9.17%	—	—	—
Other machine-made paper	1,064,561,614.23	823,594,086.06	22.64%	-41.39%	-46.21%	6.93%
Electricity and steam	198,681,459.85	144,716,153.44	27.16%	-75.26%	-78.32%	10.28%
Chemical products	42,387,862.87	27,967,694.33	34.02%	—	—	—
Construction materials	94,627,856.04	76,921,331.07	18.71%	-13.41%	-15.62%	2.13%
Hotel	14,901,686.03	3,398,372.51	77.19%	-24.32%	-29.98%	1.84%
Others	65,178,932.67	63,565,414.91	2.48%	33.69%	59.17%	-15.61%
By geographical segment						
Mainland China	7,170,230,465.09	5,592,480,772.13	22.00%	-13.30%	-16.22%	2.72%
Other countries and regions	1,791,390,898.16	1,728,597,693.75	3.51%	14.89%	18.83%	-3.20%

IV Directors' Report

V. 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	0	100.00%	(4)
Interest payable	246,392,305.53	153,189,860.42	60.84%	(5)
Dividend payable	580,921,640.10	0	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.

IV Directors' Report

VI. Analysis of Core Competitiveness

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

- (1) **Scale advantages:** As China's largest state-owned paper making enterprise, after years of development, the Company has achieved annual pulp and paper production capacity of 8.00 million tonnes and is capable to compete with international paper making enterprises in scale. Large-scale centralised production has provided the Company with obvious economic benefits, which are reflected not only in the manufacturing costs of products, but also in its strong market influence in raw material procurement, product pricing and industry policy making.
- (2) **Product advantages:** While the production scale of the Company expands rapidly, its product mix also continues to optimise. 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 has achieved higher technological content of products and added values as well as a higher gross profit margin. The product mix of the Company has changed from one that focused mainly on ordinary offset paper to a wide product range including electrostatic paper, duplex press paper, light weight coated paper, news press paper, coated paper, white paper board and household paper, and thus the Company has become the enterprise that offers the widest and the most complete product range in China's paper making industry. Proportion of the Company's high-end products will further increase in the future. Diversification and gentrification of the product mix have 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, including Metso and Ahlstrom of Finland, Fuyite of Germany, Andritz of Austria and ABB of the United States. The technical equipment used by the Company generally reflects the characteristics of being technology-intensive and the integration of mechanical and electrical in the paper making 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 or surpassed the international advanced level.
- (4) **Research and innovation advantages:** Leveraging its research strengths and relying 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 higher education institutions, research units and international advanced enterprises, which has helped the Company to establish a research and development network leveraging both the domestic and international advanced paper making research bases, and guaranteed the Company'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, which has substantially reduced the waste of resources in evaporating, emitting, dripping or leaking, and the Company's energy consumption per tonne of paper is also controlled at a relatively low level; secondly, striving for the integrated development of forestry, pulp and paper, the Company has built up forest land of approximately 2.00 million mu and established several advanced pulp production lines, thus increasing the supply for major raw materials; thirdly, the Company has reduced costs through the construction of the captive power plant to ensure energy supply.

IV Directors' Report

VI. Analysis of Core Competitiveness (Cont'd)

- (6) Funding advantages: The paper making industry is a capital-intensive industry, and funding is one of the most important factors which affect the development of the industry. The Company has high profitability and credit status, and has maintained long-term stable cooperative relations with the banks, which provide the Company with an unobstructed financing capacity. In recent years, 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 maximisation of shareholders' wealth. Since its listing, the Company has maintained good operating results and a sound corporate governance structure. It has conducted several financing activities in domestic and foreign stock markets. The funds obtained have been applied effectively, which has provided the Company with stronger abilities in direct financing in the stock market. The establishment of finance company and financial leasing company has diversified the development of the Company.
- (7) Advantages in environmental regulation capacity: Over the years, the Company has firmly established "environmental protection first upon scale expansion" 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, black liquor comprehensive utilisation system, desulfurisation and denitrification system and the sewage treatment plants, which guarantee that the environmental protection facilities can meet the demand of the rapid expansion of the Company.

VII. Outlook on the future development of the Company

1. Competition overview and development trend of the industry

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". 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. 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. 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.

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

2. Development strategy of the Company

- (1) The Company will adjust its product structure and focus on developing the production of high-end paper product. Several projects of the Company have commenced operation upon completion. They are the high-end low weight coated paper project of production capacity of 800,000 tonnes, the high-end culture paper project of production capacity of 450,000 tonnes, the high-end white coated linerboard project of production capacity of 600,000 tonnes, Wuhan Chenming's high-end household paper project and Jilin Chenming's environmental protection relocation project. The Company has also invested in and constructed the high-end packaging paper project of production capacity of 350,000 tonnes, the high-end cultural paper project of production capacity of 190,000 tonnes and the paper cup project of production capacity of 180,000 tonnes. The Company will take these opportunities to further upgrade its products for a higher end market and strive to become one of the leading companies in the global paper making industry within a period of time.
- (2) The Company will eliminate the bottlenecks in raw materials encountered during the development of the Company and strengthen the Company's product cost control. The Company will focus on the construction of Zhanjiang pulp project and ancillary raw material bases, as well as the construction of Huanggang Chenming pulp project and ancillary raw material bases. The Company will establish the "forestry-pulp-paper integration" chain industry and construct the chemical pulp project of production capacity of 400,000 tonnes in Shouguang City, thereby eliminating the limitations of upstream resources on the Company and enhancing Company's sustainable development.
- (3) The Company will pay all its attention to its environmental protection works, aiming to achieve harmonious development with energy consumption and emission reduction. Upon implementation of the new national environmental protection standards and the greater emphasis on environment regulation, the Company will endeavour to develop the recycle economy. The Company will strive to maximise its resource utilisation. Meanwhile, the Company will make greater efforts to construct environment friendly projects and strive to achieve its waste emission target.
- (4) The Company will enhance staff training and technology innovation. On one hand, the Company adheres to internal training as well as external recruitment in order to enhance the overall quality of the team. On the other hand, it strives to develop its own technology, strengthen its own innovation ability and step up investments in its research and development.
- (5) Enhance corporate management and improve operational quality: to implement the management concept of "to manage people with system and to work up to the standard", and improve all systems and processes to enhance implementation capability; to continuously improve equipment automation and information technology management, and implement post setting and staffing according to advanced international standards; to further strengthen the reform of the remuneration system, improve the performance appraisal system, establish different promotion channels and ranks; and to strengthen the management awareness of the management staff and improve their ability to identify and solve problems.
- (6) Develop domestic and international markets and expand development potential: firstly, to implement a proactive and rational marketing strategy, timely adjust product structure according to market changes, further expand the Company's market share domestically and internationally through innovative sales and marketing and services; secondly, to strengthen sales and marketing management with the help of management advisory body, take the lead in implementing a new management mode within the sales system, adjust the product management structure, strengthen the management of market segmentation, increase training efforts and build up a quality sales force; thirdly, to optimise the international marketing network, strengthen overseas sales force and expand export volumes; and fourthly, to commence e-commerce business, accelerate the construction of virtual terminal market, carry out customer-facing e-commerce business and expand sales channels through on-line marketing.

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

3. Operating plan for the second half of 2014

- (1) 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.
- (2) 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.
- (3) 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 tonne coated paper project, 600,000 tonne 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.
- (4) 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.
- (5) Other aspects: firstly, the Company will increase its capital utilisation efficiency through the finance company and financial leasing company. Secondly, it will reduce finance costs by increasing use of offshore funds, and expanding financing channels. 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.

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

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

The future capital requirement of the Company mainly arises from the normal production and operation and Zhanjiang Chenming's 180,000 tonne paper cup sheets and 190,000 tonne culture paper projects, Jiangxi Chenming's 350,000 tonne high-end packaging paper project, Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang City's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Guangdong Huirui's waterfront comprehensive regulation works project, Wuhan Wan Xing's real estate development project and other projects in the pipeline. The Company employs the following measures to satisfy its capital requirement:

Firstly, the Company will further improve its marketing network, optimise its marketing organisation structure and increase its sales channels by developing new customer sources and establishing strategic partnerships with quality customers. It will also strengthen its management of capital appropriations to reduce capital appropriations and speed up the turnover of the funds.

Secondly, the Company will leverage the overseas financing platform by increasing its overseas financing at lower costs and make good use of overseas funds.

Thirdly, the Company will enhance the centralised management of the Group's fund and improve the efficiency of capital use through the finance company and financial leasing company so as to further increase the Group's fund settlement, management, investment and financing ability, thus reducing its financing cost.

Fourthly, the Company will establish strategic partnership with major financial institutions to leverage the regional advantages of various subsidiaries, and proactively obtain direct financing from the interbank market and capital market to secure the capital requirement for project construction and production and operation.

5. Risk factors likely to be faced and the measures to be taken

As a basic raw materials industry of the national economy, the paper making 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 paper making 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 Company's products mainly comprised high-end paper products, and wood pulp and waste paper have accounted for a higher proportion of the production cost. 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.

Hence, the Company will focus on the construction of Zhanjiang Chenming's pulp project and ancillary raw material bases, as well as the construction of Huanggang Chenming pulp project and ancillary raw material bases. The Company will establish the "forestry-pulp-paper integration" chain industry and construct the chemical pulp project of production capacity of 400,000 tonnes in Shouguang City, thereby eliminating the limitations of upper-stream resources on the Company and enhancing Company's sustainable development.

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

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

Industrial risk. Some paper types are in a phase of overcapacity due to slowdown in economic growth and weak market demand, thus resulting in fierce competition in the paper making industry. The excess capacity is to be absorbed in the market.

Hence, the Company, under the guiding philosophy of “transformation and upgrade”, will work on new product development so as to diversify its product portfolio and enhance its ability to cope with market changes. It will also focus on the development of high-end paper products, thereby enhancing its core competitiveness. The Company will step up efforts to export its products and get rid of the bottleneck in exports to explore its overseas market. Meanwhile, the Company will actively expand into new industries to diversify its business.

Policy risk. On 30 December 2011, the National Development and Reform Commission, the Ministry of Industry and the State Forestry Administration jointly issued the “12th Five-Year Plan” of the paper making industry, which has stipulated the guiding ideology, basic principles, development objectives, major tasks, key projects, policy initiatives and planning implementation for the industry development during the 12th Five-Year period. At present, the industry has entered into an important transitional period, and the mode which supported the rapid development of the paper making industry in the past has currently faced the dual pressures of resources and environment. From the point of view of China's policy, China will change the mode of growth through optimising the layout of the paper making industry and the raw material structure and product structure, in order to promote a modern paper making industry based on recycling by integrating the forestry and paper making industry, which will have an impact on the operating results of the Company.

Elimination of outdated production capacity and stricter environmental protection policy has facilitated a higher concentration ratio in the industry. The concentration benefits of the leading enterprises in the industry gradually emerge. The Company is expected to benefit for years in the long run.

Environmental protection risk. The paper making industry is a pollution industry. With the rising awareness of environmental 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 paper making industry has entered into an important transitional period of development. The higher emission standard is bound to increase the Company's environmental protection cost and may result in the slowing down of scale expansion, thus affecting its production and operation.

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

Interest rate risk. In recent years, greater fluctuations of the Renminbi benchmark lending rate level have an impact on the Company's finance costs. 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 finance expenses, thus affecting its operating results.

The Company will continue to monitor the rate level of the Group. It will leverage the overseas financing platform by increasing its overseas financing at lower costs. The Company will enhance the centralised management of the Group's fund and improve the efficiency of capital use through the finance company and financial leasing company. The Group will proactively obtain direct financing from the interbank market and capital market to reduce its finance costs.

IV Directors' Report

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

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

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

The Company will set up a professional team responsible for monitoring the Group's foreign currency transactions and scale of assets and liabilities denominated in foreign currency, aiming to minimise the exchange rate risk by multi-currency financing, and forwards which lock in the exchange rate.

IV Directors' Report

VIII. Analysis of investments

1. External equity investments

(1) External investments

Applicable Not applicable

Investments during the reporting period (RMB)	External investments Investments during the corresponding period of prior year (RMB)	Change (%)
1,609,917,592.00	184,206,250.00	773.98%

Investees		The Company's share of interest in investees (%)
Names of the companies	Principal activities	
Shandong Chenming Financial Leasing Co., Ltd.	Financial leasing business, operating leasing business, domestic and overseas leased assets acquisition, disposal and maintenance of leased assets, and consultation on leasing transactions.	100.00%
Shouguang Meilun Paper Co., Ltd.	Production and sale of coated paper, paperboard, paper product, paper making raw materials and paper making machines; sale of fibre feeds, wheat germ and protein powder; operation of export and import of goods and technologies within the scope approved by the State.	100.00%
Shandong Chenming Investment Limited	Investment in sectors which the Chinese government encouraged and allowed foreign investment in accordance with the laws; maintaining foreign exchange balance between investees under the approval and supervision of foreign exchange management department; assisting investees in getting loans and provide guarantee; providing consulting services for investors, and providing consulting services such as market information related to investment and investment policies for related party companies; contracting business outsourcing for foreign companies and related party companies of its parent company.	100.00%
Huanggang Chenming Pulp & Paper Co., Ltd.	Construction of raw material bases and wood procurement; manufacture, production, processing of paper pulp and related products, project construction and related import and export business.	100.00%
Chenming (HK) Limited	Export and import trade of paper products and market research.	100.00%
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Manufacture and sale of desulphurised gypsum, construction gypsum powder, gypsum board, gypsum block and light gauge steel frame.	50.00%
Jiangxi Chenming Port Co., Ltd.	Engaged in handling and transportation of goods and storage operation.	40.00%

IV Directors' Report

VIII. Analysis of investments (Cont'd)

1. External equity investments (Cont'd)

(2) Shareholding in financial companies

Applicable Not applicable

The Company did not have any shareholding in financial companies during the reporting period.

(3) Security investments

Applicable Not applicable

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

2. Entrusted wealth management, derivative investments and entrusted loans

(1) Entrusted wealth management

Applicable Not applicable

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

(2) Derivatives investments

Applicable Not applicable

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

(3) Entrusted loans

Applicable Not applicable

Unit: RMB'0,000

Borrower	Related parties	Loan amount	Interest rate of loans	Guarantor or Collateral	Use of proceeds by borrowers
Shouguang Jin Choi Public Assets Management Co., Ltd.	No	100,000	10.00%	Shouguang Infrastructure Fund Management Centre shall pledge 20% of the equity interest of the Shouguang Jin Choi Public Assets Management Co., Ltd. held by it	Construction, investment and operation of rural infrastructure.
Total	—	100,000	—	—	—

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

3. Use of proceeds

(1) The general use of proceeds

Applicable Not applicable

(2) The commitment of proceeds

Applicable Not applicable

(3) Changes in use of proceeds

Applicable Not applicable

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

IV Directors' Report

VIII. Analysis of investments (Cont'd)

4. Analysis of major subsidiaries and investees

Applicable Not applicable

Information on major subsidiaries and investees

Unit: RMB'0,000

Name of companies	Type of companies	Industry	Principal products or services	Registered capital	Total assets	Net assets	Revenue from operations	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Paper making	Pulp, duplex press and electrostatic paper	RMB3,000 million	1,210,439.00	380,685.46	193,251.77	15,976.39	16,854.19
Shandong Chenming Paper Sales Company Limited	Subsidiary	Trading of paper products	Sales of paper products	RMB100 million	750,116.40	16,701.88	689,857.68	6,034.50	4,312.70
Chenming (HK) Limited	Subsidiary	Trading of paper products	Sales of paper products, import of raw materials and processing	US\$29.9 million	472,752.47	30,339.40	356,678.79	4,300.81	4,081.32
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Paper making	Duplex press paper and coated paper	US\$272 million	385,422.82	203,793.00	72,838.26	-2,232.94	4,969.50
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Paper making	Coated paper, white coated linerboard and household paper	RMB3,000 million	1,036,991.59	211,674.94	233,475.51	-13,173.34	-9,667.65
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Subsidiary	Paper making	Writing paper, news presspaper and household paper	RMB211.3670 million	304,939.22	37,203.75	38,810.70	-8,818.13	-4,271.94

5. Highlights of major investments not financed by the proceeds

Applicable Not applicable

Unit: RMB'0,000

Name of project	Total planned investment	Investment made during the reporting period	Accumulated actual investment made as of the end of the reporting period	Progression of projects	Revenue from projects
350,000 tonne high-end packaging paper project of Jiangxi Chenming	183,000	24,117.77	36,380.31	20.00%	Not completed
180,000 tonne paper cup project	132,300	19,610.77	50,986.83	39.00%	Not completed
190,000 tonne high-end cultural paper project	309,700	12,872.59	41,368.49	13.00%	Not completed
Forestry paper integration project of Huanggang Chenming	348,510	18,412.14	31,491.68	9.00%	Not completed
Total	973,510	75,013.27	160,227.31	—	—

Index of temporary announcement disclose in designated website

<http://www.cninfo.com.cn/>

Progression of projects is estimated base on the proportion of accumulated investment over proposed total investment.

IV Directors' Report

IX. Estimate of the operating results from January to September 2014

Warning of cumulative net profit for the period from 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

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

Applicable Not applicable

XI. Opinions of the Board regarding the “modified auditor’s report” for the prior year

Applicable Not applicable

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

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

Applicable Not applicable

The 2013 profit distribution plan was considered and approved in the 2013 annual general meeting convened by the Company on 9 May 2014. Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB3.00 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB580,921,640.10 (tax inclusive). The dividend distribution was implemented and completed on 8 July 2014. For details, please refer to the announcement on payment of final dividend and withholding and payment of enterprise income tax for non-resident enterprise shareholders published on the Hong Kong Stock Exchange on 27 June 2014, and the announcement on the implementation of the 2013 profit distribution plan for A share and B share published on <http://www.cninfo.com.cn> on 28 June 2014.

Particulars of Cash Dividend Policy

Was it in compliance with the requirements of the Articles of Association and the resolutions of the general meeting?	Yes
Were the dividend distribution criteria and proportion well-defined and clear?	Yes
Were the related decision making process and mechanism in place?	Yes
Did independent Directors fulfil their duties and play their role?	Yes
Were the minority shareholders given opportunities to sufficiently voice their opinion and make requests and were the legal interests of the minority shareholders fully protected?	Yes
Were conditions and procedures legal and transparent in respect of cash dividend policy with adjustments and changes?	Not applicable

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

Applicable Not applicable

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

IV Directors' Report

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

Applicable Not applicable

Date of reception	Place of reception	Manner of reception	Class of parties accommodated	Parties accommodated	Main topics of discussion and information provided
11 February 2014	The Company's conference room	On-site research investigation	Institution	E Fund Management Co., Ltd.	Recent production and operation of the Company and development of the industry
27 March 2014	The Company's conference room	Conference call	Institution	First Beijing Investment Limited	Recent production and operation of the Company and development of the industry
28 March 2014	The Company's conference room	On-site research investigation	Institution	Taikang Asset Management Co., Ltd.	Recent production and operation of the Company and development of the industry
23 May 2014	The Company's conference room	On-site research investigation	Institution	ICBC Credit Suisse Asset Management (International) Company Limited	Recent production and operation of the Company and development of the industry

V Material Matters

I. Overview of corporate governance

1. Corporate Governance

The Company operated in compliance with the requirement of Companies Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “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 considered the state of the Company’s corporate governance was substantially in compliance with the requirements and requests of the regulatory documents such as Code of Corporate Governance for Listed Companies.

The Company strictly implemented its related system of internal control to facilitate its regulated operation and healthy development, thereby protecting the legal interests of investors. The corporate governance of the Company was exactly the same as what was required by the CSRC. The regulated operations and the internal control standards would enhance with the development of the Company.

2. 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 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) Pursuant to Rule 3.21 of the Hong Kong 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 Hong Kong 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 Hong Kong 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 attended the annual general meeting as a scrutineer.

V Material Matters

I. Overview of corporate governance (Cont'd)

3. 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. 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.

4. 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.

II. Material litigation and arbitration

Applicable Not applicable

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

III. Questioning from the Media

Applicable Not applicable

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

IV. Matter related to bankruptcy and reorganisation

Applicable Not applicable

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

V Material Matters

V. Asset transactions

1. Acquisition of assets

Applicable Not applicable

There was no acquisition of assets during the reporting period.

2. Disposal of assets

Applicable Not applicable

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	Related party transaction or not	Relationship with counterparty(ies) (applicable to related party transaction)	Relevant asset title transferred or not	Relevant liability transferred or not	Disclosure date	Disclosure index
Guangdong Dejun Investment Co., Ltd	51% equity interest in Xinli Power held by Chenming Power	4 March 2014	7,619.4	435.83	Increases cash flow and allows the Company centralise resources for developing high-end niche products.	-3.51%	Arrived at after valuation and based on the quoted price on an equity exchange	No	Not applicable	Yes	Yes	5 March 2014	http://www.cninfo.com.cn

3. Business merger

Applicable Not applicable

There was no business merger during the reporting period.

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

Applicable Not applicable

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

V Material Matters

VII. Significant related party transactions

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

Applicable Not applicable

Related party	Related party relationship	Types of the related party transactions	Subject matter	Pricing basis	Price of related party transactions	Amount of related party transactions (RMB'0000)	Percentage as the amount of similar transactions (%)	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
			of the related party transactions	of the related party transactions							
Anhui Time Source Corporation	Associate	Sale	Machine-made paper	Market price	Market price	14,823.71	2.15%	Bank acceptance and telegraphic transfer	Not applicable	Not applicable	Not applicable
Total				—	—	14,823.71	—	—	—	—	—
Description of return of bulk sales in details		Nil									

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

Applicable Not applicable

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

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

5. Other significant related party transactions

Applicable Not applicable

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

V Material Matters

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

Applicable Not applicable

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

IX. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

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

(3) Leasing

Applicable Not applicable

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

2. Guarantees

Applicable Not applicable

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

During the reporting period, the Company provided guarantee to its subsidiaries with respect to application of bank loans. The guarantee amount incurred was RMB123.8336 million. As at 30 June 2014, the balance of the guarantee provided by the Company to its subsidiaries amounted to RMB2,722.6503 million, representing 19.97% of the equity attributable to shareholders of the Company as at 30 June 2014.

