



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



ANNUAL REPORT 2017

* For identification purposes only

I Important Notice, Table of Contents and Definitions

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

Chen Hongguo, head of the Company, Hu Jinbao, head in charge of accounting and Zhang Bo, head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial statements in the annual report.

All Directors were present in person at the Board meeting to consider and approve this annual report except the following Director.

Name of the Director unable to attend the meeting in person	Capacity of the Director unable to attend the meeting in person	Reason for failure to attend the meeting in person	Name of the proxy
Pan Ailing	Independent Director	Health reasons	Wang Fengrong

The Company is exposed to various risk factors such as macro-economic fluctuation, adjustment of state policy and competition in the industry. Investor should be aware of investment risks. For further details, please refer to the risk factors likely to be faced and the measures to be taken to address them as set out in the outlook on the future development of the Company in Discussion and Analysis of Operations.

The proposed profit distribution plan of the Company was considered and passed by the Board:

The audited consolidated net profit attributable to shareholders of the Company for 2017 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB3,769,325,450.93. When deducting the interest for perpetual bonds of RMB153,140,000 for 2017 and the dividend for preference shares of RMB333,702,107.35, the distributable profit realised for 2017 amounted to RMB3,282,483,343.58.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017 and the 774,526,678 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB5.81 as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares will be distributed to ordinary shareholders, a cash dividend of RMB6 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares, and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. A cash dividend of RMB1,161,843,280.20 will be distributed to ordinary shareholders and a variable cash dividend of RMB464,716,006.88 will be distributed to holders of preference shares. In other words, a cash dividend of RMB10.33 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares. No bonus shares (tax inclusive) will be issued.

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, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shouguang Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
Haiming Mining	means	Haicheng Haiming Mining Company Limited
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun	means	Shouguang Meilun Paper Co., Ltd.
Chenming Sales Company	means	Shandong Chenming Paper Sales Company Limited
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Financial Leasing Company	means	Shandong Chenming Financial Leasing Co., Ltd.
Capitalisation issue	means	the bonus issue of the Company by way of capitalisation of capital reserve
reporting period or the year	means	The period from 1 January 2017 to 31 December 2017
the beginning of the year or the period	means	1 January 2017
the end of the year or the period	means	31 December 2017
the prior year	means	The period from 1 January 2016 to 31 December 2016

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業	Stock code	000488
	晨鳴B	Stock code	200488
	晨鳴優01	Stock code	140003
	晨鳴優02	Stock code	140004
	晨鳴優03	Stock code	140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	晨鳴紙業	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province		
Postal code of registered address	262700		
Office address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province		
Postal code of office address	262705		
Website of the Company	http://www.chenmingpaper.com		
Email address	chenmmingpaper@163.com		

II. Contact persons and contact methods

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

III. Information disclosure and places for inspection

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

IV. Change in registration

Organisation registration code	913700006135889860
Change of principal activities since its listing (if any)	No
Change of the controlling shareholder (if any)	No

II Company Profile and Key Financial Indicators

V. Other relevant information

CPAs engaged by the Company

Name of CPAs	Ruihua Certified Public Accountants (Special General Partnership)
CPAs' Office Address	4/F, Tower 2, No. 16 Xisihuanzhong Road, Haidian District, Beijing
Name of the Signing Certified Public Accountants	Zhao Yanmei and Wang Zongpei

Sponsors engaged by the Company to continuously perform its supervisory function during the reporting period

Applicable Not applicable

Name of sponsor	Sponsor' office address	Name of the representatives of sponsor	Period under ongoing supervision
CSC Financial Co., Ltd.	9/F, Block B and E, Kaiheng Center, No. 2 Chaonei Avenue, Dongcheng District, Beijing	Song Shuangxi and Shen Xiqiang	1 January 2017 - 31 December 2017

Financial Advisors engaged by the Company to continuously perform its supervisory function during the reporting period