V Material Matters

IX. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Unit: RMB'0,000

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)								
Name of obligor	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Total amount of external guarantee approved during the reporting period (A1)		0						0
Total amount of external guarantee approved as at the end of the reporting period (A3)		0						0

Guarantees provided by the Company for subsidiaries

Name of obligor	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to Related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	28 March 2012	300,000	24 May 2012	142,130.10	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	21 December 2012	20,000	29 May 2014	7,461.12	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	27 March 2013	200,000	—	—	General guarantee	3 years	No	No
Huanggang Chenming Arboriculture Co., Ltd.	30 March 2011	20,000	19 September 2011	2,960	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	—	General guarantee	5 years	Yes	No
Shouguang Meilun Paper Co., Ltd.	29 October 2010	600,000	7 March 2014	4,922.24	General guarantee	10 years	No	No
Shouguang Chenming Art Paper Co., Ltd.	28 March 2012	10,000	—	—	General guarantee	3 years	No	No
Jilin Chenming Paper Co., Ltd.	28 March 2012	100,000	—	—	General guarantee	3 years	No	No
Jilin Chenming Paper Co., Ltd.	27 March 2013	50,000	—	—	General guarantee	3 years	No	No
Chenming (HK) Limited	29 October 2010	50,000	13 April 2011	—	General guarantee	3 years	Yes	No
Chenming (HK) Limited	28 March 2012	500,000	—	—	General guarantee	3 years	No	No
Shandong Chenming Paper Sales Company Limited	27 October 2011	400,000	7 June 2013	108,191.57	General guarantee	3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	28 March 2012	200,000	—	—	General guarantee	3 years	No	No
Zhanjiang Meilun Paper Co., Ltd.	27 March 2013	50,000	—	—	General guarantee	3 years	No	No
Guangdong Huirui Investment Co., Ltd.	16 November 2013	4,000	28 November 2013	4,000.00	General guarantee	2 years	No	No

V Material Matters

IX. Material contracts and implementation (Cont'd)

2. Guarantees (Cont'd)

Unit: RMB'0,000

Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)	0	Total amount of guarantee provided for subsidiaries during the reporting period (B2)	12,383.36
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)	2,603,473	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)	272,265.03
Total amount of guarantee approved during the reporting period (A1+B1)	0	Total amount of guarantee provided during the reporting period (A2+B2)	12,383.36
Total amount of guarantee approved as at the end of the reporting period (A3+B3)	2,603,473	Total balance of guarantee provided as at the end of the reporting period (A4+B4)	272,265.03
The percentage of total amount of guarantee provided (A4+B4) to the net assets of the Company			19.97%
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)			122,673.81
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)			122,673.81

3. Other material contracts

Applicable Not applicable

Name of the company entering into contract	Name of party involved in the contract	Date of the contract entered into	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 institute (if any)	Appraisal date (if any)	Pricing basis	Transaction price (RMB'0,000)	Related party transaction or not	Related party relationship	Progress as at the end of the reporting period
Shandong Chenming Paper Holdings Limited	Jinan Hi-Tech Holding Group Co., Ltd	9 May 2014	Not applicable	Not applicable	Not applicable	Not applicable	Market price	36,000	No	Not applicable	In progress

4. Other material transactions

Applicable Not applicable

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

V Material Matters

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

Applicable Not applicable

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

V Material Matters

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

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Shouguang Chenming Holdings Co., Ltd, 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 the business of Chenming Group, or obtain any business opportunity which directly or indirectly competes against the business of Chenming Group, it shall endeavour to procure that Chenming Group shall have priority to obtain the right to operate such business or to obtain such business opportunity; (3) if Shouguang Chenming Holdings is in breach of the abovementioned undertakings, it shall indemnify the Company for any loss caused by such breach and the Company shall have the right to acquire all businesses of Shouguang Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) Shouguang Chenming Holdings shall not make use of its position as the controlling shareholder (as defined in The Listing Rules of Hong Kong Stock Exchange) of our Group to jeopardise the legal interests of Chenming Group and its shareholders with other persons or companies or on their behalf.	22 May 2008	During the period when Chenming Holdings was the major shareholder of the Company	Strictly implemented
Other undertakings made to minority shareholders of the Company					
Does the undertaking performed timely?	Yes				

V Material Matters

XI. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

XII. Punishment and rectification

Applicable Not applicable

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

XIII. Risk of delisting due to non-compliance

Applicable Not applicable

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

XIV. Purchase, sale and redemption of shares

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).

On 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.

V Material Matters

XV. Other matters of significance

√ Applicable □ Not applicable

1. During the reporting period, in order to save the related expenses, the Company deregistered two subsidiaries which had not engaged in any business activity for years, namely Shouguang Chenming Tianyuan Arboriculture Co., Ltd. and Shouguang Hengfeng Storage Co., Ltd. Their assets and liabilities were consolidated into the financial statements of the parent Company.
2. The Company received the Approval from Shandong CBRC of the Operation of Shandong Chenming Group Finance Co., Ltd. (Lu Yin Jian Zhun [2014] No. 233) issued by China Banking Regulatory Commission Shandong office on 30 June 2014. Please refer to the related announcement (Announcement No.: 2014-034) disclosed by the Company on 1 July 2014.
3. Information disclosure index for the first half of 2014

Announcement No.	Subject matter	Date of publication	Publication website
2014-001	Announcement on Amendment to Articles of Association	4 January 2014	http://www.cninfo.com.cn
2014-002	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Seventh Session of the Board	18 January 2014	http://www.cninfo.com.cn
2014-003	Announcement on External Investment	18 January 2014	http://www.cninfo.com.cn
2014-004	Announcement on change of Securities Affairs Representative	18 January 2014	http://www.cninfo.com.cn
2014-005	Announcement on External Investment	18 January 2014	http://www.cninfo.com.cn
2014-006	Discloseable Transaction - Entrusted Loan Arrangement	18 January 2014	http://www.cninfo.com.cn
2014-007	Announcement on Estimated Annual Results for 2013	21 January 2014	http://www.cninfo.com.cn
2014-008	Announcement on Repurchase of Shares by a Shareholder through Agreed Repurchase Type Securities Trading	21 January 2014	http://www.cninfo.com.cn
2014-009	Indicative Announcement on Receipt of Subsidies	23 January 2014	http://www.cninfo.com.cn
2014-010	Indicative Announcement on Receipt of Special Subsidies by Subsidiaries	29 January 2014	http://www.cninfo.com.cn
2014-011	Announcement on the Performance of Undertakings by the Company and Relevant Entities	13 February 2014	http://www.cninfo.com.cn
2014-012	Announcement on disposal of equity interest in Xinli Power	5 March 2014	http://www.cninfo.com.cn
2014-013	Announcement on Resolutions of the Fourth Meeting of the Seventh Session of the Board of Directors	21 March 2014	http://www.cninfo.com.cn
2014-014	Notice of 2013 Annual General Meeting	21 March 2014	http://www.cninfo.com.cn
2014-015	Announcement of Annual Results for the Year Ended 31 December 2013	21 March 2014	http://www.cninfo.com.cn
2014-016	Announcement on financial assistance to controlling subsidiaries	21 March 2014	http://www.cninfo.com.cn
2014-017	Announcement on External Investment	21 March 2014	http://www.cninfo.com.cn
2014-018	Announcement on External Investment	21 March 2014	http://www.cninfo.com.cn
2014-019	Announcement on Resolutions of the Fifth Meeting of the Seventh Session of the Supervisory Committee	21 March 2014	http://www.cninfo.com.cn

V Material Matters

XV. Other matters of significance (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website
2014-020	Indicative Announcement on Increase of Shareholding in the Company by Senior Management	25 March 2014	http://www.cninfo.com.cn
2014-021	Indicative Announcement on Receipt of Subsidies by Subsidiary	1 April 2014	http://www.cninfo.com.cn
2014-022	Announcement on Resignation of Director	16 April 2014	http://www.cninfo.com.cn
2014-023	Announcement on Additional Resolution of 2013 Annual General Meeting	23 April 2014	http://www.cninfo.com.cn
2014-024	Supplemental Notice of 2013 Annual General Meeting	23 April 2014	http://www.cninfo.com.cn
2014-025	2014 First Quarterly Report	30 April 2014	http://www.cninfo.com.cn
2014-026	Results of the 2013 Annual General Meeting	10 May 2014	http://www.cninfo.com.cn
2014-027	Announcement on Completion of Repurchase of Part of H Shares	10 May 2014	http://www.cninfo.com.cn
2014-028	Indicative Announcement in respect of Change in Shareholdings of Controlling Shareholder	10 May 2014	http://www.cninfo.com.cn
2014-029	Discloseable Transaction: Entrusted Construction Agreement	10 May 2014	http://www.cninfo.com.cn
2014-030	Announcement on Participation in 2014 Collective Online Reception Day for Investors of Shandong Listed Companies	13 May 2014	http://www.cninfo.com.cn
2014-031	Announcement on Amendment to Articles of Association	30 May 2014	http://www.cninfo.com.cn
2014-032	Announcement on the Implementation of Equity Distribution to Holders of A Shares and B Shares for 2013	28 June 2014	http://www.cninfo.com.cn
2014-033	Announcement on 2014 Dividend Payment in respect of "11 Chenming Bond"	28 June 2014	http://www.cninfo.com.cn
2014-034	Announcement on Approval from Shandong CBRC of the Operation of the Finance Company	1 July 2014	http://www.cninfo.com.cn

VI Changes in Share Capital and Shareholders

I. Changes in shares

Unit: Share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amounts	Percentage	Shares					Amounts	Percentage
			New issue	Bonus issue	converted from reserve	Others	Sub-total		
I. Restricted shares	8,166,219	0.41%	0	0	0	75,000	75,000	8,241,219	0.42%
1. Shares held by other domestic investors	8,166,219	0.41%				75,000	75,000	8,241,219	0.42%
Shares held by domestic natural persons	8,166,219	0.41%				75,000	75,000	8,241,219	0.42%
II. Non-restricted shares	1,967,305,748	99.59%	0	0	0	-39,141,500	-39,141,500	1,928,164,248	99.58%
1. RMB ordinary shares	1,105,112,237	55.94%				-75,000	-75,000	1,105,037,237	57.07%
2. Domestic listed foreign shares	470,923,511	23.84%					0	470,923,511	24.32%
3. Overseas listed foreign shares	391,270,000	19.81%				-39,066,500	-39,066,500	352,203,500	18.19%
III. Total number of shares	1,975,471,967	100.00%	0	0	0	-39,066,500	-39,066,500	1,936,405,467	100.00%

The reasons for such changes

Applicable Not applicable

- After the changes, the restricted shares held by domestic natural person changed by 75,000 shares from 8,166,219 shares to 8,241,219 shares. The reason for such change is as follows: during the reporting period, the senior management increased their shareholding in the Company, of which 75,000 shares were changed to restricted shares held by domestic natural persons from non-restricted RMB ordinary shares in nature 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.
- After the changes, overseas listed foreign shares changed by 39,066,500 shares from 391,270,000 shares to 352,203,500 shares. The reason for such change is as follows: during the reporting period, the Company repurchased some overseas listed foreign shares (H shares). As of 9 May 2014, the Company had repurchased H shares amounting to 39,066,500 shares. Cancellation of repurchased shares was completed at Computershare Hong Kong Investor Services Limited on 14 May 2014.

VI Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

Approval of changes in shareholding

Applicable Not applicable

On 27 June 2013, the First Extraordinary Meeting of the Seventh Session of the Board approved the proposal concerning granting a general mandate to the Board for repurchase of part of H shares of the Company.

On 21 August 2013, the Company convened the 2013 First extraordinary general 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 shares). 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.

On 14 May 2014, the cancellation of the repurchased 39,066,500 H shares was completed at Computershare Hong Kong Investor Services Limited.

On 27 May 2014, the Company received the “Reply on Capital Reduction of Shandong Chenming Paper Holdings Limited” (Lu Shang Wu Wai Zi Zi [2014] 158) from the Department of Commerce of Shandong Province and the Certificate of Approval for Foreign Investment Enterprise upon the reduction of share capital, which both agreed that the Company reduced its registered capital from RMB1,975,471,967 to RMB1,936,405,467.

On 28 May 2014, the Company conducted filing procedures in capital reduction with Shandong Province Industry and Commerce Bureau and obtained its business license after capital reduction, with the registered capital of RMB1,936,405,467.

Transfer of shares arising from changes in shareholding

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

- (1) During the reporting period, the Company repurchased some overseas listed foreign shares (H shares). As of 9 May 2014, the Company had repurchased H shares amounting to 39,066,500 shares. Cancellation of repurchased shares was completed at Computershare Hong Kong Investor Services Limited on 14 May 2014. The total number of shares of the Company decreased to 1,936,405,467 shares from 1,975,471,967 shares upon the cancellation of the repurchased H shares.
- (2) During the reporting period, the shareholding ratio of Shouguang Chenming Holdings Limited, the controlling shareholder of the Company increased to 15.13% from 14.83% due to the partial repurchase and cancellation of H shares. There were other minor effects on the shareholder structure. For the change in shareholder structure, please refer to the first part “Changes in shares” in this chapter.
- (3) During the reporting period, the share capital of the Company reduced by RMB39,066,500; the capital reserve decreased by RMB66,614,983.35 and the gearing ratio increased to 72.05% from 71.90% due to the partial repurchase and cancellation of H shares.

VI Changes in Share Capital and Shareholders

II. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period 132,524, of which 103,446 were holders of A shares, 28,523 holders of B shares and 555 holders of H shares. Total number of shareholders of preference shares with restored voting right as at the end of the reporting period 0

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

Share pledged or locked-up

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of Restricted shares held	Number of non-restrict shares held	Status of shares	Number
HKSCC NOMINEES LIMITED	Overseas legal person	18.11%	350,691,500	-39,125,000	0	350,691,500		0
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	86,600,000	0	293,003,657		0
ZHONGRONG INTERNATIONAL TRUST CO., LTD. - HAITONG UMBRELLA BAO NO. 1 SECURITIES INVESTMENT ASSEMBLED FUNDS TRUST	Others	1.74%	33,696,131	-2,177,687	0	33,696,131		0
PLATINUM ASIA FUND	Overseas legal person	1.67%	32,341,052	0	0	32,341,052		0
CAITONG FUND - EVERBRIGHT BANK - CAITONG FUND - YUAN MEI NO. 2 ASSETS MANAGEMENT PROGRAMME	Others	1.43%	27,706,556	-1,350,000	0	27,706,556		0
CAITONG FUND - EVERBRIGHT BANK - YUAN MEI NO. 1 ASSETS MANAGEMENT PROGRAMME	Others	1.40%	27,198,049	-1,750,000	0	27,198,049		0
YUNNAN INTERNATIONAL TRUST CO., LTD. - YUNNAN TRUST GROWTH 2013 - NO. 2 ASSEMBLED FUNDS TRUST PROGRAMME	Others	0.70%	13,547,397	-422,200	0	13,547,397		0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.62%	12,036,985	0	0	12,036,985		0
BILL & MELINDA GATES FOUNDATION TRUST	Overseas legal person	0.52%	10,033,077	-12,724,314	0	10,033,077		0
JIN Xing	Domestic nature person	0.42%	8,109,300	21,000	0	8,109,300		0

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.

VI Changes in Share Capital and Shareholders

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

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
HKSCC NOMINEES LIMITED	350,691,500	Overseas listed foreign shares	350,691,500
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
ZHONGRONG INTERNATIONAL TRUST CO., LTD. - HAITONG UMBRELLA BAO NO. 1 SECURITIES INVESTMENT ASSEMBLED FUNDS TRUST	33,696,131	RMB ordinary shares	33,696,131
PLATINUM ASIA FUND	32,341,052	Domestic listed foreign shares	32,341,052
CAITONG FUND - EVERBRIGHT BANK - CAITONG FUND - YUAN MEI NO. 2 ASSETS MANAGEMENT PROGRAMME	27,706,556	RMB ordinary shares	27,706,556
CAITONG FUND - EVERBRIGHT BANK - YUAN MEI NO. 1 ASSETS MANAGEMENT PROGRAMME	27,198,049	RMB ordinary shares	27,198,049
YUNNAN INTERNATIONAL TRUST CO., LTD. - YUNNAN TRUST GROWTH 2013 - NO. 2 ASSEMBLED FUNDS TRUST PROGRAMME	13,547,397	RMB ordinary shares	13,547,397
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,036,985	Domestic listed foreign shares	12,036,985
BILL & MELINDA GATES FOUNDATION TRUST	10,033,077	RMB ordinary shares	10,033,077
JIN Xing	8,109,300	RMB ordinary shares	2,087,000
		Domestic listed foreign shares	6,022,300

Connected relationship or connected party relationship among 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 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.

VI Changes in Share Capital and Shareholders

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

Whether an agreed repurchase transaction was entered into during the reporting period by shareholders of the Company

Applicable Not applicable

On 20 January 2014, Shouguang Chenming Holdings Company Limited, a shareholder interested in more than 5% of the shares of the Company, repurchased the disposed 86,600,000 shares of the Company through agreed repurchase type securities trading. The shareholding of the shareholder before and after the trading is as follows:

Unit: share

Name of shareholder	Before the repurchase		After the repurchase	
	Number of shares of the Company held	As a percentage of the total share capital of the Company	Number of shares of the Company held	As a percentage of the total share capital of the Company
Shouguang Chenming Holdings Company Limited	206,403,657	14.83%	293,003,657	15.13%

III. 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.

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

Applicable Not applicable

Unit: share

Name of shareholder/ Name of person acting in concert	Number of shares under the plan on increase of shareholding	Percentage of shares under the plan on increase of shareholding	Number of shares related to actual increase in shareholding	Percentage of shares related to actual increase in shareholding	Date of initial disclosure of the plan on increase of shareholding	Date of disclosure of completion of the plan on increase of shareholding
Chen Hongguo	—	—	100,000	0.005%	—	25 March 2014

VI Changes in Share Capital and Shareholders

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

As at 30 June 2014, the following persons (other than directors, supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as recorded in the share register maintained in accordance with Section 336 of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held	Approximate shareholding as a percentage of	
		Total share capital	Class of shares
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	15.13%	26.32%
	A shares (L)		
THE NATIONAL SOCIAL SECURITY FUND COUNCIL	35,270,000	1.82%	10.01%
	H shares (L)		

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

Save as disclosed above, as at 30 June 2014, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

VII Preference Shares

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

Applicable Not applicable

II. Number of shareholders of preference shares of the Company and their shareholding

Applicable Not applicable

III. Repurchase or conversion of preference shares

1. Repurchase of preference shares

Applicable Not applicable

2. Conversion of preference shares

Applicable Not applicable

IV. Restoration and exercise of voting rights of preference shares

Applicable Not applicable

V. Accounting policies adopted for preference shares and their reason

Applicable Not applicable

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	100,000	0	6,434,527	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 Guanglin	Director, deputy general manager	In office	437,433	0	0	437,433	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	Resigned	0	0	0	0	0	0	0
Wang Xiaoqun	Director	In office	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
Pan Ailing	Independent Director	In office	0	0	0	0	0	0	0
Yang Guihua	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	Secretary to the Board, deputy general manager	In office	130,000	0	0	130,000	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
Poon Shiu Cheong	Company secretary and qualified accountant	In office	0	0	0	0	0	0	0
Total	--	--	11,019,532	100,000	0	11,119,532	0	0	0

VIII Directors, Supervisors and Senior Management

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

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Cui Youping	Director	Resigned	9 May 2014	Personal reason
Yang Guihua	Director	Elected	9 May 2014	Election at the general meeting

III. Changes in the information of Directors and Supervisors

Under Rule 13.51(B) of the Hong Kong Listing Rules, changes in the information of Directors and Supervisors since the date of the annual report for the year ended 31 December 2013 are set out below:

Name of Director	Details of the changes
Cui Youping	Resigned as a non-executive director since 9 May 2014
Yang Guihua	Appointed as a non-executive director since 9 May 2014

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

As at 30 June 2014, the interests held by each of the Directors, Supervisors and Chief Executives of the Company in the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, are set out as follows:

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Chen Hongguo (Note 1)	Chairman and Executive Director	6,863,875
Yin Tongyuan	Executive Director	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Hou Huancai	Executive Director	628,915
Zhou Shaohua	Executive Director	123,007
Gao Junjie	Chairman of Supervisory Committee	39,606

Associated corporations

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

Note 1: Save as the 6,434,527 A Shares personally held, Chen Hongguo was also deemed to be interested in the 429,348 A Shares held by Li Xueqin, his spouse.

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

VIII Directors, Supervisors and Senior Management

Save as disclosed in the above, as at 30 June 2014, 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 Hong Kong Listing Rules.

As at 30 June 2014, none of each of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

IX Financial Report

I. Auditors' Report

Is the interim report audited?

Yes No

The interim financial report is not audited.

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	3,357,075,224.97	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	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	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	1,827,429,366.35	1,740,520,586.37
Total current assets	17,924,930,233.32	16,908,069,103.97

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	83,000,000.00	83,260,425.53
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	39,354,618.33	32,216,789.33
Investment properties	18,604,315.93	19,473,443.95
Fixed assets	24,021,575,836.80	21,181,647,488.39
Construction in progress	3,383,652,916.06	5,266,031,817.60
Construction materials	23,245,677.92	63,968,067.62
Disposal of fixed assets	644,202,059.61	588,181,647.53
Consumable biological assets	1,347,416,044.33	1,317,141,123.77
Oil and gas assets		
Intangible assets	1,329,187,864.48	1,365,418,002.26
Development expenditure		
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	167,031,194.08	168,538,483.68
Deferred income tax assets	563,290,145.89	507,653,388.38
Other non-current assets	900,000,000.00	
Total non-current assets	32,540,844,460.60	30,613,814,465.21
Total assets	50,465,774,693.92	47,521,883,569.18
CURRENT LIABILITIES:		
Short-term borrowings	11,866,009,950.56	9,818,885,237.85
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	228,716,908.05	290,403,790.59
Accounts payable	3,317,507,726.31	2,695,169,927.14
Advance receipts	327,099,380.94	442,432,261.58
Assets sold under agreements to repurchase		
Handling charges and commission payable		
Staff remuneration payables	121,611,538.00	130,271,812.18
Taxes payable	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	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	941,964,400.00	1,287,804,452.66
Other current liabilities	3,990,678,171.80	3,878,735,536.52
Total current liabilities	22,266,250,324.39	19,313,922,411.70

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	3,981,294,707.90	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	3,066,066,119.63	3,045,517,642.57
Total non-current liabilities	14,096,223,836.74	13,569,607,624.59
TOTAL LIABILITIES	36,362,474,161.13	32,883,530,036.29
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	14,655,495.67	16,934,073.59
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)	14,103,300,532.79	14,638,353,532.89
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	50,465,774,693.92	47,521,883,569.18

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

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	1,086,201,307.14	1,454,242,620.40
Held-for-trading financial assets		
Bills receivable	1,300,364,016.64	945,832,396.01
Accounts receivable	5,450,527,043.46	3,814,654,532.05
Prepayments	1,005,413,047.89	762,470,888.60
Interest receivable		
Dividend receivable		191,300,102.21
Other receivables	9,554,870,161.49	11,051,622,177.96
Inventories	906,109,088.93	857,030,449.25
Non-current assets due within one year		200,000,000.00
Other current assets	204,109,572.39	103,214,843.26
Total current assets	19,507,594,237.94	19,380,368,009.74
NON-CURRENT ASSETS:		
Available-for-sale financial assets	83,000,000.00	83,260,425.53
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	9,876,593,518.04	8,780,477,577.92
Investment properties	18,604,315.93	19,473,443.95
Fixed assets	4,953,737,214.74	5,170,770,619.87
Construction in progress	246,779,691.91	127,095,105.63
Construction materials	1,667,197.06	1,813,442.43
Disposal of fixed assets		
Consumable biological assets		
Oil and gas assets		
Intangible assets	303,136,827.02	308,163,298.83
Development expenditure		
Goodwill		
Long-term prepaid expenses		
Deferred income tax assets	18,419,215.15	17,082,162.53
Other non-current assets	900,000,000.00	
Total non-current assets	16,401,937,979.85	14,508,136,076.69
TOTAL ASSETS	35,909,532,217.79	33,888,504,086.43

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	5,631,922,590.85	5,119,632,573.69
Held-for-trading financial liabilities		
Bills payable		500,000.00
Accounts payable	764,934,206.23	891,996,724.44
Advance receipts	102,727,990.92	185,524,508.71
Staff remuneration payables	71,748,172.04	62,091,273.25
Taxes payable	10,078,433.85	8,949,746.01
Interest payable	246,392,305.53	150,047,305.56
Dividend payable	580,921,640.10	
Other payables	1,113,168,948.87	431,217,791.18
Non-current liabilities due within one year	357,640,000.00	343,876,000.00
Other current liabilities	3,967,039,467.96	3,856,239,467.95
Total current liabilities	12,846,573,756.35	11,050,075,390.79
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,192,916,035.94	594,568,035.94
Bonds payable	5,772,774,960.37	5,768,418,612.73
Long-term payables		
Special payables		
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities	2,608,807,612.57	2,607,180,511.28
Total non-current liabilities	9,574,498,608.88	8,970,167,159.95
Total liabilities	22,421,072,365.23	20,020,242,550.74
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-up capital (or share capital)	1,936,405,467.00	1,975,471,967.00
Capital reserves	5,938,811,795.82	6,005,426,779.17
Less: Treasury shares		30,954,891.40
Special reserves		
Surplus reserves	1,119,926,524.49	1,119,926,524.49
General risk provisions		
Retained profit	4,493,316,065.25	4,798,391,156.43
Foreign currency translation differences		
Total owners' equity (or shareholders' equity)	13,488,459,852.56	13,868,261,535.69
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	35,909,532,217.79	33,888,504,086.43

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

IX Financial Report

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	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	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
IV. Total profit (“-” denotes total loss)	261,736,550.90	394,081,608.13
Less: Income tax expenses	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:	—	—
(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	225,397,727.86	319,319,268.43
Total comprehensive income attributable to shareholders of the Company	240,164,021.10	341,518,378.29
Total comprehensive income attributable to minority interest	-14,766,293.24	-22,199,109.86

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

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	3,996,792,004.38	4,917,032,522.93
Less: Operating costs	3,157,273,029.32	3,976,552,277.16
Business taxes and surcharges	16,249,023.49	21,443,084.31
Selling and distribution expenses	141,537,803.94	151,177,561.24
General and administrative expenses	263,404,356.79	290,395,877.15
Finance expenses	419,085,682.08	254,845,387.49
Loss on impairment of assets	531,463.30	3,701,835.30
Plus: Gain on change in fair value (“-” denotes loss)		
Investment income (“-” denotes loss)	228,032,037.93	255,712,842.31
Including: Investment income from associates and joint ventures	-74,651.88	421,036.92
II. Operating profit (“-” denotes loss)	226,742,683.39	474,629,342.59
Plus: Non-operating income	52,625,942.79	94,094,442.54
Less: Non-operating expenses	2,636,144.44	28,964,163.57
Including: Loss on disposal of non-current assets	207,851.60	28,464,163.57
III. Total profit (“-” denotes total loss)	276,732,481.74	539,759,621.56
Less: Income tax expenses	885,932.82	42,756,707.16
IV. Net profit (“-” denotes net loss)	275,846,548.92	497,002,914.40
V. Earnings per share:	—	—
(I) Basic earnings per share		
(II) Diluted earnings per share		
VI. Other comprehensive income		
VII. Total comprehensive income	275,846,548.92	497,002,914.40

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

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	9,887,593,678.02	11,385,469,688.38
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	509,758.13	6,507,666.33
Cash received relating to other operating activities	236,297,041.43	293,722,261.11
Subtotal of cash inflows from operating activities	10,124,400,477.58	11,685,699,615.82
Cash paid for goods and services		
Cash paid for goods and services	7,297,677,811.16	9,008,158,586.79
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	438,554,968.19	410,741,602.10
Payments of taxes and surcharges	453,797,498.68	541,777,262.88
Cash paid relating to other operating activities	648,673,938.42	818,086,921.10
Subtotal of cash outflows from operating activities	8,838,704,216.45	10,778,764,372.87
Net cash flows from operating activities	1,285,696,261.13	906,935,242.95

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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	114,959,960.80	20,828,975.62
Net cash received from disposal of subsidiaries and other business units	75,035,211.41	407,898,445.53
Cash received relating to other investing activities	230,000,000.00	175,961,341.00
Subtotal of cash inflows from investing activities	419,995,172.21	604,688,762.15
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,214,448,290.91	1,490,489,565.10
Cash paid on investments	3,000,000.00	
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	1,000,000,000.00	
Subtotal of cash outflows from investing activities	2,217,448,290.91	1,490,489,565.10
Net cash flows from investing activities	-1,797,453,118.70	-885,800,802.95
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	10,114,432,956.75	12,061,537,576.13
Cash received from bond issue		
Cash received relating to other financing activities	68,000,000.00	1,486,500,000.00
Subtotal of cash inflows from financing activities	10,182,432,956.75	13,614,037,576.13
Cash repayments of amounts borrowed	8,173,866,573.80	12,216,611,286.73
Cash paid for dividend and profit distribution or interest payment	653,495,183.98	731,354,603.87
Including: dividend and profit paid to minority interest by subsidiaries	2,091,495.75	15,687,493.50
Cash paid relating to other financing activities	645,581,019.54	1,438,573,351.52
Subtotal of cash outflows from financing activities	9,472,942,777.32	14,386,539,242.12
Net cash flows from financing activities	709,490,179.43	-772,501,665.99
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-12,913,419.68	6,564,770.28
V. Net increase in cash and cash equivalents	184,819,902.18	-744,802,455.71
Plus: Balance of cash and cash equivalents as at the beginning of the period	726,532,928.96	2,343,550,185.45
VI. Balance of cash and cash equivalents as at the end of the period	911,352,831.14	1,598,747,729.74

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

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II. Financial Statements (Cont'd)

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

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	3,549,147,836.05	3,976,388,687.84
Tax rebates received		
Cash received relating to other operating activities	82,491,417.97	343,215,249.54
Subtotal of cash inflows from operating activities	3,631,639,254.02	4,319,603,937.38
Cash paid for goods and services	1,533,483,679.27	5,033,798,986.49
Cash paid to and for employees	217,060,276.98	165,474,579.19
Payments of taxes and surcharges	182,972,526.03	291,241,251.17
Cash paid relating to other operating activities	127,363,732.10	1,071,544,485.43
Subtotal of cash outflows from operating activities	2,060,880,214.38	6,562,059,302.28
Net cash outflows from operating activities	1,570,759,039.64	-2,242,455,364.90
II. Cash flows from investing activities:		
Cash received from investments	800,000,000.00	896,725,533.01
Cash received from investment income	13,613,768.88	77,706,684.89
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	17,069.00	88,184.24
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	813,630,837.88	974,613,902.14
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	80,853,295.53	31,454,612.99
Cash paid on investments	1,703,929,592.00	74,206,250.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities	1,000,000,000.00	
Subtotal of cash outflows from investing activities	2,784,782,887.53	105,660,862.99
Net cash flows from investing activities	-1,971,152,049.65	868,953,039.15

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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	5,861,716,631.35	7,783,390,709.33
Cash received from bond issue		
Cash received relating to other financing activities		1,486,500,000.00
Subtotal of cash inflows from financing activities	5,861,716,631.35	9,269,890,709.33
Cash repayments of amounts borrowed	4,734,961,076.26	7,018,797,223.94
Cash paid for dividend and profit distribution or interest payment	288,024,703.93	189,202,456.98
Cash paid relating to other financing activities	379,346,431.66	2,134,404,556.34
Subtotal of cash outflows from financing activities	5,402,332,211.85	9,342,404,237.26
Net cash flows from financing activities	459,384,419.50	-72,513,527.93
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-6,379,154.41	-1,333,058.28
V. Net increase in cash and cash equivalents	52,612,255.08	-1,447,348,911.96
Plus: Balance of cash and cash equivalents as at the beginning of the period	64,392,029.09	1,786,622,854.08
VI. Balance of cash and cash equivalents as at the end of the period	117,004,284.17	339,273,942.12

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

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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	Equity attributable to shareholders of the Company Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	1,975,471,967.00	6,204,682,028.94	30,954,891.40		1,132,116,106.40		4,741,638,941.58	16,934,073.59	598,465,306.78	14,638,353,532.89
Plus: accounting policy change										
Corrections of prior period errors										
Others										
II. Balance as at the beginning of the year	1,975,471,967.00	6,204,682,028.94	30,954,891.40		1,132,116,106.40		4,741,638,941.58	16,934,073.59	598,465,306.78	14,638,353,532.89
III. Changes in the period ("-" denotes decrease)	-39,066,500.00	-55,599,816.41	-30,954,891.40				-338,460,545.08	-2,278,577.92	-130,602,452.09	-535,053,000.10
(I) Net profit							242,461,095.02		-14,757,589.24	227,703,505.78
(II) Other comprehensive income		-27,200.00						-2,278,577.92		-2,305,777.92
Sub-total of (I) and (II) above		-27,200.00					242,461,095.02	-2,278,577.92	-14,757,589.24	225,397,727.86
(III) Capital paid in and reduced by owners	-39,066,500.00	-55,572,616.41	-30,954,891.40						-61,913,669.40	-125,597,894.41
1. Capital paid in by owners	-39,066,500.00	-55,572,616.41	-30,954,891.40						-61,913,669.40	-125,597,894.41
2. Amounts of share-based payments recognized in owners' equity										
3. Others										
(IV) Profit distribution							-580,921,640.10		-53,931,193.45	-634,852,833.55
1. Transfer to surplus reserves							-580,921,640.10		-53,931,193.45	-634,852,833.55
2. Transfer to general risk provision										
3. Distribution to owners (shareholders)							-580,921,640.10		-53,931,193.45	-634,852,833.55
4. Others										
(V) Transfer within owners' equity										
1. Transfer from capital reserves to capital (or share capital)										
2. Transfer from surplus reserves to capital (or share capital)										
3. Transfer from surplus reserves to make up for losses										
4. Others										
(VI) Special reserves										
1. Appropriated in the period										
2. Used in the period										
(VII) Others										
IV. Balance as at the end of the period	1,936,405,467.00	6,149,082,212.53			1,132,116,106.40		4,403,178,396.50	14,655,495.67	467,862,854.69	14,103,300,532.79

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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	Paid-up capital (or share capital)	Capital reserves	Equity attributable to shareholders of the Company					Retained profit	Others	Minority interest	Total owners' equity
			Less: treasury shares	Special reserves	Surplus reserves	General risk provisions	Others				
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: 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	6,414,892,999.53			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)		-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) Other											
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	

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

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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	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	Total owners' equity
I. Balance as at the end of the prior year	1,975,471,967.00	6,005,426,779.17	30,954,891.40		1,119,926,524.49		4,798,391,156.43	13,868,261,535.69
Plus: accounting policy change								
Corrections of prior period errors								
Others								
II. Balance as at the beginning of the year	1,975,471,967.00	6,005,426,779.17	30,954,891.40		1,119,926,524.49		4,798,391,156.43	13,868,261,535.69
III. Changes in the period ("-" denotes decrease)	-39,066,500.00	-66,614,983.35	-30,954,891.40				-305,075,091.18	-379,801,683.13
(I) Net profit							275,846,548.92	275,846,548.92
(II) Other comprehensive income								
Sub-total of (I) and (II) above							275,846,548.92	275,846,548.92
(III) Capital paid in and reduced by owners	-39,066,500.00	-66,614,983.35	-30,954,891.40					-74,726,591.95
1. Capital paid in by owners	-39,066,500.00	-66,614,983.35	-30,954,891.40					-74,726,591.95
2. Amounts of share-based payments recognised in owners' equity								
3. Others								
(IV) Profit distribution							-580,921,640.10	-580,921,640.10
1. Transfer to surplus reserves								
2. Transfer to general risk provision								
3. Distribution to owners (shareholders)							-580,921,640.10	-580,921,640.10
4. Others								
(V) Transfer within owners' equity								
1. Transfer from capital reserves to capital (or share capital)								
2. Transfer from surplus reserves to capital (or share capital)								
3. Transfer from surplus reserves to make up for losses								
4. Others								
(VI) Special reserves								
1. Appropriated in the period								
2. Used in the period								
(VII) Others								
IV. Balance as at the end of the period	1,936,405,467.00	5,938,811,795.82			1,119,926,524.49		4,493,316,065.25	13,488,459,852.56

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II. Financial Statements (Cont'd)

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

Amounts for the reporting period

Unit: RMB

Item	Paid-up capital (or share capital)	Capital reserves	Less: treasury shares	Amounts for the reporting period		General risk provisions	Retained profit	Total owners' equity
				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 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		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)							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) Other								
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

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

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of 30 June 2014, the cumulatively issued total share capital of the Company was 1,936,405,467 shares. Please see Note VII. 38 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.

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 (currently renamed as State-owned Assets Supervision and Administration Office of Shouguang City) to Shouguang Chenming Holdings.

The Company's financial statements were approved for publication by the Board on 27 August 2014.

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

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.

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 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.

3. Accounting period

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

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 International Co., Ltd., Chenming Paper Japan Co., Ltd. and Chenming GmbH recognise U.S. dollar ("USD" or "US\$"), Japanese yen ("JPY") and Euro ("EUR") as their respective reporting currency according to the general economic environment in which these subsidiaries operate. The 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)

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

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

For a business combination not under common control completed in phases through several transactions, the several transactions will be judged whether they constitute “basket transactions” in accordance with the judgement criteria on “basket transactions” as set out in the Notice of the Ministry of Finance on Issuing Interpretation No. 5 of the Accounting Standards for Business Enterprises (Cai Kuai [2012] No. 19) (see Note IV. 6 (2)). If they constitute “basket transactions”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note IV. 13 “Long-term equity investments”, and if they do not constitute “basket transactions”, they are accounted for in separate financial statements and consolidated financial reports:

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. Any other comprehensive income attributable to the equity interest in the acquiree prior to the acquisition date is transferred to investment income at disposal of the investment.

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is re-measured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. Any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date is transferred to investment income in the period of the acquisition date.

6. Specific accounting policies regarding disposal of equity interests in phases until the loss of control

(1) Judgement principles for “basket transactions”

Usually, several transactions related to the disposal of equity investment in a subsidiary are accounted for as basket transactions when the terms, conditions and economic effects of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their effects on each other; ② these transactions as a whole can reach a complete business result; ③ the occurrence of a transaction depends on at least the occurrence of another transaction; and ④ a transaction is not economical when separately accounted for but is economical when considered with other transactions.

(2) Accounting methods of “basket transactions”

When several transactions related to the disposal of equity investment in a subsidiary until the loss of control over the subsidiary constitute basket transactions, all of them are accounted for as a transaction on disposal of a subsidiary with loss of control. However, each different between the consideration of disposal and the net assets of a subsidiary attributable to the investment being disposed of prior to the loss of control shall be recognised as other comprehensive income in the consolidated financial statements and transferred to profit or loss at the time when the control is lost.

(3) Accounting methods of “non-basket transactions”

If they do not constitute basket transactions, each of them is separately accounted for in accordance with applicable principles of “disposal of a portion of the long-term equity investment in a subsidiary without loss of control” (see Note IV. 13 (2)) and “the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons” (see the preceding paragraph for details).

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

7. Preparation of consolidated financial statements

(1) Basis for principle of determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The term “control” refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all of its subsidiaries. A subsidiary is an entity controlled by the Company.

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

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is transferred to investment income at the time when the control is lost. The remaining equity interests are measured subsequently according to “Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments” or “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”. See Note IV. 13 “Long-term equity investments” or Note IV. 10 “Financial instruments” for details.

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

8. Standards for recognising cash and cash equivalents

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

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

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Company, when initially recognised, are translated into functional currency at the prevailing spot exchange rate on the date of exchange, i.e. the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter, while the 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 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 spot exchange rate at the date of transaction. The retained profit brought forward are reported at the prior year's closing balance; the retained profit as at the end of the year are presented after translated the profit appropriation items; differences between the aggregate of asset and liability items and owners' equity items are recognised as "translation differences arising on the translation of financial statements denominated in foreign currencies" in other consolidated income, and presented separately as under owners' equity items in the balance sheet. On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operation which has been included in owners' equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

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

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

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

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

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

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

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

10. Financial instruments

(1) Classification of financial instruments

Conventionally traded financial assets shall be recognised and derecognised at the trading date. Financial assets shall be classified into the following four categories for initial recognition: the financial assets at fair value through profit or loss, hold-to-maturity financial assets, loans and the account receivables, and financial assets available for sale.

Financial liabilities are classified at initial recognition: at fair value and changes are carried through profit and loss as financial liabilities and other financial liabilities.

(2) Basis of recognition and measurement of financial instruments

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.

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

10. Financial instruments (Cont'd)

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

① *Financial assets carried at fair value through profit or loss for the current period (Cont'd)*

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.

③ *Loans and receivables*

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

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

10. Financial instruments (Cont'd)

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

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.

Except for long-term equity investments unable to exercise common control or significant influence over the investees, and not quoted in an active market so that their fair value cannot be reliably measured, which are accounted for under the cost method, 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 measured reliably measured, and which shall be settled by delivery of equity instruments are subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from derecognition or amortisation is recognised in profit or loss for the current period.

③ Financial Guarantee Contracts and loan commitments

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

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

10. 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) Conditions of 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) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organisations and price fixing service organisations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

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

10. Financial instruments (Cont'd)

(6) Impairment test method and impairment provision for financial assets (excluding accounts receivable)

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 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 of more than 20%. “Non-temporary decline” refers to continuous decline in fair value for more than 12 months. The period of continuous decline is determined on the basis of the accumulative decline in fair value of more than 10%.

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.

Recognition standards for impairment of various available-for-sale financial assets

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

10. Financial instruments (Cont'd)

(7) Offset of financial assets and financial liabilities

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

(8) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. For equity instruments, the price received during the issue shall be added to shareholder's equity after reducing the transaction fees.

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

11. Basis for recognition and measurement of bad debt provision for accounts receivable

Accounts receivable include, among other things, trade receivables and other accounts receivable.

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 individually significant accounts receivable

Basis of determination or criterion of amount for individually significant items

Accounts receivable of more than RMB1.00 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.

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

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

(2) Accounts receivable provided for bad debt by portfolio

Name of portfolio	Method for making bad debt provision by portfolio	Basis for determining the portfolio
Risk-free portfolio	No bad debt provision	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

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

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

Reasons for making bad debt provisions separately

Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Group. If there is objective evidence indicating that the accounts receivable are impaired, then impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts: amounts due from connected parties; accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the accounts receivable indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

Provision for bad debts

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

(4) Reversal of provision for bad debts

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

12. Inventories

(1) Classification of inventories

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

(2) Pricing of inventories dispatched

Pricing method: weighted average method

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

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

IX Financial Report

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

12. Inventories (Cont'd)

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

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

At the balance sheet date, inventories are calculated at the lower of cost and net realisable value. 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 stock taking system

Stock 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

13. 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 undertook and fair value of equity securities issued by the acquirer. Agent fees incurred by the acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred. Transaction cost incurred for issuing equity securities or debt securities, which are used as consideration for the combination, are included in the initial recognition amount of the equity securities or debt securities.

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

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

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

(2) Subsequent measurement and profit or loss recognition

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. 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 or financial assets measured at fair value with any change in fair value charged to profit or loss.

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.

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

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

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

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

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

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

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

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

③ *Acquisition of minority interest*

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

④ *Disposal of long-term equity investments*

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a change in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note IV. 7. (2) "Preparation Method of the Consolidated Financial Statements".

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

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

The term "control" refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. 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.

IX Financial Report

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

14. Joint arrangements

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

The Company treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note IV.13.(2) ② "long-term equity investment by using equity method of accounting".

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

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

15. 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. 22 "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.

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

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

IX Financial Report

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

16. 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) Method for depreciation of different fixed assets

A fixed asset shall be initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use. Depreciation is provided over its estimated useful life from the next month after it has been brought to its working condition for its intended use using the straight-line method. Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the stage and in the condition expected at the end of its useful life.

The useful life, estimated residual value and annual depreciation rate of each category of a fixed asset are as follows:

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

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

The method for impaired test of fixed asset and measurement of impairment provision are detailed in Note IV. 22 "Impairment of non-current non-monetary financial asset".

(4) Explanation on other matters

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

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)

17. Construction in progress

(1) Types of construction in progress

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

(2) Criteria and time for the reclassification of construction in process to fixed assets

A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

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

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note IV. 22 “Impairment of non-current non-monetary financial asset”.