Applicable Not applicable

VI. Major accounting data and financial indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company

Yes No

Reason for retrospective adjustment or restatement

Correction of accounting errors

	2017	2016		Increase/decrease for the year as compared to the prior year	2015	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Revenue (RMB)	29,851,743,848.13	22,907,118,241.84	22,907,118,241.84	30.32%	20,241,906,131.81	20,241,906,131.81
Net profit attributable to shareholders of the Company (RMB)	3,769,325,450.93	2,063,986,822.25	1,998,578,788.75	88.60%	1,021,224,678.04	1,086,632,711.54
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	3,425,779,016.95	1,611,533,699.22	1,546,125,665.72	121.57%	719,891,359.63	785,299,393.13
Net cash flows from operating activities (RMB)	23,766,042.93	2,153,049,269.84	2,153,049,269.84	-98.90%	-9,721,363,524.30	-9,721,363,524.30
Basic earnings per share (RMB per share)	1.70	0.99	0.95	78.95%	0.50	0.53
Diluted earnings per share (RMB per share)	1.70	0.99	0.95	78.95%	0.50	0.53
Rate of return on net assets on weighted average basis	15.80%	9.59%	9.23%	6.57%	6.73%	7.17%

II Company Profile and Key Financial Indicators

VI. Major accounting data and financial indicators (Cont'd)

	As at the end of 2017	As at the end of 2016		Increase/decrease as at the end of the year compared to the end of the prior year After adjustment	As at the end of 2015	
		Before adjustment	After adjustment		Before adjustment	After adjustment
		Total assets (RMB)	105,625,096,076.92		82,285,354,532.15	82,285,354,532.15
Net assets attributable to shareholders of the Company (RMB)	27,778,529,074.90	22,218,808,367.43	22,218,808,367.43	25.02%	16,871,494,584.82	16,936,902,618.32

1. Reason for accounting policy change and correction of accounting errors:

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, proceeded to apply for the certification as a high and new technology enterprise in 2015. The Company received its high and new technology enterprise certificate and made a related announcement on 28 March 2016. The annual report of the Company was published on 30 March 2016. As the time of receipt of the certificate and the publication date were close, the Company continued to make a provision for the income tax expenses of Zhanjiang Chenming at an income tax rate of 25% for 2015. In May 2016, when Zhanjiang Chenming made the final settlement and payment of the income tax for 2015, the taxation authority agreed that the income tax for 2015 was calculated and paid at a tax rate of 15%, and returned the excessive tax amount of RMB65,952,632.95 in August 2016. The excessive tax amount received by the Company was directly used to offset against the income tax expenses for 2016. As a result, the respective income tax amounts for 2015 and 2016 contained errors and the Company made a correction for prior years during the year. The deferred income tax assets as at 31 December 2015 decreased by RMB544,599.45 and the income tax expenses for 2015 decreased by RMB65,408,033.50 when the Company made a provision for the income tax expenses at an income tax rate of 15% for 2015 (The income tax expenses for the period also decreased by RMB65,952,632.95 and the deferred income tax expenses increased by RMB544,599.45).

2. Data specification of basic earnings per share, diluted earnings per share, and rate of return on net assets on weighted average basis:

The net profit attributable to shareholders of the Company does not exclude the effect of the interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments and the effect of the dividends on preference shares under other equity instruments that have been considered and approved for distribution. When calculating financial indicators such as earnings per share and rate of return on net assets on weighted average basis, the interest on perpetual bonds of RMB153,140,000.00 and the dividends on preference shares of RMB333,702,107.35 during the reporting period are deducted.

VII. 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.

II Company Profile and Key Financial Indicators

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	6,274,273,821.63	7,474,961,185.61	8,179,965,762.07	7,922,543,078.82
Net profit attributable to shareholders of the Company	702,517,923.91	1,042,996,914.32	966,000,240.51	1,057,810,372.19
Net profit after extraordinary gains or losses attributable to shareholders of the Company	615,479,547.22	1,007,815,010.99	927,544,638.20	874,939,820.54
Net cash flows from operating activities	-1,799,933,755.66	-2,313,008,012.73	2,499,802,074.06	1,636,905,737.26

Whether the above indicators or their aggregated amounts have any material difference with the respective amounts as disclosed in the quarterly report or interim report