18. Borrowing costs

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

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

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

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

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

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

19. Consumable 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, subsequently measured at fair value. Changes in fair values shall be recognised as profit or loss in the current period. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to complete planting, 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.

20. Intangible assets

(1) Intangible assets

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

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

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

20. Intangible assets (Cont'd)

(2) Research and development expenditure (Cont'd)

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

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

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

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

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

(3) Method for impairment test of intangible asset and measurement of impairment provision

The method for impaired test of intangible asset and measurement of impairment provision are detailed in Note IV. 22 "Impairment of non-current non-financial assets".

21. 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.

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

22. Impairment of non-current non-financial assets

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. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

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

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

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

23. Accrued liabilities

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

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

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

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

24. Repurchase of Chenming Paper's shares

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

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.

25. Revenue

(1) Revenue from sales of goods

Revenue is recognised when Chenming Paper has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs. Confirmation time for sales revenue: In terms of domestic sales, confirmation will be made on the day when goods are delivered to the clients. While in terms of overseas sales, confirmation will be made on the day when goods are loaded on board and declared.

(2) Revenue from the rendering of services

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

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

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

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

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

25. Revenue (Cont'd)

(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) Revenue from rendering of services

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

(5) Interest income

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

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

26. Government grant

(1) Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are classified into government grants related to assets and government grants related to income. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: ① In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and ② in case of general description without specifying any project in such documents, the grants are classified as related to income.

(2) Accounting policy

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

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

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

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

27. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

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

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

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

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

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

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

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

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

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

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

(3) Income tax expense

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

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

(4) Offset of income tax

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

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

28. Other comprehensive income

Any profit or loss not recognised in profit or loss for the current period in accordance with other accounting policies is stated as other comprehensive income. Under related accounting policies, other comprehensive income is classified into:

- (1) Those not to be reclassified into profit or loss in subsequent periods, which mainly includes changes arising from re-measuring net assets or net liabilities of defined benefit plan, share of investee's other comprehensive income not to be reclassified into profit or loss in subsequent periods using the equity method;
- (2) Those to be reclassified into profit or loss after meeting certain criteria in subsequent periods, which mainly includes share of investee's other comprehensive income to be reclassified into profit or loss after meeting certain criteria in subsequent periods, profit or loss arising from change of fair value of available-for-sale financial assets, profit or loss arising from reclassifying held-to-maturity investment into available-for-sale financial assets, the effectively hedged portion in profit or loss generated from cash flow hedging instruments, translation difference of foreign currencies in financial statements.

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

29. Lease

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

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

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

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

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

30. Employee benefits

In the accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits payable as a liability.

Expenditures paid by the Group for the social security system set up by the government, such as basic pension insurance, medical insurance, housing funds and others, are recognised in the costs of related assets or the current profit or loss.

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognise employee compensation liabilities arising from compensation for staff dismissal and account for profit or loss at the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; the Company recognise cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier.

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

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

31. Changes in Significant Accounting Policies and Estimates

(1) Changes in Accounting Policies

Any changes in significant accounting policies during the reporting period

Yes No

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
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.	Available-for-sale financial assets	83,260,425.53	83,000,000.00

(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)

32. Critical accounting judgments and estimates

The Group needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately calculated during the application of the Group's accounting policies. Such judgments, estimates and assumptions are made based on the historical experiences of the 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.

(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.

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

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

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

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 Chenming Paper

Tax type	Basis of taxation	Tax rate
Value added tax	17% for general and 13% for sales of gas and water. Value-added tax is computed on the difference after deduction of input value-added tax	13% and 17%
Business tax	Taxable revenue	3% - 5%
Urban maintenance and construction tax	Actual payment of turnover tax	7%
Enterprise income tax	Taxable income	25% for taxable income, 15% for high-tech enterprises and 20% for small-size enterprises.
Educational surcharges	Actual payment of turnover tax	3%
Local educational surcharges	Actual payment of turnover tax	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%	Huanggang Chenming Pulp & Paper Co., Ltd.	25%	Wuhan Chenming Qianneng Electric Power Co., Limited	25%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	25%	Huanggang Chenming Arboriculture Co., Ltd.	Tax free	Jilin Chenming Machinery Manufacturing Co., Limited	25%
Shandong Chenming Power Supply Holdings Co., Ltd.	25%	Shouguang Shun Da Customs Declaration Co., Ltd.	25%	Shouguang Chenming Cement Co., Limited	25%
Hailaer Chenming Paper Co., Ltd.	25%	Chenming International Co., Ltd.	—	Shandong Chenming Panels Co., Limited	25%
Haicheng Haiming Mining Company Limited	25%	Shouguang Chenming Hongxin Packaging Co., Ltd.	25%	Shouguang Chenming Floor Board Co., Limited	25%
Jiangxi Chenming Paper Co., Ltd.	15%	Shouguang Chenming Papermaking Machine Co., Ltd.	25%	Nanchang Chenming Arboriculture Co., Ltd.	Tax free
Shandong Chenming Financial Leasing Co., Ltd.	25%	Shouguang Chenming Import and Export Trade Co., Ltd.	25%	Shouguang Hongyi Decorative Packaging Co., Ltd.	25%
Shandong Grand View Hotel Co., Ltd.	25%	Shouguang Chenming Industrial Logistics Co., Ltd.	25%	Shouguang Xinyuan Coal Co., Ltd.	25%
Shouguang Chenming Art Paper Co., Ltd.	25%	Shouguang Chenming Jiatai Property Management Co., Ltd.	25%	Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	25%
Jilin Chenming Paper Co., Ltd.	25%	Shandong Chenming Investment Co., Ltd.	25%	Shouguang Wei Yuan Logistics Company Limited	25%
Zhejiang Chenming Pulp & Paper Co., Ltd.	25%	Japan Chenming Paper Company Limited	—	Wuxi Song Ling Paper Co., Limited	25%
Shouguang Meilun Paper Co. Ltd.	25%	Chenming GmbH	—	Guangdong Huirui Investment Co., Ltd.	25%
Shandong Chenming Paper Sales Company Limited	25%	Zhejiang Chenming New-style Wall Materials Co., Ltd.	25%	Shouguang Hongxiang Printing and Packaging Co., Ltd.	25%
Chenming (HK) Limited	16.5%	Zhejiang Chenming Arboriculture Co., Ltd.	Tax free	Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	25%
Shouguang Chenming Modern Logistic Co., Ltd.	25%	Yangjiang Chenming Arboriculture Co., Ltd.	Tax free		
Fuyu Chenming Paper Co., Ltd.	25%	Zhejiang Meilun Pulp & Paper Co., Ltd.	25%		

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 and new technology enterprise which needs the major support of the state as approved by State Taxation Administration of Shouguang, Shandong. An enterprise income tax rate of 15% is applicable to the Company from 1 January 2012 to 31 December 2014.

Pursuant to the requirements of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) dated 16 March 2007, Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, is recognised as a high and new technology enterprise which needs the major support of the state as approved by State Taxation Administration of Nanchang Economic and Technological Development Zone, Jiangxi. An enterprise income tax rate of 15% is applicable to Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, from 1 January 2012 to 31 December 2015.

Pursuant to the requirements of Rule 27 of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and Rule 86 of Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), subsidiaries of Chenming Paper, namely, Zhanjiang 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 Chenming Paper, 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, Chenming Paper 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 the related requirements of the "Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting and Improving the Value-added Tax Policies for Products and Labour Services that Comprehensively Utilize Resources" (No. Cai Shui [2011] No. 115) as issued by the Ministry of Finance and the State Administration of Taxation, Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products that apply integrated use of resources and is subject to an immediate VAT refund policy.

3. Others

Income from transportation business was previously subject to business tax at 3%. Pursuant to requirements including Notice in relation to Pilot Tax Collection Policy in the Transportation Industry and Certain Modern Service Industries Issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2013] No. 37), income of certain subsidiaries of the Company, namely Shouguang Chenming Modern Logistic Co., Ltd. and Shouguang Wei Yuan Logistics Company Limited, were subject to value-added tax at 11% from 1 August 2013.

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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	Shareholding	Voting rights	Whether consolidated	Minority interest	Minority interest of the minority interest	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	211,370,000	Manufacture and sales of paper products, the materials of manufacture of paper and machinery	202,820,000.00		50.93%	50.93%	Yes	182,558,816.01		
Shandong Chenming Power Supply Holdings Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Electricity	86,325,061.00	Manufacture and supply of electricity and heat	157,810,000.00		100.00%	100.00%	Yes	0.00		
Hailaer Chenming Paper Co., Ltd.	Controlling subsidiary	Hailaer, China	Manufacture of paper	16,000,000	Sales and processing; sales of machine-made paper and pulp paper	12,000,000.00		75.00%	75.00%	Yes	15,187,862.68		
Haicheng Haiming Mining Company Limited	Controlling subsidiary	Haicheng, China	Mining	240,000,000	Processing and sales of magnesite and talc	144,000,000.00		60.00%	60.00%	Yes	96,000,000.00		
Jiangxi Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Nanchang, China	Manufacture of paper	US\$272 million	Production and processing of machine-made paper, paperboard, paper panel, paper products and paper-making raw materials, etc.	1,206,590,000.00		100.00%	100.00%	Yes	0.00		
Shandong Grand View Hotel Co., Ltd.	Controlling subsidiary	Shouguang, China	Restaurant and beverage	US\$13.9057 million	Restaurant and beverage services	80,500,000.00		70.00%	70.00%	Yes	-20,859,665.03		
Shouguang Chenming Art Paper Co., Ltd.	Controlling subsidiary	Shouguang, China	Manufacture of paper	US\$20 million	Production and sales of machine-made paper and others	113,620,000.00		75.00%	75.00%	Yes	32,506,942.58		
Jilin Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Jilin City, China	Manufacture of paper	1,500,000,000	Processing and sales of machine-made paper, paperboard, paper product, paper pulp	1,501,350,000.00		100.00%	100.00%	Yes	0.00		
Zhejiang Chenming Pulp & Paper Co., Ltd.	Wholly-owned subsidiary	Zhejiang, China	Manufacture of paper	3,000,000,000	Processing and sales of paper pulp	3,000,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Meilun Paper Co. Ltd.	Wholly-owned subsidiary	Shouguang, China	Manufacture of paper	3,000,000,000	Production and sales of machine-made paper and paperboard	3,000,000,000.00		100.00%	100.00%	Yes	0.00		
Shandong Chenming Paper Sales Company Limited	Wholly-owned subsidiary	Shouguang, China	Sales of paper	100,000,000	Sales of machine-made paper, paperboard and paper making raw materials	100,000,000.00		100.00%	100.00%	Yes	0.00		
Chenming (HK) Limited	Wholly-owned subsidiary	Hong Kong, China	Trade of paper	US\$29.90 million	Export and import trade of paper products and market research	183,470,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Modern Logistic Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Transportation	10,000,000	Transportation of goods	10,000,000.00		100.00%	100.00%	Yes	0.00		
Fuyu Chenming Paper Co., Ltd.	Wholly-owned subsidiary	Fuyu, China	Manufacture of paper	208,000,000	Production and sales of machine-made paper and paperboard	208,000,000.00		100.00%	100.00%	Yes	0.00		

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

1. Subsidiaries (Cont'd)

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

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of incorporation	Business Nature	Registered capital	Business activity	Actual investment as at the end of the period	Balance of other projects that substantially forms net investment in the subsidiary	Shareholding	Voting rights	Whether consolidated	Minority interest	Minority interest	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 Pulp & Paper Co., Ltd.	Wholly-owned subsidiary	Huanggang, China	Paper pulp	200,000,000	Operation and acquisition of forest; establishment of paper pulp projects	200,000,000.00		100.00%	100.00%	Yes	0.00		
Huanggang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Huanggang, China	Arboriculture	70,000,000	Plantation, processing and sales of forests	70,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Shun Da Customs Declaration Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Customs declaration, inspection declaration	1,500,000	Business agency of professional customs declaration and inspection declaration	1,500,000.00		100.00%	100.00%	Yes	0.00		
Chenming International Co., Ltd.	Wholly-owned subsidiary	Los Angeles, U.S.	Import and export, technology research and development	US\$3 million	Import and export, technology research and development	US\$3.00 million		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Hongxin Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Packaging	1,000,000	Sales of paper packaging	1,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Papermaking Machine Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Machinery manufacturing	2,000,000	Processing and repair of paper making machines	2,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Import and Export Trade Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Import and export trade	10,000,000	Import and export of goods and technology	10,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Industrial Logistics Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Transportation	10,000,000	Land transport, storage of goods	10,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Jiatai Property Management Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Property management	1,000,000	Property management	1,000,000.00		100.00%	100.00%	Yes	0.00		
Japan Chenming Paper Company Limited	Wholly-owned subsidiary	Tokyo, Japan	Trade of paper products	US\$1.50 million	Trade of paper products and raw materials	US\$1.50 million		100.00%	100.00%	Yes	0.00		
Chenming GmbH	Wholly-owned subsidiary	Hamburg, Germany	Trade of machine-made paper	EUR25,000	Trade of machine-made paper	EUR25,000		100.00%	100.00%	Yes	0.00		
Shandong Chenming Paper Group (Fuyi) Sales Co., Ltd.	Wholly-owned subsidiary	Fuyi, China	Sales of paper	1,000,000	Sales of machine-made paper, paper board, paper-making materials and accessories and paper machinery	1,000,000.00		100.00%	100.00%	Yes	0.00		
Zhanjiang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Arboriculture	1,000,000	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		100.00%	100.00%	Yes	0.00		
Yangjiang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Yangjiang, China	Arboriculture	1,000,000	Plantation and development of forest, and technology consultation of forestry	1,000,000.00		100.00%	100.00%	Yes	0.00		

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

1. Subsidiaries (Cont'd)

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

Unit: RMB

Full name of subsidiary	Subsidiary type	Place of incorporation	Business Nature	Registered capital	Business activity	Actual investment as at the end of the period	Balance of other projects that substantially forms net investment in the subsidiary	Shareholding	Voting rights	Whether consolidated	Minority interest	Minority interest of the minority interest	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
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Paper pulp	100,000,000	Manufacture, production, processing and sales of paper pulp and related products	100,000,000.00		100.00%	100.00%	Yes	0.00		
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Wholly-owned subsidiary	Zhanjiang, China	Wall materials	10,000,000	Production and sales of wall materials, and sales and mixed use of coal ash	10,000,000.00		100.00%	100.00%	Yes	0.00		
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Controlling subsidiary	Wuhan, China	Electricity	88,240,000	Generation and sales of electricity and heat	45,000,000.00		51.00%	51.00%	Yes	38,720,431.68		
Jilin Chenming Machinery Manufacturing Co., Ltd.	Wholly-owned subsidiary	Jilin, China	Processing of machinery	600,000	Processing of machinery, manufacture, installation and repair of the equipment of machinery	600,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Cement Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Sales of cement	7,000,000	Utilisation of ash in the production of cement and sales of cement	7,000,000.00		100.00%	100.00%	Yes	0.00		
Shandong Chenming Panels Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Sales of panels	30,000,000	Decorative board of the layer of laminated board, wooden products, laminated board and fortified wooden floorboard	30,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Chenming Floor Board Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Sales of floor board	500,000	Production, processing and sales of fortified wooden floorboard and impregnated paper	500,000.00		100.00%	100.00%	Yes	0.00		
Nanchang Chenming Arboriculture Co., Ltd.	Wholly-owned subsidiary	Nanchang, China	Arboriculture	10,000,000	Processing and sales of wooden finished products, semi-finished products and by-products of timber	10,000,000.00		100.00%	100.00%	Yes	0.00		
Shandong Chenming Financial Leasing Co., Ltd.	Wholly-owned subsidiary	Jinan, China	Financial leasing	300,000,000	Financial leasing	300,000,000.00		100.00%	100.00%	Yes	0.00		
Shandong Chenming Investment Co., Ltd.	Wholly-owned subsidiary	Jinan, China	Investment	200,000,000	Investment	200,000,000.00		100.00%	100.00%	Yes	0.00		

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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	Shareholding	Voting rights	Whether consolidated	Minority interest	Minority interest of the minority interest	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 interest
Shouguang Hongyi Decorative Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Packaging	1,550,000	Processing and sales of packaging products, indoor and outdoor decorations	1,550,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Xinyuan Coal Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Coal	3,000,000	Retail of coal, gasoline, construction materials and plumbing parts	3,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Runsheng Waste Paper Recycle Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Purchase and sales of waste and obsolete materials	1,000,000	Purchase and sales of waste and obsolete materials	1,000,000.00		100.00%	100.00%	Yes	0.00		
Shouguang Wei Yuan Logistics Company Limited	Wholly-owned subsidiary	Shouguang, China	Transportation	3,930,000	Transportation of goods, maintenance of vehicles, storage and loading of goods, international freight agency services	3,930,000.00		100.00%	100.00%	Yes	0.00		
Wuxi Songling Paper Co., Ltd.	Wholly-owned subsidiary	Wuxi, China	Papermaking	5,010,000	Sales, cutting and processing of paper	5,010,000.00		100.00%	100.00%	Yes	0.00		
Guangdong Huirui Investment Co., Ltd.	Controlling subsidiary	Zhanjiang, China	Investment	258,000,000	Investment in marine engineering projects	131,580,000.00		51.00%	51.00%	Yes	123,830,219.92		
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Wholly-owned subsidiary	Shouguang, China	Printing of packaging materials	800,000	Processing and sales of packaging products and indoors and outdoors decoration	2,730,000.00		100.00%	100.00%	Yes	0.00		

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

2. Special purpose vehicles or operating entities whose control resulting from, among other things, entrusting to operate or lease

Chenming Paper has no special purpose vehicles or operating entities whose control resulting from, among other things, entrusting to operate or lease.

3. Explanation on changes in the scope of consolidation

Explanation on changes in the scope of consolidation

Applicable Not applicable

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

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

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.

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

The Company lost its control over Shandong Chenming Xinli Power Co., Ltd. due to disposal of equity interest during the period. Therefore, the above company ceased to be included in the scope of consolidation. The registration of Shouguang Chenming Tianyuan Arboriculture Co., Ltd. and Shouguang Hengfeng Storage Co., Ltd. were 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 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.

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

4. 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
Shandong Chenming Financial Leasing Co., Ltd.	304,219,067.83	4,219,067.83
Shandong Chenming Investment Co., Ltd.	199,989,036.71	-10,963.29

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
Shandong Chenming Xinli Power Co., Ltd.	166,099,869.20	8,545,730.38
Shouguang Chenming Tianyuan Arboriculture Co., Ltd.	17,359.30	0.00
Shouguang Hengfeng Storage Co., Ltd.	456,537.70	-8,888.79

- (1) Shandong Chenming Xinli Power Co., Ltd. ceased to be included in the scope of consolidation as the Company lost the control over it due to disposal of its equity interest (contribution rights) (Note VI. 3).
- (2) The registration of Shouguang Chenming Tianyuan Arboriculture Co., Ltd. and Shouguang Hengfeng Storage Co., Ltd. was cancelled during the period and they ceased to be included in the scope of consolidation (Note VI. 3).

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

Name of the subsidiary	Date of disposal	Recognition method of gain or loss
Shandong Chenming Xinli Power Co., Ltd.	4 March 2014	The excess of the disposal consideration over the share of the net assets of the subsidiary attributable to the equity interest disposed of as at the disposal date accounted for in the consolidated financial statements of the Company is recognised as gain or loss on disposal.

On 4 March 2014, the Company transferred its 51% equity interest in Shandong Chenming Xinli Power Co., Ltd. to Guangdong Dejun Investment Co., Ltd. The date of disposal was the date when the Company actually no longer had control over the net assets and financial and operating decisions of Shandong Chenming Xinli Power Co., Ltd.

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

5. Subsidiaries eliminated due to disposal of controlling equity interest during the reporting period (Cont'd)

① Disposal price and the cash flows are set out as follows:

Item	Amount
Disposal price	76,194,000.00
Cash and cash equivalents received from disposal	76,194,000.00
Less: cash and cash equivalents held by Xinli Power	1,158,788.59
Net cash received from disposal	75,035,211.41

② Net assets of disposal of Xinli Power are set as follows:

Item	Net assets as at the date of disposal	Net assets as at the end of the prior year
Current assets	73,281,626.81	50,934,910.85
Non-current assets	137,643,679.50	140,521,337.12
Current liabilities	44,825,437.11	33,902,109.15
Non-current liabilities	—	—
Total net assets	166,099,869.20	157,554,138.82

③ Gain or loss on disposal is calculated as follows:

Item	Amount
Disposal price	76,194,000.00
Less: net assets attributable to Xinli Power as at the date of disposal	84,710,933.29
Plus: other comprehensive income in relation to Xinli Power transferred to gain or loss on disposal for the period	
Investment gains arising from disposal	-8,516,933.29

④ Revenue, expenses and profit of Xinli Power from the beginning of the year of disposal to the date of disposal are set out as follows:

Item	Amount
Revenue	41,547,370.18
Less: costs and expenses	30,165,750.48
Total profit	11,381,619.70
Less: income tax expenses	2,835,889.32
Net profit	8,545,730.38

Whether there was disposal of investment in a subsidiary through several transactions resulting in loss of control during the reporting period

Applicable Not applicable

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

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

Item	Assets and liabilities items	
	30 June 2014	1 January 2014
Chenming (HK) Limited	USD1=RMB6.1528	USD1=RMB6.0969
Japan Chenming Paper Company Limited	JPY100=RMB6.0815	JPY100= RMB5.7771
Chenming GmbH	EUR1=RMB8.3946	EUR1= RMB8.4189
Item	Revenue, expense and cash flow items	
	For the first half of 2014	For the year 2013
Chenming (HK) Limited	USD1=RMB6.1451	USD1= RMB6.1811
Japan Chenming Paper Company Limited	JPY100=RMB6.0204	JPY100= RMB6.2623
Chenming GmbH	EUR1=RMB8.4058	EUR1= RMB8.1517

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	Amounts in foreign currency	Exchange rate	Amounts in RMB
Cash:	—	—	2,153,991.53	—	—	1,333,503.27
RMB	—	—	1,478,658.11	—	—	879,154.77
-USD	60,000.00	6.1528	369,168.00	40,000.00	6.0969	243,876.00
-EUR	27,000.00	8.3946	226,654.20	25,000.00	8.4189	210,472.50
-JPY	2,240.00	0.060815	136.22	—	—	—
-HKD	100,000.00	0.7938	79,375.00	—	—	—
Deposits with banks:	—	—	909,198,839.61	—	—	725,199,425.69
RMB	—	—	706,632,042.59	—	—	612,023,754.51
-USD	23,136,866.08	6.1528	143,144,220.66	11,698,274.37	6.0969	71,323,209.01
-EUR	1,255,091.73	8.3946	22,192,556.38	1,548,593.85	8.4189	13,037,456.78
-JPY	612,119,017.00	0.060815	37,226,018.02	498,558,670.00	0.057771	28,802,232.92
-HKD	5,041.83	0.7938	4,001.96	16,245.21	0.78623	12,772.47
Other monetary funds:	—	—	2,445,722,393.83	—	—	1,821,196,865.28
RMB	—	—	2,426,170,469.40	—	—	1,788,148,011.28
-USD	3,176,056.79	6.1528	19,541,642.22	5,420,599.65	6.0969	33,048,854.00
-EUR	1,224.86	8.3946	10,282.21	—	—	—
Total	—	—	3,357,075,224.97	—	—	2,547,729,794.24

- ① Other monetary funds of RMB231,596,639.29 (31 December 2013: RMB249,333,637.64) were the guarantee deposit for the application for bank acceptance with the banks by the Group.
- ② Other monetary funds of RMB461,763,365.42 (31 December 2013: RMB1,380,738,601.00) were the guarantee deposit for the application for letter of credit with the banks by the Group.
- ③ Other monetary funds of RMB752,362,389.12 (31 December 2013: RMB140,836,352.11) were the guarantee deposit for the application for guarantees with the banks by the Group.
- ④ Other monetary funds of RMB1,000,000,000.00 were the investment in the registered capital of Shandong Chenming Financial Leasing Co., Ltd. As at the end of the reporting period, Shandong Chenming Financial Leasing Co., Ltd. was not established.

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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	2,234,716,744.41	2,827,024,280.10
Commercial acceptances	13,432,731.21	43,419,401.39
Total	2,248,149,475.62	2,870,443,681.49

(2) Outstanding notes endorsed to other parties by the Company at the end of the period

Unit: RMB

Issuing entity	Issuing date	Maturity date	Amount	Remark
YIWU HONGNA PAPER CO. LTD.	31 March 2014	28 September 2014	2,000,000.00	
TANGSHAN MINCHEN TRADING CO. LTD.	24 April 2014	24 October 2014	1,500,000.00	
FUQING LEAVES AGRICULTURAL DEVELOPMENT CO., LTD.	26 January 2014	26 July 2014	1,500,000.00	
SHENZHEN DONNELLEY PRINTING CO., LTD.	19 May 2014	21 August 2014	1,442,470.20	
SAMSON PAPER (SHANGHAI) COMPANY LIMITED	20 January 2014	20 July 2014	1,242,059.00	
Total	—	—	7,684,529.20	—

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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		Book balance		Opening balance		Provision for bad debts	
	Amount	Ratio	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

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

√ Applicable □ Not applicable

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%
Total	48,535,549.72	48,535,549.72	—	—

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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)

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

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	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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(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.

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

3. Accounts receivable (Cont'd)

(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%

(5) Particulars of accounts receivable of the related parties

Particulars of related party accounts receivable and accounts payable in Note VIII. 5.

4. Other receivables

(1) Disclosure of other receivables according to classification

Unit: RMB

Category	Closing balance		Provision for bad debts		Opening balance		Provision for bad debts	
	Book balance 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	—

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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 receivables according to classification (Cont'd)

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

√ Applicable Not applicable

Unit: RMB

Particulars of other receivables	Book balance	Provision for bad debts	Provision ratio	Reason for provision
Total	9,402,148.72	9,402,148.72	—	—

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

√ 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	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

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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 receivables according to classification (Cont'd)

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

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

4. Other receivables (Cont'd)

(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%

(5) Particulars of other receivables of the related parties

See Note VIII. 5 Related party accounts receivable and accounts payable

5. Prepayments

(1) Prepayments stated according to ageing

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	856,779,423.98	47.31%	647,808,677.28	40.77%
1-2 years	954,026,460.05	52.69%	941,212,653.96	59.23%
Total	1,810,805,884.03	—	1,589,021,331.24	—

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

5. Prepayments (Cont'd)

(2) Particulars of top five prepayments

Unit: RMB

Name of entity	Relationship with the Company	Amount	Term	Reason for being unsettled
JIANGSU XINHAI PORT ENGINEERING CO., LTD.	Non-related party	880,000,000.00	Within 1 year, 1-2 years	Prepayments for construction fee according to the agreed contract
JINAN HI-TECH HOLDING GROUP CO., LTD	Non-related party	162,000,000.00	Within 1 year	Prepayments for goods according to the agreed contract
EACH VILLAGE OF HUANGGANG CITY	Non-related party	87,932,010.00	Within 1 year, 1-2 years	Prepayments for forestry deposits according to the agreed contract
MANZHOUJI JINFA TRADING CO., LIMITED	Non-related party	34,911,638.46	Within 1 year	Prepayments for goods according to the agreed contract
ZHANJIANG XINCHEN TRADING CO., LTD.	Non-related party	21,272,184.01	Within 1 year	Prepayments for goods according to the agreed contract
Total	—	1,186,115,832.47	—	—

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

6. Inventories

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Raw materials	1,823,665,041.74		1,823,665,041.74	2,102,799,924.39		2,102,799,924.39
Work-in-process products	57,094,308.42		57,094,308.42	55,128,694.09		55,128,694.09
Goods in stock	2,094,560,250.02	0.00	2,094,560,250.02	1,516,242,717.77	36,472,052.20	1,479,770,665.57
Products under development	143,725,354.00		143,725,354.00	88,110,593.20		88,110,593.20
Total	4,119,044,954.18	0.00	4,119,044,954.18	3,762,281,929.45	36,472,052.20	3,725,809,877.25

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

6. Inventories (Cont'd)

(2) Impairment provision for inventories

Unit: RMB

Type of inventories	Opening book balance	Provision during the period	Decrease during the period Reversal	Write-off	Closing book balance
Goods in stock	36,472,052.20			36,472,052.20	0.00
Total	36,472,052.20			36,472,052.20	0.00

7. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid enterprise income tax	112,435,915.46	74,006,369.37
Non-credited VAT proceeds	1,614,993,450.89	1,666,514,217.00
Entrusted loans due within one year	100,000,000.00	
Total	1,827,429,366.35	1,740,520,586.37

8. Available-for-sale assets

(1) Particulars of available-for-sale assets

Investee	Investment cost	Book balance	Impairment provision	Book value
QINGZHOU CHENMING DENATURATION AMYLUM CO., LTD.	900,000.00	900,000.00	900,000.00	
SHANDONG PAPER MAKING & PRINTING ENTERPRISES CORPORATION	200,000.00	200,000.00	200,000.00	
JINAN SHANGYOU COMMERCIAL COMPANY LIMITED	350,000.00	350,000.00	350,000.00	
ZHEJIANG PROVINCE GUANGYU MEDIA PRINTING COMPANY LIMITED	2,000,000.00	2,000,000.00		2,000,000.00
SHOUGUANG MIHE WATER COMPANY LIMITED	20,000,000.00	20,000,000.00		20,000,000.00
ANHUI TIME SOURCE CORPORATION	1,000,000.00	1,000,000.00		1,000,000.00
WEIFANG XINYE CAPITAL INVESTMENT CO., LTD.	10,000,000.00	10,000,000.00		10,000,000.00
SHANDONG HONGQIAO VENTURE CAPITAL CO., LTD.	50,000,000.00	50,000,000.00		50,000,000.00
Total	84,450,000.00	84,450,000.00	1,450,000.00	83,000,000.00

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

8. Available-for-sale assets (Cont'd)

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

Unit: RMB

Type of available-for-sale assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Provision made at the beginning of the period	2,589,574.47			2,589,574.47
Decrease for the year	1,139,574.47			1,139,574.47
Provision made at the end of the period	1,450,000.00			1,450,000.00

9. 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							
Shouguang Chenming Huisen New Building Materials Co., Ltd.	50.00%	50.00%	6,000,000.00		6,000,000.00		
II. Associate							
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	40.00%	40.00%	696,493,866.09	632,353,647.49	64,140,218.60		-4,538,797.85
Jiangxi Chenming Port Co., Ltd.	40.00%	40.00%	15,070,000.00		15,070,000.00		
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	21.16%	21.16%	47,976,517.68	25,902,443.50	22,074,074.18	9,686,805.54	-287,688.62

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

10. Long-term equity investments

(1) Particulars of long-term equity investments

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
Shouguang Chenming Huisen New Building Materials Co., Ltd.	Equity method	3,000,000.00		3,000,000.00	3,000,000.00	50.00%	50.00%				
Jiangxi Chenming Port Co., Ltd.	Equity method	6,028,000.00		6,028,000.00	6,028,000.00	40.00%	40.00%				
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Equity method	40,000,000.00	27,471,606.58	-1,815,519.12	25,656,087.46	40.00%	40.00%				
Arjo Wiggins Chenming Specialty Paper Co., Ltd	Equity method	80,100,000.00				30.00%	30.00%				
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Equity method	6,000,000.00	4,745,182.75	-74,651.88	4,670,530.87	21.16%	21.16%				
Total	—	135,128,000.00	32,216,789.33	7,137,829.00	39,354,618.33	—	—	—			

(2) Classification of long-term equity investments

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Investment in joint ventures		3,000,000.00		3,000,000.00
Investment in associates	32,216,789.33	6,028,000.00	1,890,171.00	36,354,618.33
Total	32,216,789.33	9,028,000.00	1,890,171.00	39,354,618.33

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

11. Investment properties

(1) Particulars of investment properties

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Investment properties subsequently measured at cost	19,473,443.95		869,128.02	18,604,315.93
Less: Impairment provision				
Total	19,473,443.95		869,128.02	18,604,315.93

(2) Investment properties measured at cost

Item	Opening book balance	Increase during the period	Decrease during the period	Closing book balance
Unit: RMB				
I. Total original carrying amount	38,291,395.70			38,291,395.70
1.Housing and building structure	38,291,395.70			38,291,395.70
II. Accumulated depreciation and accumulated amortisation in total	18,817,951.75	869,128.02		19,687,079.77
1.Housing and Building Structure	18,817,951.75	869,128.02		19,687,079.77
III. Net book value of investment properties in total	19,473,443.95	-869,128.02		18,604,315.93
1.Housing and Building Structure	19,473,443.95	-869,128.02		18,604,315.93
V. Book value of investment properties in total	19,473,443.95	-869,128.02		18,604,315.93
1.Housing and building structure	19,473,443.95	-869,128.02		18,604,315.93

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)

12. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Opening book balance	Increase during the period	Decrease during the period	Closing book balance	
I. Total original carrying amount:	30,295,936,553.76	3,758,173,930.21	410,647,517.67	33,643,462,966.30	
Of which: housing and building structure	4,634,480,230.40	890,016,897.64	55,886,845.66	5,468,610,282.38	
Machinery and equipment	25,039,733,811.26	2,792,615,684.64	223,074,840.38	27,609,274,655.52	
Vehicles	197,490,484.57	70,180,589.55	8,731,461.19	258,939,612.93	
Electronic equipment and other	424,232,027.53	5,360,758.38	122,954,370.44	306,638,415.47	
	Opening book balance	Increase for the period	Provision for the period	Decrease for the period	Closing balance for the period
II. Accumulated depreciation and accumulated amortisation in total:	9,088,069,065.37	690,604,514.36	183,006,450.23	9,595,667,129.50	
Of which: housing and building structure	800,492,196.08	81,148,787.15	26,337,887.20	855,303,096.03	
Machinery and equipment	7,953,122,683.86	585,553,576.23	115,830,971.78	8,422,845,288.31	
Vehicles	95,130,974.48	13,241,015.58	3,947,148.77	104,424,841.29	
Electronic equipment and other	239,323,210.95	10,661,135.39	36,890,442.48	213,093,903.86	
	Opening book balance	—	—	—	Closing balance
III. Net carrying amount of fixed assets	21,207,867,488.39	—	—	24,047,795,836.80	
Of which: housing and building structure	3,833,988,034.32	—	—	4,613,307,186.35	
Machinery and equipment	17,086,611,127.40	—	—	19,186,429,367.21	
Vehicles	102,359,510.09	—	—	154,514,771.64	
Electronic equipment and other	184,908,816.58	—	—	93,544,511.61	
IV. Total impairment provision	26,220,000.00	—	—	26,220,000.00	
Machinery and equipment	26,220,000.00	—	—	26,220,000.00	
Electronic equipment and other	—	—	—	—	
V. Total carrying amount of fixed assets	21,181,647,488.39	—	—	24,021,575,836.80	
Of which: housing and building structure	3,833,988,034.32	—	—	4,613,307,186.35	
Machinery and equipment	17,060,391,127.40	—	—	19,160,209,367.21	
Vehicles	102,359,510.09	—	—	154,514,771.64	
Electronic equipment and other	184,908,816.58	—	—	93,544,511.61	

Depreciation for the current period amounted to RMB690,604,514.36. RMB3,560,280,912.58 was reclassified from construction in progress into the original value of fixed assets for the current period.

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

12. Fixed assets (Cont'd)

(2) Particulars of restricted fixed assets

As at 30 June 2014, the ownership of housing and building structure and equipment of the carrying amount of approximately RMB5,955,369,579.14 (the original value of RMB6,712,642,767.98) (31 December 2013: carrying amount of RMB6,096,739,906.27 and original value of RMB6,696,658,597.87) was restricted as collateral for long-term borrowings of RMB2,665,050,671.96 (31 December 2013: RMB2,784,334,971.96) (Note VII. 33) and long-term borrowings due within one year of RMB270,990,800.00 (31 December 2013: RMB269,313,900.00) (Note VII. 31).

(3) Particulars of Temporarily unused fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Net carrying amount	Remark
Housing and building structure	17,543,318.35	1,653,748.98		15,889,569.37	
Machinery and equipment	59,287,663.47	2,338,196.86		56,949,466.61	
Total	76,830,981.82	3,991,945.84		72,839,035.98	

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

Item	Reason for not yet obtaining property right certificates	Year for obtaining property right certificates based on estimation
Shandong Chenming Paper Holdings Limited	Processing	2014
Shouguang Meilun Paper Co., Ltd.	Processing	2014
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Processing	2014
Jiangxi Chenming Paper Co., Ltd.	Processing	2014
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Processing	2014
Jilin Chenming Paper Co., Ltd.	Processing	2014
Fuyu Chenming Paper Co., Ltd.	Processing	2014

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

13. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Book balance	Closing balance		Opening balance	
		Impairment provision	Book value	Impairment provision	Book value
Railway project (parent company)	95,804,010.99		95,804,010.99	67,825,111.06	67,825,111.06
Technology upgrade for white paper board projects (parent company)	149,021,394.73		149,021,394.73	57,275,709.38	57,275,709.38
Zhanjiang Chenming 700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	368,884,207.61		368,884,207.61	267,839,895.73	267,839,895.73
180,000 tonne paper cup raw paper project (Zhanjiang Chenming)	509,868,298.57		509,868,298.57	313,760,579.02	313,760,579.02
190,000 tonne high-end cultural paper project (Zhanjiang Chenming)	413,684,922.56		413,684,922.56	284,958,974.38	284,958,974.38
Biomass vaporisation upgrade project (Zhanjiang Chenming)	44,073,025.46		44,073,025.46	1,073,025.46	1,073,025.46
7,800 tonne paper machine press section rebuild (Jiangxi Chenming)	11,088,354.20		11,088,354.20	62,598,886.06	62,598,886.06
Desulphurisation and denitrification project of power plant (Jiangxi Chenming)	63,238,399.34		63,238,399.34	27,249,910.87	27,249,910.87
Packaging paper for food project (Jiangxi Chenming)	363,803,088.39		363,803,088.39	122,625,351.96	122,625,351.96
BTMP mechanical pulp production line upgrade for production expansion (Jiangxi Chenming)	30,714,727.61		30,714,727.61		
New production line of household paper machine upgrade in Wuhan second factory (Wuhan Chenming)				445,390,478.03	445,390,478.03
Technological upgrade for specialty paper project (Wuhan Chenming)	268,766,579.19		268,766,579.19	185,261,723.30	185,261,723.30
Relocation of Jilin (Jilin Chenming)				2,218,570,285.48	2,218,570,285.48
Magnesite mining (Haicheng Haiming)	422,798,059.11		422,798,059.11	463,059,536.30	463,059,536.30
Meilun paper making additive project (Shouguang Meilun)				339,261,614.70	339,261,614.70
Thermal paper upgrade project (Shouguang Art Paper)	228,293,634.55		228,293,634.55	208,582,395.43	208,582,395.43
Forestry pulp integration project (Huanggang Chenming)	314,916,775.73		314,916,775.73	130,795,345.46	130,795,345.46
Others	98,697,438.02		98,697,438.02	69,902,994.98	69,902,994.98
Total	3,383,652,916.06		3,383,652,916.06	5,266,031,817.60	5,266,031,817.60

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

13. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects

Item name	Budget (in RMB'100 million)	Opening balance	Increase during the period	Transfer to fixed asset	Other deductions	Investment to budget	Construction progress	Accumulated capitalised interest	Of which: capitalised interest amount for the period	Capitalisation rate of the interest amount for the period	Source of fund	Closing balance	Unit: RMB
Railway project (parent company)	2.40	67,825,111.06	27,978,889.93			40%	40%	3,446,622.09	2,170,152.49	6.00%	Capital and borrowings	95,804,010.99	
Technology upgrade for white paper board projects (parent company)	2.00	57,275,709.38	95,485,948.59	3,740,263.24		75%	75%	1,242,500.00	1,242,500.00	6.00%	Capital and borrowings	149,021,394.73	
Zhanjiang Chenming 700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	3.70	267,839,895.73	101,044,311.88			100%	100%	14,858,113.13	4,918,964.39	6.00%	Capital and borrowings	368,884,207.61	
180,000 tonne paper cup raw paper project (Zhanjiang Chenming)	13.22	313,760,579.02	196,107,719.55			39%	39%	32,884,182.19	16,488,909.54	6.00%	Capital and borrowings	509,869,298.57	
190,000 tonne high-end cultural paper project (Zhanjiang Chenming)	30.97	284,958,974.38	128,725,948.18			13%	13%	0.00			Self-raised	413,684,922.56	
Biomass vapourisation upgrade project (Zhanjiang Chenming)	2.00	1,073,025.46	43,000,000.00			22%	22%	534,047.82	534,047.82	6.00%	Capital and borrowings	44,073,025.46	
7,800 tonne paper machine press section rebuild (Jiangxi Chenming)	0.76	62,598,886.06	4,363,089.94	55,873,631.80		85%	85%	1,681,460.55	1,290,517.10	6.00%	Capital and borrowings	11,086,354.20	
Desulphurisation and denitrification project of power plant (Jiangxi Chenming)	0.82	27,249,910.87	35,988,488.47			77%	77%	1,260,639.91	1,260,639.91	6.00%	Capital and borrowings	63,238,399.34	
Packaging paper for food project (Jiangxi Chenming)	18.30	122,625,351.96	241,177,736.43			20%	20%	2,977,505.56	2,212,491.38	6.00%	Capital and borrowings	363,803,088.39	
BTMP mechanical pulp production line upgrade for production expansion (Jiangxi Chenming)	0.97	445,390,478.03	35,229,982.47	480,620,440.50		32%	32%	556,006.44	556,006.44	6.00%	Capital and borrowings	30,714,727.61	
New production line of household paper machine upgrade in Wuhan second factory (Wuhan Chenming)	4.50	185,261,723.30	83,504,855.89			100%	100%	24,167,540.06	4,689,732.39	6.00%	Capital and borrowings	268,766,579.19	
Technological upgrade for specialty paper project (Wuhan Chenming)	2.48	185,261,723.30	83,504,855.89			100%	100%	15,302,273.74	11,687,362.60	6.00%	Capital and borrowings	268,766,579.19	

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

13. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects (Cont'd)

Item name	Budget (in RMB100 million)	Opening balance	Increase during the period	Transfer to fixed asset	Other deductions	Investment to budget	Construction progress	Accumulated capitalised interest	Of which: capitalised interest amount for the period	Capitalisation rate of the interest amount for the period	Source of fund	Closing balance
Relocation of Jilin (Jilin Chenming)	23.00	2,218,570,285.48	342,278,552.53	2,560,846,838.01		100%	100%	5,499,999.99		6.00%	Capital and borrowings	
Magnesite mining (Haicheng Haiming)	5.00	463,059,536.30	18,163,955.31	12,408,366.49	46,017,066.01	93%	93%	0.00		6.00%	Self-raised	422,798,059.11
Meilun paper making additive project (Shouguang Meilun)	5.50	339,261,614.70	84,678,225.22	423,939,839.92		100%	100%	10,363,647.51	2,660,067.59	6.00%	Capital and borrowings	0.00
Thermal paper upgrade project (Shouguang Art Paper)	2.00	208,592,395.43	19,711,238.12			100%	100%	2,696,804.81	1,555,097.36	6.00%	Capital and borrowings	228,293,634.55
Forestry pulp integration project (Huanggang Chenming)	34.85	130,795,345.46	184,121,430.27			9%	9%	0.00			Self-raised	314,916,775.73
Others		69,902,994.98	51,645,975.66	22,851,532.62				2,740,510.94	110,631.00	6.00%	Capital and borrowings	98,697,438.02
Total	152.47	5,266,031,817.60	1,723,919,077.05	3,560,280,912.58	46,017,066.01	—	—	120,212,016.74	51,387,122.01	—	—	3,383,652,916.06

Other deductions in construction in progress of Haicheng Haiming were due to the return of government prepayments for demolition.

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

13. Construction in progress (Cont'd)

(3) Construction progress of material construction in progress

Item	Construction progress	Remark
Railway project (parent company)	40%	Construction progress was estimated on the basis of the percentage of investment to budget
Technology upgrade for white paper board projects (parent company)	75%	Construction progress was estimated on the basis of the percentage of investment to budget
Zhanjiang Chenming 700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	100%	Construction progress was estimated on the basis of the percentage of investment to budget
180,000 tonne paper cup raw paper project (Zhanjiang Chenming)	39%	Construction progress was estimated on the basis of the percentage of investment to budget
190,000 tonne high-end cultural paper project (Zhanjiang Chenming)	13%	Construction progress was estimated on the basis of the percentage of investment to budget
Biomass vaporisation upgrade project (Zhanjiang Chenming)	22%	Construction progress was estimated on the basis of the percentage of investment to budget
7,800 tonne paper machine press section rebuild (Jiangxi Chenming)	85%	Construction progress was estimated on the basis of the percentage of investment to budget
Desulphurisation and denitrification project of power plant (Jiangxi Chenming)	77%	Construction progress was estimated on the basis of the percentage of investment to budget
Packaging paper for food project (Jiangxi Chenming)	20%	Construction progress was estimated on the basis of the percentage of investment to budget
BTMP mechanical pulp production line upgrade for production expansion (Jiangxi Chenming)	32%	Construction progress was estimated on the basis of the percentage of investment to budget

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

13. Construction in progress (Cont'd)

(3) Construction progress of material construction in progress (Cont'd)

Item	Construction progress	Remark
New production line of household paper machine upgrade in Wuhan second factory (Wuhan Chenming)	100%	Construction progress was estimated on the basis of the percentage of investment to budget
Technological upgrade for specialty paper project (Wuhan Chenming)	100%	Construction progress was estimated on the basis of the percentage of investment to budget
Relocation of Jilin (Jilin Chenming)	100%	Construction progress was estimated on the basis of the percentage of investment to budget
Magnesite mining (Haicheng Haiming)	93%	Construction progress was estimated on the basis of the percentage of investment to budget
Meilun paper making additive project (Shouguang Meilun)	100%	Construction progress was estimated on the basis of the percentage of investment to budget
Thermal paper upgrade project (Shouguang Art Paper)	100%	Construction progress was estimated on the basis of the percentage of investment to budget
Forestry pulp integration project (Huanggang Chenming)	9%	Construction progress was estimated on the basis of the percentage of investment to budget

14. Materials for project

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Special materials	35,814,649.31	74,324,074.97	86,982,796.63	23,155,927.65
Special equipment	28,153,418.31	2,569,651.64	30,633,319.68	89,750.27
Total	63,968,067.62	76,893,726.61	117,616,116.31	23,245,677.92

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

15. Disposal of fixed assets

Unit: RMB

Item	Opening carrying amount	Closing carrying amount	Reasons for transferring to disposal
Environmental protection relocation of Jilin Chenming	242,538,418.36	299,097,057.42	Relocation
Relocation of Wuhan Chenming	345,643,229.17	345,105,002.19	Relocation
Total	588,181,647.53	644,202,059.61	—

16. Consumable biological assets

Unit: RMB

Item	Opening carrying amount	Increase for the period	Decrease for the period	Closing carrying amount
Forestry				
Timber	1,317,141,123.77	77,772,747.71	47,497,827.15	1,347,416,044.33
Total	1,317,141,123.77	77,772,747.71	47,497,827.15	1,347,416,044.33

- (1) Consumable biological assets are measured at fair value. The fair value of timber increased by RMB3,868,554.70 due to acquisition, increased by RMB72,936,522.79 due to breeding, decreased by RMB47,497,827.15 due to disposal, and increased by RMB967,670.22 due to change in fair value.
- (2) As of 30 June 2014 there was no significant difference between the fair value and cost of the timbers planted during the year or unable to form any level of stocking in the consumable biological assets so their carrying amount was taken as their fair value. The timbers forming a level of stocking were measured at fair value and their fair value was determined based on the valuation of Golden Standard & Headmen Appraisal and Advisory Co., Ltd. The consumable biological assets measured at carrying amount as their fair value amounted to RMB153,509,225.51 and the consumable biological assets measured at assessed value as their fair value amounted to RMB1,193,906,818.82.

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

17. Intangible assets

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				
amount	1,564,887,522.28	17,868,006.43	43,126,878.46	1,539,628,650.25
Land use rights	1,546,569,094.81	17,867,656.43	43,096,348.46	1,521,340,402.78
Software	18,318,427.47	350.00	30,530.00	18,288,247.47
II. Total accumulated amortisation				
amortisation	199,469,520.02	27,243,687.93	16,272,422.18	210,440,785.77
Land use rights	185,694,876.64	25,628,274.25	16,242,242.18	195,080,908.71
Software	13,774,643.38	1,615,413.68	30,180.00	15,359,877.06
III. Total net carrying amount of intangible assets				
of intangible assets	1,365,418,002.26	-9,375,681.50	26,854,456.28	1,329,187,864.48
Land use rights	1,360,874,218.17	-7,760,617.82	26,854,106.28	1,326,259,494.07
Software	4,543,784.09	-1,615,063.68	350.00	2,928,370.41
Land use rights				
IV. Total impairment provision				
Software				
Total carrying amount of intangible assets	1,365,418,002.26	-9,375,681.50	26,854,456.28	1,329,187,864.48
Land use rights	1,360,874,218.17	-7,760,617.82	26,854,106.28	1,326,259,494.07
Software	4,543,784.09	-1,615,063.68	350.00	2,928,370.41

The amortisation amount was RMB27,243,687.93 during the period.

- ① The original value of the decreased intangible assets due to disposal of subsidiaries amounted to RMB25,375,288.95 during the year. The cumulative amortisation of the decreased intangible assets due to disposal of subsidiaries amounted to RMB16,126,867.74.
- ② On 30 June 2014, the ownership of intangible assets of carrying amount of RMB319,894,011.92 (31 December 2013: RMB323,501,839.10) was restricted, of which land use rights and fixed assets of carrying amount of RMB323,501,839.10 were the pledge for long-term borrowings of RMB2,665,050,671.96 (31 December 2013: RMB2,784,334,971.96) (For details, see Note VII. 33) and long-term borrowings due within one year of RMB270,990,800.00 (31 December 2013: RMB269,313,900.00) (For details, see Note VII. 31). The amortisation of such land use rights for the current period amounted to RMB3,607,827.18 (31 December 2013: RMB7,215,654.36).
- ③ The state-owned land use rights obtained by the Group in China were in compliance with PRC laws with a term of grant of 40-50 years upon receipt.

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

18. Goodwill

Name of investee or item generating goodwill	Opening book balance	Increase for the period	Decrease for the period	Closing book balance	Unit: RMB
					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	

The goodwill of the Company arose from the business combined not under common control during the prior year.

On the balance sheet date, the management of the Company assessed 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 was determined based on the estimated cash flow in the financial budget for the next five years by the management, using the steady annual growth rate of the industry of 5% (2013: 5%) as expected by the market, and the time value of currency was estimated using the discount rate of 8.32% (2013: 8.32%). The management of the Company expected that no provision for impairment loss was necessary to be made for goodwill during the reporting period.

For methods to test impairment on goodwill, see Note IV. 22.

19. Long-term prepaid expenses

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance	Unit: RMB
						Reasons for other deductions
Woodland expenses	166,383,850.46	1,281,211.98	2,765,259.56		164,899,802.88	
Rentals fee for docks	2,154,633.22		23,242.02		2,131,391.20	
Total	168,538,483.68	1,281,211.98	2,788,501.58		167,031,194.08	—

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

20. Deferred income tax assets and deferred income tax liabilities

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:		
Deferred income tax assets:	70,537,035.58	76,545,138.40
Provision for impairment of assets	446,404,949.21	391,818,687.83
Deductible loss	22,230,065.73	14,392,382.14
Elimination of unrealised profit arising from intra-group	10,536,818.90	10,652,244.21
Unpaid payables	13,581,276.47	14,244,935.80
Sub-total	563,290,145.89	507,653,388.38
Deferred income tax liabilities:		

The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	1,761,855.60	2,095,852.19
Deductible loss	407,498,352.59	420,230,273.61
Total	409,260,208.19	422,326,125.80

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

Unit: RMB

Year	Closing balance	Opening balance	Remark
2014		60,626,308.87	
2015	37,886,444.37	37,886,444.37	
2016	64,240,356.54	64,240,356.54	
2017	116,631,374.76	116,631,374.76	
2018	140,845,789.07	140,845,789.07	
2019	47,894,387.85		
Total	407,498,352.59	420,230,273.61	—

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

20. 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)

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	304,625,649.61	328,446,526.51
Elimination of unrealised profit arising from intra-group	88,920,262.92	57,569,528.58
Unpaid payables	57,416,699.62	53,895,396.66
Deferred income	67,176,763.36	70,461,516.47
Deductible losses	1,785,619,796.84	1,567,274,751.26
Sub-total	2,303,759,172.35	2,077,647,719.48

21. Particulars of provision for impairment of assets

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period			Closing balance
			Reversal	Write-off	Others	
I. Provisions for bad debts	297,937,136.69	37,582,138.41	21,267,503.03	366,030.50	7,503,241.48	306,382,500.09
II. Provisions for inventory impairment	36,472,052.20			36,472,052.20		0.00
III. Provisions for impairment of available-for-sale financial assets	2,589,574.47			1,139,574.47		1,450,000.00
IV. Provisions for impairment of fixed assets	26,220,000.00					26,220,000.00
Total	363,218,763.36	37,582,138.41	21,267,503.03	37,977,657.17	7,503,241.48	334,052,500.09

Other deductions in provisions for impairment of assets were due to disposal of Shandong Chenming Xinli Power Co., Ltd. and Shouguang Chenming Tianyuan Arboriculture Co., Ltd.

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

22. Short-term borrowings

Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	280,707,019.89	398,617,193.53
Guarantee loans	4,534,855,612.98	3,999,962,588.92
Credit loans	6,330,447,317.69	5,420,305,455.40
Discounted loans	720,000,000.00	
Total	11,866,009,950.56	9,818,885,237.85

① Guarantees loans were the loans obtained by subsidiaries of the Company from financial institutions when the Company acted as their guarantor.

② The Company had no short-term borrowings due and outstanding.

23. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bills	228,716,908.05	290,403,790.59
Total	228,716,908.05	290,403,790.59

Amount to be due in the next accounting period amounted to RMB228,716,908.05.

24. 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

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

24. Accounts payable (Cont'd)

(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		

25. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	315,615,720.79	425,728,033.93
1-2 years	11,483,660.15	16,704,227.65
Total	327,099,380.94	442,432,261.58

(2) During the reporting period, advance receipts 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 advance receipts for over one year

Name of creditors	Amount	Reason for not being carried forward
TIANJIN XINYI PACKING PRODUCT CO., LTD.	3,324,016.55	No delivery requirement from the counterparty
YONG YI ADHESIVE (ZHONGSHAN) CO. LTD.	1,384,668.41	No delivery requirement from the counterparty
ZHANJIANG CHEMICAL SERVICE COMPANY	919,024.80	No delivery requirement from the counterparty
DAZHOU TONGCHUAN JINYIN CO., LTD.	728,161.34	No delivery requirement from the counterparty
Total	6,355,871.10	

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

26. 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	73,707,512.94	336,025,725.49	345,730,639.51	64,002,598.92
II. Staff welfare		11,052,130.05	11,052,130.05	0.00
III. Social insurance premium	9,821,268.75	76,734,212.06	76,991,932.74	9,563,548.07
Of which: 1. Medical insurance premium	7,294,373.22	18,335,068.13	18,219,675.93	7,409,765.43
2. Pension insurance premium	1,375,018.33	50,549,391.42	50,958,979.19	965,430.56
3. Unemployment insurance premium	186,679.75	3,482,483.16	3,541,800.95	127,361.96
4. Work-related injury insurance premium	1,589.18	2,628,546.46	2,554,030.27	76,105.37
5. Maternity insurance premium	963,608.27	1,738,722.89	1,717,446.41	984,884.75
IV. Housing provident funds	5,206,430.44	26,517,949.89	27,818,536.55	3,905,843.78
V. Lay off welfare	22,719,929.36	9,868,876.86	7,445,839.23	25,142,966.99
VI. Non-monetary welfare				
VII. Lay off welfare	12,075.15			12,075.15
VIII. Cash-settled share-based payment				
IX. Others	18,804,595.54	229,235.90	49,326.35	18,984,505.09
Total	130,271,812.18	460,428,130.25	469,088,404.43	121,611,538.00

The delayed payment in respect of staff remuneration payables amounted to RMB0.00.

Union operation costs and employee education costs amounted to RMB7,445,839.23, non-monetary welfare amounted to RMB0.00 and compensation arising from termination of service amounted to RMB0.00.

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

27. 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

28. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	229,267,222.25	65,559,777.08
Interest on medium-term notes	450,083.28	27,455,083.34
Interest on privately placed bonds	16,675,000.00	60,175,000.00
Total	246,392,305.53	153,189,860.42

29. Dividend payable

Unit: RMB

Name of entity	Closing balance	Opening balance	Reason for failure to pay for over a year
Dividend for 2013	580,921,640.10		
Total	580,921,640.10		—

30. Other payables

(1) 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

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

30. Other payables (Cont'd)

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

During the reporting period, no other payables were due to any shareholders or related parties holding over 5% (5% inclusive) voting rights of the Company's shares;

For details of amounts due to related parties in other payables, see Note VIII. 5 Related party accounts receivable and accounts payable.

- (3) Explanation on significant other payables for over 1 year

Name of creditors	Amount	Reason of being outstanding	Repaid after the reporting date
State-owned SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding	No
CHINA RAILWAY NO. 10 ENGINEERING GROUP CO., LTD.	3,500,000.00	Temporarily outstanding	No
GUANGXI CONSTRUCTION ENGINEERING GROUP NO. 4 CONSTRUCTION ENGINEERING CO., LTD.	2,400,000.00	Temporarily outstanding	No
KEDA (ANHUI) INDUSTRIAL CO., LTD.	2,400,000.00	Temporarily outstanding	No
E.C.H. WILL GMBH	1,991,596.06	Temporarily outstanding	No
Total	19,091,596.06		

- (4) Particulars of the significant other payables

Name of creditors	Closing balance	Nature or details
LIAONING BEIHAI INDUSTRIES GROUP CO., LTD.	33,070,700.00	Shareholder' loan to subsidiaries
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT COMPANY LIMITED	19,831,479.17	Shareholder' loan to subsidiaries
State-owned SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Open credit
CHINA RAILWAY NO. 10 ENGINEERING GROUP CO., LTD.	3,500,000.00	security deposit
Total	65,202,179.17	

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

31. 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

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.

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

31. Non-current liabilities due within one year (Cont'd)

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

Top five long-term borrowings due within one year

Unit: RMB

Borrowed by	Date of commencement	Date of termination	Currency	Rate (%)	Closing balance		Opening balance	
					Amounts in foreign currency	Functional currency	Amounts in foreign currency	Functional currency
The Export-Import Bank of China Guangdong branch	3 July 2013	2 July 2015	RMB	5.40%		160,000,000.00		
China Development Bank Guangdong branch	3 November 2010	24 March 2023	RMB	5.90%		86,406,900.00		
The Export-Import Bank of China Qingdao branch	20 June 2013	20 June 2015	USD	3.91%	20,000,000.00	123,056,000.00		
Sumitomo Mitsui Banking Corporation (China) Limited	21 March 2012	30 November 2014	USD	2.31%	30,000,000.00	184,584,000.00		
China Development Bank Guangdong branch	17 March 2010	24 March 2023	USD	3.15%	30,000,000.00	184,584,000.00		
The Export-Import Bank of China Qingdao branch	13 April 2011	12 April 2014	RMB	5.50%				100,000,000.00
China Development Bank Guangdong branch	25 March 2008	24 March 2023	RMB	5.90%				86,406,900.00
China Development Bank Guangdong branch	25 March 2008	24 March 2023	USD	3.15%			30,000,000.00	182,907,000.00
Sumitomo Mitsui Banking Corporation (China) Limited	21 March 2012	30 November 2014	USD	2.31%			40,000,000.00	243,876,000.00
Mitsui syndicated loan	11 April 2011	11 March 2014	USD	2.98%			24,000,000.00	146,325,600.00
Total	—	—	—	—	—	738,630,900.00	—	759,515,500.00

32. Other current liabilities

Unit: RMB

Item	Closing book balance	Opening book balance
Deferred income to be amortised within one year	26,989,282.88	25,246,647.62
Short-term commercial paper	3,963,688,888.92	3,853,488,888.90
Total	3,990,678,171.80	3,878,735,536.52

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

32. Other current liabilities (Cont'd)

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	5,158,730.00	1,693,753.30
Project fund for National technological support scheme	1,092,453.30	164,700.00
Special subsidy fund for Songhuajiang environmental protection project	1,030,000.08	1,030,000.08
Sewage treatment and water conservation reconfiguration project	990,418.60	990,418.60
Financial grants for technological modification project	7,260,000.00	7,260,000.00
Zhanjiang integrated forestry, pulp and paper project	11,305,973.76	13,956,068.49
Others	151,707.14	151,707.15
Total	26,989,282.88	25,246,647.62

33. Long-term borrowings

(1) 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 (see Note VII. 31)	941,964,400.00	789,115,500.00
Total	3,981,294,707.90	3,723,865,807.90

For the category and amounts of secured assets under secured borrowings, please see Note VII. 12 and Note VII. 17.

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

33. Long-term borrowings (Cont'd)

(2) Top five long-term borrowings

Unit: RMB

Borrowed by	Date of commencement	Date of termination	Currency	Rate (%)	Closing balance		Opening balance	
					Amounts in foreign currency	Functional currency	Amounts in foreign currency	Functional currency
China Development Bank Guangdong branch	25 March 2008	24 March 2023	USD	3.15%	275,000,000.00	1,692,020,000.00		
China Development Bank Guangdong branch	25 March 2008	24 March 2023	RMB	5.90%		973,030,671.96		
Bank of Communications, Shouguang Branch	26 March 2014	27 December 2015	RMB	6.15%		200,000,000.00		
Bank of Communications, Shouguang Branch	31 July 2013	30 July 2016	RMB	6.15%		200,000,000.00		
The Export-Import Bank of China Qingdao branch	14 May 2014	14 May 2016	RMB	6.15%		100,000,000.00		
Bank of Communications, Weifang Shouguang Branch	31 July 2013	30 July 2016	RMB	5.51%				200,000,000.00
The Export-Import Bank of China Qingdao branch	8 July 2013	8 July 2015	USD	2.31%			20,000,000.00	121,938,000.00
China Development Bank Guangdong branch	25 March 2008	24 February 2023	RMB	5.90%				1,016,233,971.96
China Development Bank Guangdong branch	25 March 2008	24 February 2023	USD	3.15%			290,000,000.00	1,768,101,000.00
The Export-Import Bank of China	1 July 2013	1 July 2015	RMB	5.68%				160,000,000.00
Total	—	—	—	—	—	3,165,050,671.96	—	3,266,272,971.96

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34. Bonds payable

Unit: RMB

Bond name	Nominal value	Issue date	Term of bond	Issued amount	Opening interest payable	Interest accrued for the period	Interest paid for the period	Closing interest payable	Closing balance
11 Chenming debt	2,000,000,000.00	6 July 2011	5 years	1,982,000,000.00	58,838,888.89	107,350,000.02		166,188,888.91	1,992,051,730.24
12 Chenming debt	3,800,000,000.00	26 December 2012	5 years	3,773,400,000.00	3,578,333.33	59,500,000.01		63,078,333.34	3,780,723,230.13
Total				5,755,400,000.00	62,417,222.22	166,850,000.03		229,267,222.25	5,772,774,960.37

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

35. Long-term payables

Classification of long-term payables

Entity	Term	Borrowing conditions	Closing balance	Opening balance
Nanchang Economic and Technological Development Zone Investment Holdings Limited	December 2013 – January 2019	—	128,000,000.00	60,000,000.00
Total			128,000,000.00	60,000,000.00

36. Special accounts payable

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Note
Environmental protection relocation of Jilin Chenming Huanggang Chenming integrated forestry, pulp and paper project	971,805,561.39	100,000,000.00	23,717,512.55	1,048,088,048.84	
		100,000,000.00		100,000,000.00	
Total	971,805,561.39	200,000,000.00	23,717,512.55	1,148,088,048.84	—

During the reporting period, a special government grant of RMB100,000,000,000.00 for Huanggang Chenming integrated forestry, pulp and paper project was received from the Finance Bureau of Huanggang City; pursuant to the relocation compensation agreement entered into with China Development Jilin Co., Ltd., the Company received relocation compensation of RMB100,000,000.00. The Company utilised the relocation compensation to offset loss on disposal of fixed assets of RMB12,467,512.55 and amortisation of RMB11,250,000.00.

37. Other Non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income	485,100,150.79	468,354,064.53
Medium-term notes	1,089,665,449.15	1,088,060,197.75
Privately placed bonds	1,491,300,519.69	1,489,103,380.29
Of which: due within 1 year	—	—
Due within 1-2 years	1,500,000,000.00	—
Due within 2-5 years	1,100,000,000.00	2,600,000,000.00
Unamortised issuance costs	-19,034,031.16	-22,836,421.96
Total	3,066,066,119.63	3,045,517,642.57

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

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

Explanation on other non-current liabilities

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

Liabilities item	Opening balance	New grants for the period	Amounts included in	Other changes	Closing balance
			non-operating income during the period		
Government grants in respect of assets					
Special subsidy funds for environmental protection	67,038,714.68	30,000,000.00	2,454,100.00		94,584,614.68
Project fund for National technological support scheme	7,440,725.00		446,226.65		6,994,498.35
Special subsidy fund for Songhuajiang environmental protection project	26,913,079.80		515,000.04		26,398,079.76
Modification of alkaline recycling system	4,883,749.85				4,883,749.85
Sewage treatment and water conservation reconfiguration project	11,909,151.27		495,209.30		11,413,941.97
Financial grants for technological modification project	100,544,210.53		1,709,463.54		98,834,746.99
Zhanjiang integrated forestry, pulp and paper project	273,646,753.33		5,815,425.38		267,831,327.95
Others	1,224,327.69		75,853.57		1,148,474.12
Deferred income to be amortised within 1 year	25,246,647.62				25,246,647.62
Total	468,354,064.53	30,000,000.00	11,511,278.48	—	468,354,064.53

Note: Deferred income of RMB30,000,000.00 was received during the period. Deferred income amortisation recognised through profit or loss was RMB11,511,278.48.

38. Share capital

Item	Opening balance		Change during the year (+/-)					Closing balance	
	Amount	%	New issue	Bonus shares	Shares converted from reserve	Others	Sub-total	Amount	%
I. Restricted shares									
Shares held by the Senior Management	8,166,219	0.41%				75,000	75,000	8,241,219	0.42%
Total restricted shares	8,166,219	0.41%				75,000	75,000	8,241,219	0.42%
II. Non-restricted shares									
1.RMB ordinary shares (A shares)	1,105,112,237	55.94%				-75,000	-75,000	1,105,037,237	57.07%
2.Domestic listed foreign shares (B shares)	470,923,511	23.84%					0	470,923,511	24.32%
3.Overseas listed foreign shares (H shares)	391,270,000	19.81%				-39,066,500	-39,066,500	352,203,500	18.19%
Total non-restricted shares	1,967,305,748	99.59%				-39,141,500	-39,141,500	1,928,164,248	99.58%
III. Total number of shares	1,975,471,967	100.00%				-39,066,500	-39,066,500	1,936,405,467	100.00%

Note: For the reason of changes (Increase/decrease) during the period, please refer to VII. Changes in Share Capital and Shareholders.

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

39. Treasury shares

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Repurchase of H shares of the Company	30,954,891.40	74,726,591.95	105,681,483.35	
Total	30,954,891.40	74,726,591.95	105,681,483.35	

40. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	5,534,359,521.73	11,042,366.94	66,614,983.35	5,478,786,905.32
Other capital reserves	670,322,507.21		27,200.00	670,295,307.21
Total	6,204,682,028.94	11,042,366.94	66,642,183.35	6,149,082,212.53

41. 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

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

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

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

42. Retained profit

Item	Amounts	Unit: RMB
		Proportion of appropriation or allocation
Retained profit as at the end of the prior year before adjustment	4,741,638,941.58	—
Retained profit as at the beginning of the year after adjustment	4,741,638,941.58	—
Plus : Net profit for year attributable to shareholders of the parent company	242,379,341.87	—
Ordinary dividend payable	580,921,640.10	—
Retained profit as at the end of the period	4,403,178,396.50	—

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.

43. 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	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

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

43. Revenue and operating costs (Cont'd)

(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

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

43. Revenue and operating costs (Cont'd)

(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 CORPORATION	200,456,360.93	2.21%
SHANGHAI YAOJI PLAYING CARD CO., LTD.	186,682,243.78	2.06%
ANHUI TIME SOURCE CORPORATION	148,237,093.34	1.63%
GUANGZHOU QIRUN PAPER CO., LTD.	86,480,863.05	0.95%
SUN HING PAPER COMPANY LIMITED	77,284,658.57	0.85%
Total	699,141,219.67	7.70%

44. Business taxes and surcharges

Unit: RMB

Item	Amounts during the period	Amounts during the prior period	Calculation standard
Business tax	7,697,521.89	5,832,299.61	Business tax calculated at 3%-5% of taxable revenue
Urban maintenance and construction tax	15,024,834.72	18,277,248.56	Calculated at 7% of actual payment of turnover tax
Educational surcharges	10,916,129.06	12,894,018.95	Calculated at 2%-3% of actual payment of turnover tax
Water engineering funds	1,762,616.71	1,903,790.37	
Others	99,365.40	60,150.50	
Total	35,500,467.78	38,967,507.99	—

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

45. Selling and distribution expenses

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Wages and surcharges	57,340,886.65	67,659,759.74
Depreciation expenses	6,550,079.09	10,612,838.57
Office expenses	2,862,634.37	2,999,329.34
Utilities expenses	2,966,516.84	3,115,321.98
Transportation expenses	362,833,373.61	387,964,117.84
Cargo handling charges	10,095,500.94	12,327,966.67
Travel expenses	18,572,630.54	19,279,665.75
Business hospitality expenses	26,772,603.81	30,603,367.66
Warehouse expenses	2,282,782.55	5,252,715.19
Rental expenses	3,481,975.81	3,553,679.69
Others	30,834,827.29	27,029,980.02
Total	524,593,811.50	570,398,742.45

46. General and administrative expenses

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Wages and surcharges	106,906,249.56	116,586,345.12
Labour insurance premium	14,862,809.78	18,660,014.18
Insurance premium	8,827,642.09	10,985,773.65
Depreciation expenses	26,501,576.92	29,118,564.28
Waste disposal expenses	12,254,789.79	17,851,951.10
Hospitality expenses	9,912,486.52	11,306,119.68
Amortisation of intangible assets	16,447,714.13	15,077,529.50
Technological development expenses	186,069,011.06	154,034,416.74
Tax	45,082,265.72	32,176,223.99
Production interruption loss	12,826,530.73	118,765,772.80
Others	60,442,805.33	77,961,242.94
Total	500,133,881.63	602,523,953.98

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

47. Finance expenses

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Interest expenses	738,288,648.90	760,230,067.01
Less: interest income	110,234,151.75	183,899,985.11
Less: capitalised interest amount	108,362,453.17	49,505,352.38
Foreign exchange gains and losses	67,827,125.18	-72,465,754.66
Less: capitalised foreign exchange gains and losses amount		
Others	39,092,619.31	32,050,142.93
Total	626,611,788.47	486,409,117.79

48. 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	967,670.22	9,229,042.51
Total	967,670.22	9,229,042.51

49. Investment income

(1) Breakdown of investment income

Source of gain on change in fair value	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the equity method	-1,890,171.00	421,036.92
Investment gain on disposal of long-term equity investments	-8,613,803.41	5,176,688.18
Others	31,722,222.23	-414,540.00
Total	21,218,247.82	5,183,185.10

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

49. 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
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	-74,651.88	-150,149.58	Change in revenue of the investee
Shanghai Anzhou New Energy Co., Ltd.		571,186.50	Change in revenue of the investee
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	-1,815,519.12		Change in revenue of the investee
Total	-1,890,171.00	421,036.92	—

50. Loss on impairment of assets

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
I. Loss on bad debts	16,314,635.37	-19,652,424.87
II. Loss on fixed asset impairment		15,000,000.00
Total	16,314,635.37	-4,652,424.87

51. 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	82,529,609.62	7,414,212.57	82,529,609.62
Of which: Gain on disposal of fixed assets	2,063,679.26	7,414,212.57	2,063,679.26
Gain on intangible assets	80,465,930.36		80,465,930.36
Gain on debt restructuring	3,061,355.81	39,984.11	3,061,355.81
Government grants	101,272,867.41	118,562,462.37	100,763,109.28
Income from Wuhan relocation	35,817,460.19	146,956,203.92	35,817,460.19
Special payables for Jilin	23,895,319.77	52,626,833.66	23,895,319.77
Business combination not under common control			
Others	7,134,759.98	10,705,664.53	7,134,759.98
Total	253,711,372.78	336,305,361.16	253,201,614.65

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

51. Non-operating income (Cont'd)

(2) Government grants included in the current gains and losses

Unit: RMB

Grants item	Amounts during the period	Amounts during the prior period
Expansion grants	100,763,109.28	112,054,796.04
Value-added tax refund	509,758.13	6,507,666.33
Total	101,272,867.41	118,562,462.37

52. 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	8,764,674.26	35,870,782.59	8,764,674.26
Of which: loss on disposal of fixed assets	8,764,674.26	35,870,782.59	8,764,674.26
Loss on debt restructuring	2,437,729.14		2,437,729.14
Others	2,825,702.47	3,669,844.79	2,825,702.47
Total	14,028,105.87	39,540,627.38	14,028,105.87

53. 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

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

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

The basic earnings per share is computed by dividing the net profit for the period attributable to ordinary shareholders of the Company by the number of weighted average ordinary shares in issue. The number of newly issued ordinary shares is confirmed starting from the day of consideration receivables (generally the offering date of stock) according to the specific terms in the offering agreement.

The numerator of the diluted earnings per share is the net profit for the period attributable to ordinary shareholders of the Company, which is confirmed after adjusting the following factors: (1) interests of diluted potential ordinary shares recognised as expenses for the period; (2) gains or expenses arising from the transfer of diluted potential ordinary shares; and (3) effect of income tax due to the above adjustment.

The denominator of diluted earnings per share is the sum of the followings: (1) weighted average number of ordinary shares in issue of the parent company in the basic earnings per share; and (2) average weighted number of the increased ordinary shares during the transfer of the estimated diluted potential ordinary shares to ordinary shares.

For the purpose of calculating the average weighted number of the increased ordinary shares during the transfer of the estimated diluted potential ordinary shares to ordinary shares in issue, diluted potential ordinary shares issued during the prior period were assumed to be transferred as at the beginning of the current period while diluted potential ordinary shares issued in the current period were assumed to be transferred on offering date.

(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		

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

54. Calculation of basic earnings per share and diluted earnings per share (Cont'd)

(2) Calculation of earnings per share and diluted earnings per share (Cont'd)

- 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

55. Other comprehensive income

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Translation difference of financial statements denominated in foreign currency	-2,278,577.92	8,108,866.56
Sub-total	-2,278,577.92	8,108,866.56
Reclassification to net profit or loss of others charged to mother comprehensive income during the prior period	-27,200.00	
Sub-total	-27,200.00	
Total	-2,305,777.92	8,108,866.56

56. Notes to the cash flow statements

(1) Cash received relating to other operating activities

Item	Unit: RMB	
	Amounts	
Finance support fund		88,938,673.30
Interest income		110,234,151.75
Open credit, and income from default penalty and fine		37,124,216.38
Total		236,297,041.43

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

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

(2) Cash paid relating to other operating activities

	Unit: RMB
Item	Amounts
Expense and open credit	648,673,938.42
Total	648,673,938.42

(3) Cash received relating to other investing activities

	Unit: RMB
Item	Amounts
Compensation for demolition in Jilin	100,000,000.00
Government grants	30,000,000.00
Special subsidy funds	100,000,000.00
Total	230,000,000.00

(4) Cash paid relating to other investing activities

	Unit: RMB
Item	Amounts
Entrusted loans to external entities	1,000,000,000.00
Total	1,000,000,000.00

(5) Cash received relating to other financing activities

	Unit: RMB
Item	Amounts
Interest-free loan received by Jiangxi Chenming from the government	68,000,000.00
Total	68,000,000.00

(6) Cash paid relating to other financing activities

	Unit: RMB
Item	Amounts
Acquisition of personal equity interest by Chenming Power	21,055,491.00
Increase in restricted bank deposits	624,525,528.54
Total	645,581,019.54

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

57. 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	227,703,505.78	311,210,401.87
Plus: Provision for impairment of assets	16,314,635.37	-4,652,424.87
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	690,604,514.36	659,808,296.18
Amortisation of intangible assets	27,243,687.93	14,807,626.85
Amortisation of long-term prepaid expenses	2,788,501.58	3,326,372.72
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-73,764,935.36	-54,880.45
Loss on changes in fair value (“-” denotes gain)	-967,670.22	-9,229,042.51
Finance expenses (“-” denotes gain)	738,288,648.90	703,169,573.91
Investment loss (“-” denotes gain)	-21,218,247.82	-5,183,185.10
Decrease in deferred income tax assets (“-” denotes increase)	-55,636,757.52	-51,025,782.11
Decrease in inventories (“-” denotes increase)	-393,235,076.93	321,954,897.70
Decrease in consumable biological assets (“-” denotes increase)	-29,307,250.34	-82,507,322.10,
Decrease in operating receivables (“-” denotes increase)	-27,817,205.10	-571,423,611.99
Increase in operating payables (“-” denotes decrease)	184,699,910.50	-383,265,677.15
Net cash flows from operating activities	1,285,696,261.13	906,935,242.95
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	911,352,831.14	1,598,747,729.74
Less: cash balance at the beginning of the period	726,532,928.96	2,343,550,185.45
Net increase in cash and cash equivalents	184,819,902.18	-744,802,455.71

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

57. 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	76,194,000.00	416,016,016.71
2.Cash and cash equivalents received from disposal of subsidiaries and other operating units	76,194,000.00	416,016,016.71
Less: cash and cash equivalents held by subsidiaries and other operating units	1,158,788.59	8,117,571.18
3.Net cash received from disposal of subsidiaries and other operating units	75,035,211.41	407,898,445.53
4.Net assets of subsidiaries disposed of	166,099,869.20	463,727,948.34
Current assets	73,281,626.81	410,280,305.40
Non-current assets	137,643,679.50	463,265,373.67
Current liabilities	44,825,437.11	405,624,159.31
Non-current liabilities		4,193,571.42

(3) Cash and cash equivalents composition

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
I. Cash	911,352,831.14	726,532,928.96
Of which: Treasury cash	2,153,991.53	1,333,503.27
Bank deposit that can be used for payment at any time	909,198,839.61	725,199,425.69
III. Balance of cash and cash equivalent at end of period	911,352,831.14	726,532,928.96

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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 (RMB0,000)	Shareholding of the parent company on the Company (%)	Voting right of the parent company on the Company (%)	Ultimate controlling party of the Company	Organisation code
Shouguang Chenming Holdings Co., Ltd.	Controlling shareholder	Limited liability company	Shouguang City	Chen Hongguo	Investment in manufacture of paper, electricity, steam and arboriculture	168,542.00	15.13%	15.13%	State-owned Assets Supervision and Administration Office of Shouguang City,	78348518-9

2. Information on subsidiaries, joint ventures and associates of the Company

For details please refer to Note VI. 1. Subsidiaries and Note VII. 8, 9 and 10.

3. Information on other related parties of the Company

Name of other related parties	Relationship with the Company	Organisation code
Shouguang Hengtai Enterprise Investment Company Limited	A company invested by the senior management of the Company	56251690-6

4. Related party transactions

(1) Table on sales of goods and provision of services

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	
			Amounts	As a percentage of similar transaction amounts (%)	Amounts	As a percentage of similar transaction amounts (%)
				Amounts		Amounts (%)
Anhui Time Source Corporation	Sales of paper	Market price	148,237,093.34	2.15%	86,823.93	0

Unit: RMB

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

4. Related party transactions (Cont'd)

(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	Huanggang Chenming Arboriculture Co., Ltd.	29,600,000.00	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.	49,222,400.00	7 March 2014	4 July 2014	No
The Company	Shandong Chenming Paper Sales Company Limited	599,833,143.79	15 May 2014	9 December 2014	No
The Company	Shandong Chenming Paper Sales Company Limited	482,082,540.84	20 May 2014	5 June 2015	No
The Company	Shandong Chenming Paper Sales Company Limited	74,611,200.00	28 May 2014	28 May 2015	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	73,833,600.00	13 November 2013	13 November 2015	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	61,528,000.00	16 June 2014	15 June 2016	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	160,000,000.00	3 July 2013	3 July 2015	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	14 January 2014	11 July 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	23 July 2013	22 July 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	12 August 2013	11 August 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	28,000,000.00	26 March 2014	25 August 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	4 September 2013	3 September 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	5 September 2013	4 September 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	15 November 2013	14 November 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	11 September 2013	10 September 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	27 September 2013	26 September 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	12 November 2013	27 October 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	7,088,025.60	18 April 2014	18 July 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	8,828,577.29	27 March 2014	27 August 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	15,790,545.92	06 March 2014	02 September 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	15,530,010.00	28 March 2014	27 August 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,702,250.00	14 February 2014	13 August 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	16 May 2014	8 November 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	25 November 2013	24 November 2014	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	13 February 2014	23 January 2015	No
The Company	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	6 June 2014	5 June 2015	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Guangdong Huirui Investment Co., Ltd.	40,000,000.00	28 November 2013	27 November 2015	No

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

4. Related party transactions (Cont'd)

(3) Joint investment of the Company and related parties

Name of investee	Contribution by the Company	Contribution by Shouguang Hengtai Enterprise Investment Company Limited	Contribution by non-related shareholder	Registered capital	Business nature
Haicheng Haiming Mining Company Limited	RMB144.00 million	RMB24.00 million	RMB72.00 million	RMB240.00 million	Processing and sales of magnetite and talc

As at 30 June 2014, the total assets, total liabilities and net assets of Haicheng Haiming Mining amounted to RMB448,642,174.81, RMB208,642,174.81 and RMB240,000,000.00, respectively.

5. Related party accounts receivable and accounts payable

Accounts receivable of the Company due from related parties

Unit: RMB

Item	Related party	At the end of the period		At the beginning of the period	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Anhui Time Source Corporation	46,222,705.19	2,311,135.26	16,580,021.04	829,001.05
Other receivables	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	579,535,749.56		551,964,609.01	
Other receivables	Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,290,901.12	1,290,901.12	1,290,901.12	1,290,901.12

Accounts payables of the Company due to related parties

Unit: RMB

Item	Related parties	At the end of the period	At the beginning of the period
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	19,831,479.17	18,668,679.17

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IX. Contingency

As of 30 June 2014, 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	2,041,754,503.01	2,437,963,978.39
– Huirui BT Project	3,519,192,334.81	3,637,017,103.35
– Commitments in relation to external investments		6,028,000.00
Total	5,560,946,837.82	6,081,009,081.74

(2) Operating lease commitments

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

Unit: RMB

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	17,470,362.41	21,250,728.73
The second year after balance sheet date	13,814,410.50	13,786,011.70
The third year after balance sheet date	13,764,830.38	13,814,410.50
In the years thereafter	567,591,252.97	572,915,704.51
Total	612,640,856.26	621,766,855.44

2. Performance of commitments for the prior period

As of 30 June 2014, no significant commitments had to be disclosed by the Group.

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XI. Post-balance sheet date events

It is not necessary for the Company to separately explain post-balance sheet date events.

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	1,317,141,123.77	967,670.22			1,347,416,044.33
Aggregate amount	1,317,141,123.77	967,670.22			1,347,416,044.33
Financial liabilities	0.00				0.00

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	
	Amounts	Percentage (%)	Amounts	Percentage (%)	Amounts	Percentage (%)	Amounts	Percentage (%)
Accounts receivable collectively provided for bad debt								
Risk-free portfolio	5,447,921,676.55	99.87%			3,810,425,562.91	99.77%		
General-risk portfolio	6,997,192.93	0.13%	4,391,826.02	62.77%	8,776,614.79	0.23%	4,547,645.65	51.82%
Portfolio sub-total	5,454,918,869.48	100.00%	4,391,826.02	0.08%	3,819,202,177.70	100.00%	4,547,645.65	0.12%
Total	5,454,918,869.48	—	4,391,826.02	—	3,819,202,177.70	—	4,547,645.65	—

Accounts receivable stated according to ageing

Unit: RMB

Item	Closing balance		Opening balance	
	Amounts	Percentage (%)	Amounts	Percentage (%)
Within 1 year	5,450,664,167.94	99.92%	3,814,870,507.13	99.89%
1 to 2 years			6,969.03	
2 to 3 years				
Over 3 years	4,254,701.54	0.08%	4,324,701.54	0.11%
Total	5,454,918,869.48	100.00%	3,819,202,177.70	100.00%

Accounts receivable individually significant and separately provided for bad debt as at the 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
	Amounts	Percentage (%)		Amounts	Percentage (%)	
Within 1 year						
Of which:	—	—	—	—	—	—
Within 1 year	2,742,491.39	39.19%	137,124.57	4,444,944.22	50.65%	222,247.21
Sub-total of within 1 year	2,742,491.39	39.19%	137,124.57	4,444,944.22	50.65%	222,247.21
1 to 2 years				6,969.03	0.08%	696.90
Over 3 years	4,254,701.54	60.81%	4,254,701.54	4,324,701.54	49.27%	4,324,701.54
Total	6,997,192.93	—	4,391,826.11	8,776,614.79	—	4,547,645.65

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

1. Accounts receivable (Cont'd)

(1) Accounts receivable (Cont'd)

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

Applicable Not applicable

(2) No reversal or recovery of accounts receivable during the reporting period

(3) No accounts receivable actually written-off during the reporting period.

(4) No outstanding amount in the accounts receivable due from shareholders holding 5% or more (including 5% inclusive) in the voting shares of the Company during the reporting period.

(5) Top five other receivables are as follows

Entity name	Relationship with the Company	Amounts	Term	Unit: RMB As a percentage of the total accounts receivable (%)
Shandong Chenming Paper Sales Co., Ltd.	Related party within the scope of consolidation	2,833,886,880.70	Within 1 year	51.95%
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	2,373,421,837.41	Within 1 year	43.51%
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Related party within the scope of consolidation	133,539,985.25	Within 1 year	2.45%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	98,327,124.90	Within 1 year	1.80%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	7,902,340.49	Within 1 year	0.14%
Total	—	5,447,078,168.75	—	99.85%

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

1. Accounts receivable (Cont'd)

(6) Information on accounts receivable due from related parties

Unit: RMB

Entity name	Relationship with the Company	Amounts	As a percentage of the total Accounts receivable (%)
Shandong Chenming Paper Sales Co., Ltd.	Related party within the scope of consolidation	2,833,886,880.70	51.95%
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	2,373,421,837.41	43.51%
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Related party within the scope of consolidation	133,539,985.25	2.45%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	98,327,124.90	1.80%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	7,902,340.49	0.14%
Shandong Grand View Hotel Co., Ltd.	Related party within the scope of consolidation	206,496.00	0.00%
Total	—	5,447,284,664.75	99.85%

(7) 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	
	Amounts	Percentage (%)	Amounts	Percentage (%)	Amounts	Percentage (%)	Amounts	Percentage (%)
Other receivables which are individually significant and are separately provided for bad debt	9,402,148.72	0.10%	9,402,148.72	100.00%	8,918,424.06	0.08%	8,918,424.06	100.00%
Other receivables collectively provided for bad debt								
Risk-free portfolio	9,502,343,162.60	98.91%			10,991,002,770.81	99.00%		
General-risk portfolio	81,884,835.37	0.85%	29,357,836.48	35.85%	89,083,928.68	0.80%	28,464,521.53	31.95%
Portfolio sub-total	9,584,227,997.97	99.76%	29,357,836.48	35.85%	11,080,086,699.49	99.80%	28,464,521.53	0.26%
Other receivables which are not individually significant but are separately provided for bad debt	13,027,752.75	0.14%	13,027,752.75	100.00%	13,717,509.43	0.12%	13,717,509.43	100.00%
Total	9,606,657,899.44	—	51,787,737.95	—	11,102,722,632.98	—	51,100,455.02	—

Other receivable stated according to ageing

Unit: RMB

Item	Closing balance		Opening balance	
	Amounts	Percentage (%)	Amounts	Percentage (%)
Within 1 year	9,538,245,477.79	99.29%	10,479,494,850.60	94.39%
1 to 2 years	5,617,373.70	0.06%	542,640,693.82	4.89%
2 to 3 years	17,027,573.62	0.17%	38,955,846.94	0.35%
Over 3 years	45,767,474.33	0.48%	41,631,241.62	0.37%
Total	9,606,657,899.44	100.00%	11,102,722,632.98	100.00%

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

Applicable Not applicable

Unit: RMB

Other receivables	Book balance	Amounts of bad debts	Percentage of provision (%)	Reason
Open credit	9,402,148.72	9,402,148.72	100.00%	Most of which were open credit for over 3 years and unlikely to be recovered
Total	9,402,148.72	9,402,148.72	—	—

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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)

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		Bad debt provision	Opening balance		Bad debt provision
	Book balance Amounts	Percentage (%)		Book balance Amounts	Percentage (%)	
Within 1 year	—	—	—	—	—	—
Of which:						
Within 1 year	30,744,399.99	37.55%	1,537,220.01	26,419,111.28	29.66%	1,320,955.56
Sub-total of within 1 year	30,744,399.99	37.55%	1,537,220.01	26,419,111.28	29.66%	1,320,955.56
1 to 2 years	10,775,288.90	13.16%	1,077,528.89	5,856,440.10	6.57%	585,644.01
2 to 3 years	17,027,573.62	20.79%	3,405,514.72	37,813,069.17	42.45%	7,562,613.83
Over 3 years	23,337,572.86	28.50%	23,337,572.86	18,995,308.13	21.32%	18,995,308.13
Total	81,884,835.37	—	29,357,836.48	89,083,928.68	—	28,464,521.53

In respect of portfolio, the measurement of bad debt provision for other receivables is based on the percentage of amounts outstanding

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

Applicable Not applicable

Unit: RMB

Other receivables	Book balance	Bad debt provision	Percentage of provision (%)	Reason
Open credit	13,027,752.75	13,027,752.75	100.00%	Most of which were open credit for over 3 years and unlikely to be recovered
Total	13,027,752.75	13,027,752.75	—	—

(2) No reversal or recovery of other receivables during the year.

(3) No other receivables actually written-off during the reporting period.

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

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

2. Other receivables (Cont'd)

(5) Top five other receivables are as follows

Unit: RMB

Entity name	Relationship with the Company	Amounts	Term	As a percentage of the total other receivables (%)
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	4,573,513,860.38	Within 1 year	47.61%
Shandong Chenming Paper Sales Co., Ltd.	Related party within the scope of consolidation	844,444,205.25	Within 1 year	8.79%
Jilin Chenming Paper Co., Ltd.	Related party within the scope of consolidation	671,024,556.13	Within 1 year	6.98%
Shandong Jianghe Paper Co., Ltd.	Non-related party	530,094,699.70	Within 1 year	5.52%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	496,108,943.20	Within 1 year	5.16%
Total	—	7,115,186,264.66	—	74.06%

(6) Overview of other receivables due from related parties

Unit: RMB

Entity name	Relationship with the Company	Amounts	As a percentage of the total other receivable (%)
Shouguang Meilun Paper Co., Ltd.	Related party within the scope of consolidation	4,573,513,860.38	47.61%
Shandong Chenming Paper Sales Co., Ltd.	Related party within the scope of consolidation	844,444,205.25	8.79%
Jilin Chenming Paper Co., Ltd.	Related party within the scope of consolidation	671,024,556.13	6.98%
Shouguang Chenming Art Paper Co., Ltd.	Related party within the scope of consolidation	496,108,943.20	5.16%
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Related party within the scope of consolidation	331,553,846.38	3.45%
Shandong Grand View Hotel Co., Ltd.	Related party within the scope of consolidation	294,064,505.28	3.06%
Fuyu Chenming Paper Co., Ltd.	Related party within the scope of consolidation	203,203,881.29	2.12%
Zhanjiang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	187,202,046.79	1.95%
Huanggang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	171,586,139.55	1.79%

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

2. Other receivables (Cont'd)

(6) Overview of other receivables due from related parties (Cont'd)

Unit: RMB

Entity name	Relationship with the Company	Amounts	As a percentage of the total other receivable (%)
Haicheng Haiming Mining Co., Ltd.	Related party within the scope of consolidation	155,713,633.33	1.62%
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Related party within the scope of consolidation	141,124,891.86	1.47%
Wuhan Chenming Qianneng Electric Power Co., Ltd. Related	Related party within the scope of consolidation	66,057,391.57	0.69%
Huanggang Chenming Pulp & Paper Co., Ltd.	Related party within the scope of consolidation	22,732,473.19	0.24%
Shouguang Chenming Industrial Logistics Co., Ltd.	Related party within the scope of consolidation	4,781,473.07	0.05%
Yangjiang Chenming Arboriculture Co., Ltd.	Related party within the scope of consolidation	3,000,000.00	0.03%
Shouguang Chenming Industrial Logistics Co., Ltd.	Related party within the scope of consolidation	1,011,663.18	0.01%
Hailaer Chenming Paper Co., Ltd.	Related party within the scope of consolidation	199,101.63	0.00%
Shandong Chenming Panels Co., Ltd.	Related party within the scope of consolidation	68,025.29	0.00%
Chenming International Co., Ltd.	Related party within the scope of consolidation	12,820.00	0.00%
Shouguang Chenming Hongxin Packaging Co., Ltd.	Related party within the scope of consolidation	1,842.30	0.00%
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Related party out of the scope of consolidation	1,290,901.12	0.01%
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Related party out of the scope of consolidation	1,142,777.77	0.01%
Total	—	8,169,838,978.56	85.04%

(7) 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. Available-for-sale financial assets

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

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Other equity investments	85,850,000.00		1,400,000.00	84,450,000.00
Less: Impairment provision for available-for-sale financial assets	2,589,574.47		1,139,574.47	1,450,000.00
Total	83,260,425.53		260,425.53	83,000,000.00

(2) Details of available-for-sale financial assets

Investee	Accounting method	Investment cost	Opening Balance	Closing balance	Impairment amounts	Closing amounts, net
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Cost method	900,000.00	900,000.00	900,000.00	-900,000.00	
Shandong Paper Making & Printing Enterprises Corporation	Cost method	200,000.00	200,000.00	200,000.00	-200,000.00	
Jinan Shangyou Commercial Co., Ltd.	Cost method	350,000.00	350,000.00	350,000.00	-350,000.00	
Zhejiang Province Guangyu Media Printing Co., Ltd.	Cost method	2,000,000.00	2,000,000.00	2,000,000.00		2,000,000.00
Shouguang Mihe Water Co., Ltd.	Cost method	20,000,000.00	20,000,000.00	20,000,000.00		20,000,000.00
Shanghai Forest & Paper E-Commerce Co., Ltd.	Cost method	1,400,000.00	1,400,000.00			
Anhui Shidai Resources Holdings Co., Ltd.	Cost method	1,000,000.00	1,000,000.00	1,000,000.00		1,000,000.00
Weifang Xinye Capital Investment Co., Ltd.	Cost method	10,000,000.00	10,000,000.00	10,000,000.00		10,000,000.00
Shandong Hongqiao Venture Capital Co., Ltd.	Cost method	50,000,000.00	50,000,000.00	50,000,000.00		50,000,000.00
Total		85,850,000.00	85,850,000.00	84,450,000.00	-1,450,000.00	83,000,000.00

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

4. Long-term equity investments

Unit: RMB

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 on the inconsistency between equity interest and voting right in the investee	Impairment provision	Impairment provision during the period	Cash dividend for the period
Shandong Chenming Power Supply Holdings Co., Ltd.	Cost method	157,810,117.43	157,810,117.43		157,810,117.43	100.00%	100.00%				
Wulian Chenming Hanyang Paper Holdings Co., Ltd.	Cost method	202,824,716.34	202,824,716.34		202,824,716.34	50.93%	50.93%				
Hailar Chenming Paper Co., Ltd.	Cost method	12,000,000.00	12,000,000.00		12,000,000.00	75.00%	75.00%				
Shouguang Chenming Tianyuan Arboriculture Co., Ltd.	Cost method	7,199,000.00	7,199,000.00	-7,199,000.00							
Jiangxi Chenming Paper Co., Ltd.	Cost method	822,867,646.40	822,867,646.40		822,867,646.40	100.00%	100.00%				
Shandong Grand View Hotel Co., Ltd.	Cost method	80,500,000.00	80,500,000.00		80,500,000.00	70.00%	70.00%				
Jilin Chenming Paper Co., Ltd.	Cost method	1,501,350,000.00	1,501,350,000.00		1,501,350,000.00	100.00%	100.00%				
Zhejiang Chenming Pulp & Paper Co., Ltd.	Cost method	3,000,000,000.00	3,000,000,000.00		3,000,000,000.00	100.00%	100.00%				100,000,000.00
Chenming (HK) Limited	Cost method	183,472,902.00	62,583,310.00	120,889,592.00	183,472,902.00	100.00%	100.00%				
Shouguang Chenming Modern Logistic Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100.00%	100.00%				
Fuyi Chenming Paper Co., Ltd.	Cost method	208,000,000.00	208,000,000.00		208,000,000.00	100.00%	100.00%				
Shouguang Chenming ART Paper Co., Ltd.	Cost method	113,616,063.80	113,616,063.80		113,616,063.80	75.00%	75.00%				
Huanggang Chenming Arboriculture Co., Ltd.	Cost method	70,000,000.00	70,000,000.00		70,000,000.00	100.00%	100.00%				
Huanggang Chenming Pulp & Paper Co., Ltd.	Cost method	200,000,000.00	20,000,000.00	180,000,000.00	200,000,000.00	100.00%	100.00%				
Shouguang Mallun Paper Co., Ltd.	Cost method	3,000,000,000.00	2,200,000,000.00	800,000,000.00	3,000,000,000.00	100.00%	100.00%				
Chenming International Co., Ltd.	Cost method	19,861,955.00	19,861,955.00		19,861,955.00	100.00%	100.00%				
Shouguang Shun Da Customs Declaration Co., Ltd.	Cost method	1,500,000.00	1,500,000.00		1,500,000.00	100.00%	100.00%				100,000,000.00
Shandong Chenming Paper Sales Co., Ltd.	Cost method	100,000,000.00	100,000,000.00		100,000,000.00	100.00%	100.00%				
Shouguang Hengsheng Storage Co., Ltd.	Cost method	500,000.00	500,000.00	-500,000.00							
Shouguang Chenming Import and Export Trade Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100.00%	100.00%				
Shouguang Chenming Jialai Property Management Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100.00%	100.00%				
Shouguang Chenming Papermaking Machine Co., Ltd.	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100.00%	100.00%				
Shouguang Chenming Industrial Logistics Co., Ltd.	Cost method	10,000,000.00	10,000,000.00		10,000,000.00	100.00%	100.00%				
Shouguang Chenming Hongxin Packaging Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100.00%	100.00%				
Japan Chenming Paper Co., Ltd.	Cost method	9,306,351.20	9,306,351.20		9,306,351.20	100.00%	100.00%				
Haicheng Haiming Mining Co., Ltd.	Cost method	144,000,000.00	144,000,000.00		144,000,000.00	60.00%	60.00%				
Chenming GmbH	Cost method	4,083,235.00	4,083,235.00		4,083,235.00	100.00%	100.00%				
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Cost method	2,730,000.00	2,730,000.00		2,730,000.00	100.00%	100.00%				
Shandong Chenming Paper Group (Fuyi) Sales Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100.00%	100.00%				
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Cost method	3,000,000.00		3,000,000.00	3,000,000.00	50.00%	50.00%				
Aiwo Wiggins Chenming Specialty Paper Co., Ltd.	Equity method	80,100,000.00				30.00%	30.00%				
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Equity method	6,000,000.00	4,745,182.75	-74,651.88	4,670,530.87	21.16%	21.16%				
Total		9,965,721,987.17	8,780,477,577.92	1,086,115,940.12	9,876,593,518.04						200,000,000.00

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

5. Revenue and operating costs

(1) Revenue

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Revenue from principal activities	3,488,961,465.88	4,329,750,335.77
Revenue from other activities	507,830,538.50	587,282,187.16
Total	3,996,792,004.38	4,917,032,522.93
Operating costs	3,157,273,029.32	3,976,552,277.16

(2) Principal activities (by industries)

Unit: RMB

Industry name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	2,931,751,670.76	2,300,909,667.23	3,144,305,160.63	2,467,851,375.93
Electricity and steam	557,209,795.12	376,256,922.78	1,185,445,175.14	947,682,863.91
Total	3,488,961,465.88	2,677,166,590.01	4,329,750,335.77	3,415,534,239.84

(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	28,588,773.05	19,975,143.06	42,567,195.18	32,695,986.33
Duplex press paper	317,395,227.67	225,512,679.96	307,034,036.77	239,323,219.24
Writing paper	82,325,335.75	62,789,027.43	28,685,162.06	23,678,690.73
Coated paper	766,731,773.60	564,880,378.39	710,385,033.97	532,334,754.44
News press paper	519,417,229.77	385,076,471.84	709,752,411.59	541,945,417.17
White paper board	940,339,733.70	758,413,648.95	779,851,217.12	632,739,824.47
Other machine-made paper	276,953,597.22	284,262,317.60	566,030,103.94	465,133,483.55
Electricity and steam	557,209,795.12	376,256,922.78	1,185,445,175.14	947,682,863.91
Total	3,488,961,465.88	2,677,166,590.01	4,329,750,335.77	3,415,534,239.84

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

5. Revenue and operating costs (Cont'd)

(4) Principal activities (by geographical areas)

Unit: RMB

Region name	Amounts during the period		Amounts during the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	3,279,258,404.74	2,512,407,235.92	4,124,261,209.19	3,242,787,868.07
Other countries and regions	209,703,061.14	164,759,354.09	205,489,126.58	172,746,371.77
Total	3,488,961,465.88	2,677,166,590.01	4,329,750,335.77	3,415,534,239.84

(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	2,399,916,447.94	60.05%
Chenming (HK) Limited	209,001,834.03	5.23%
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	157,401,745.26	3.94%
Shouguang Meilun Paper Co., Ltd.	138,719,864.63	3.47%
Shouguang Chenming Art Paper Co., Ltd.	26,010,551.79	0.65%
Total	2,931,050,443.65	73.34%

6. 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	200,000,000.00	229,527,457.85
Income from long-term equity investments accounted for using the equity method	-74,651.88	-150,149.58
Investment gain on disposal of long-term equity investments	-7,366,532.42	14,190,483.70
Others	35,473,222.23	12,145,050.34
Total	228,032,037.93	255,712,842.31

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

6. 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
Shandong Chenming Power Supply Holdings Co., Ltd.		30,213,771.35	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	180,000,000.00	
Shandong Chenming Paper Sales Company Limited	100,000,000.00		
Shanghai Runchen Equity Investment Fund Co., Ltd.		19,313,686.50	
Total	200,000,000.00	229,527,457.85	—

(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
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	-74,651.88	-150,149.58	
Total	-74,651.88	-150,149.58	—



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

7. 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	275,846,548.92	497,002,914.40
Plus: Provision for impairment of assets	531,463.30	3,701,835.30
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	228,138,182.04	168,610,612.74
Amortisation of intangible assets	5,026,471.81	4,668,034.28
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-1,341,798.35	25,327,282.02
Finance expenses (“-” denotes gain)	571,281,292.53	531,515,104.30
Investment loss (“-” denotes gain)	-228,231,103.16	-255,712,842.31
Decrease in deferred income tax assets (“-” denotes increase)	5,026,471.81	6,168,542.92
Decrease in inventories (“-” denotes increase)	-49,078,639.68	-89,211,312.49
Decrease in operating receivables (“-” denotes increase)	251,241,419.58	-2,628,076,731.12
Increase in operating payables (“-” denotes decrease)	512,318,730.84	-506,448,804.94
Net cash flows from operating activities	1,570,759,039.64	-2,242,455,364.90
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	117,004,284.17	339,273,942.12
Less: cash balance at the beginning of the period	64,392,029.09	1,786,622,854.08
Net increase in cash and cash equivalents	52,612,255.08	-1,447,348,911.96

XIV. Supplementary information

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

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	73,764,935.36	-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	100,763,109.28	112,054,796.04
Gain and loss from debt restructuring	623,626.67	39,984.11
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	967,670.22	9,229,042.51
Non-operating gains and losses other than the above items	64,271,540.63	206,618,857.32
Less: Effect of income tax	44,085,625.09	28,181,423.03
Effect of minority interest (after tax)	11,657,635.32	72,434,723.94
Total	184,647,621.75	198,869,962.99

Government grants accounted for in profit or loss for the current period are recurring gain or loss items. Explanation on each disclosure should be made.

Applicable Not applicable

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

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

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Amounts during the period	Amounts during the prior period	Amounts during the period	Amounts during the prior period
Under China accounting standards	242,461,095.02	333,409,511.73	13,635,437,678.10	14,039,888,226.11
Items and amounts adjusted under international accounting standards				

XIV. Supplementary information (Cont'd)

2. Difference in accounting data under domestic and overseas accounting standards (Cont'd)

- (2) Differences between the net profit and net assets disclosed in accordance with overseas 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 during the period	Amounts during the prior period	Amounts during the period	Amounts during the prior period
Under China accounting standards	242,461,095.02	333,409,511.73	13,635,437,678.10	14,039,888,226.11
Items and amounts adjusted under overseas accounting standards				

3. 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 ordinary shareholders of the Company	1.72%	0.12	0.12
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	0.41%	0.03	0.03

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

Items in balance sheet:

- (1) The closing balance of monetary funds as at 30 June 2014 was RMB3,357,075,224.97, up by 31.77% as compared with the opening balance mainly due to the approval of the establishment of Shandong Chenming Group Finance Co., Ltd. with registered capital of RMB1,000 million by the Company. The company was not registered with the industrial and commercial administration as at the end of the reporting period.
- (2) The closing balance of bills receivable as at 30 June 2014 was RMB2,248,149,475.62, down by 21.68% as compared with the opening balance mainly due to the increase in payment by bills.
- (3) The closing balance of long-term equity investments as at 30 June 2014 was RMB39,354,618.33, up by 22.16% as compared with the opening balance mainly due to the establishment of a new joint venture Shouguang Chenming Huisen New-style Construction Materials Co., Ltd. by the Company, and the establishment of an associate, Jiangxi Chenming Port Co., Ltd. by Jiangxi Chenming, a subsidiary of the Company.
- (4) The closing balance of construction in progress as at 30 June 2014 was RMB3,383,652,916.06, down by 35.75% as compared with the opening balance mainly due to the reclassification of Jilin Chenming's environmental protection relocation project, Wuhan Chenming's household paper project and Shouguang Meilun's paper additives project as fixed assets.
- (5) The closing balance of construction materials as at 30 June 2014 was RMB23,245,677.92, down by 63.66% as compared with the opening balance mainly due to the reclassification of Jilin Chenming's environmental protection relocation project as fixed assets.

XIV. Supplementary information (Cont'd)

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

Items in balance sheet: (Cont'd)

- (6) The closing balance of short-term borrowings as at 30 June 2014 was RMB11,866,009,950.56, up by 20.85% as compared with the opening balance mainly due to the greater demand for liquidity resulting from the increase in investments in construction in progress for the period, and expansion in production capacity and operating scale.
- (7) The closing balance of bills payable as at 30 June 2014 was RMB228,716,908.05, down by 21.24% as compared with the opening balance mainly due to the decrease in bank acceptance bills issued by the Company.
- (8) The closing balance of accounts payable as at 30 June 2014 was RMB3,317,507,726.31, up by 23.09% as compared with the opening balance mainly due to the increase in raw material procurement.
- (9) The closing balance of interests payable as at 30 June 2014 was RMB246,392,305.53, up by 60.84% as compared with the opening balance mainly due to the interest on corporate bonds and medium-term notes payable by the Company.
- (10) The closing balance of non-current liabilities due within one year as at 30 June 2014 was RMB941,964,400.00, down by 26.86% as compared with the opening balance mainly due to the payment of Chenming Hong Kong's RMB bonds of RMB500 million due for repayment.
- (11) The closing balance of long-term payables as at 30 June 2014 was RMB128,000,000.00, up by 113.33% as compared with the opening balance mainly due to the borrowings of RMB68.00 million provided by the Management Committee of Nanchang Economic and Technological Development Zone for the phase II project of Jiangxi Chenming during the period.
- (12) The closing balance of minority interest as at 30 June 2014 was RMB467,862,854.69, down by 21.82% as compared with the opening balance mainly due to the disposal of a subsidiary, Shandong Chenming Xinli Power Co., Ltd. by Chenming Power Supply.

Items in income statement:

- (1) Revenue for the period was RMB9,082,020,579.01, down by 9.43% from the corresponding period of the prior year mainly due to the decline in machine-made paper price and the decrease of external sales of electricity.
- (2) Operating costs for the period were RMB7,378,998,628.31, down by 10.57% from the corresponding period of the prior year mainly due to the decline in raw material price.
- (3) Finance expenses for the period were RMB626,611,788.47, up by 28.82% from the corresponding period of the prior year mainly due to the depreciation of RMB and the increase in foreign exchange loss.
- (4) Loss on impairment of assets for the period was RMB16,314,635.37, up by 450.67% from the corresponding period of the prior year mainly due to the increase in accounts receivable and provision for bad debts.
- (5) Investment income for the period was RMB21,218,247.82, up by 309.37% from the corresponding period of the prior year mainly due to receipt of the interest on new entrusted loans made by the Company.
- (6) Non-operating income for the period was RMB253,711,372.78, down by 24.56% from the corresponding period of the prior year mainly due to the decrease in compensation for suspension of production of Wuhan Chenming.
- (7) Non-operating expenses for the period were RMB14,028,105.87, down by 64.52% from the corresponding period of the prior year mainly due to the loss on disposal of non-current assets during the prior period.
- (8) Income tax expenses for the period were RMB34,033,045.12, down by 58.93% from the corresponding period of the prior year mainly due to the year on year decrease of the profitability of the Company as affected by the factors such as the markets and exchange rate changes.

X Documents Available for Inspection

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

Shandong Chenming Paper Holdings Limited
27 August 2014



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