Yes No

IX. Five-year financial summary under paragraph 19 of appendix 16 of the Hong Kong Listing Rules

Unit: RMB'0,000

	2017	For the year ended 31 December				2014	2013
		2016	2015				
		Before adjustment	After adjustment	Before adjustment	After adjustment		
Revenue	2,985,174	2,290,711	2,290,711	2,024,191	2,024,191	1,910,168	2,038,889
Profit before tax	453,648	258,317	258,317	141,017	141,017	56,101	86,629
Tax	77,752	56,056	62,597	43,224	36,683	10,770	17,594
Profit for the current period attributable to shareholders of the Company	376,933	206,399	199,858	102,122	108,663	50,520	71,066
Minority interests	-1,036	-4,138	-4,138	-4,329	-4,329	-5,190	-2,030
Basic earnings per share (RMB/share)	1.7	0.99	0.95	0.5	0.53	0.26	0.35
Rate of return on net assets on weighted average basis (%)	15.80%	9.59%	9.23%	6.73%	7.17%	3.62%	5.11%

Unit: RMB'0,000

	2017	For the year ended 31 December				2014	2013
		2016	2015				
		Before adjustment	After adjustment	Before adjustment	After adjustment		
Total assets	10,562,510	8,228,535	8,228,535	7,796,170	7,796,116	5,682,203	4,752,188
Total liabilities	7,535,092	5,972,050	5,972,050	6,070,277	6,063,736	4,247,396	3,288,353
Minority interests	249,565	34,605	34,605	38,743	38,743	43,073	59,847
Equity attributable to shareholders of the Company	2,777,853	2,221,881	2,221,881	1,687,149	1,693,690	1,391,734	1,403,989
Net current assets (liabilities)	-783,090	-1,094,182	-1,094,182	-1,347,029	-1,340,488	-452,549	-106,347
Total assets less current liabilities	4,837,646	3,557,671	3,557,671	2,932,756	2,939,242	2,872,637	2,823,321

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

√ Applicable □ Not applicable

Unit: RMB

Item	Amount for 2017	Amount for 2016	Amount for 2015	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	65,853,273.77	-1,536,454.18	18,317,909.85	
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	392,774,230.02	472,476,962.83	244,716,579.78	
Gain arising from investment costs for acquisition of subsidiaries, associates and joint ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition	143,867,008.14			
Profit or loss from debt restructuring	24,309.62	-90,997.90	32,089,863.80	
Gain or loss arising from contingent items unrelated to the ordinary course of business of the Company	-325,259,082.28			
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading, as well as investment gains from disposal of financial assets held for trading and financial liabilities held for trading and available-for-sale financial assets	94,000,000.00			
Gain or loss on external entrusted loans	13,312,368.97	87,608,490.56	94,777,777.77	
Gain or loss from changes in fair value of consumable biological assets subsequently measured at fair value	-21,000,042.33	-20,084,425.90	-19,078,538.02	
Non-operating gains and losses other than the above items	33,659,216.99	10,022,635.89	10,274,311.04	
Less: Effect of income tax	50,196,013.15	92,004,074.27	76,729,624.38	
Effect of minority interests (after tax)	3,488,835.77	3,939,014.00	3,034,961.43	
Total	343,546,433.98	452,453,123.03	301,333,318.41	—

II Company Profile and Key Financial Indicators

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.

III Chairman's Report

Dear Shareholders,

I am pleased to present to all shareholders the report of the Company for the financial year ended 31 December 2017. On behalf of the Board, I express my sincere gratitude to all shareholders for their concern and support rendered to Chenming Paper.

The supply-side reform continuously developed. The industrial structure was consistently adjusted. The environmental protection policies became more specific and stricter. Commercial and development opportunities arose for some enterprises and an industry reshuffle accelerated to deepen the industry concentration, and therefore the industry continued to prosper. On the one hand, the prices of paper products increased due to the increased costs of, among other things, wood pulp, waste paper and logistics. The leading enterprises maintained their cost advantage with their pulp inventories and their own pulp production capacity and improved their profitability. On the other hand, the financial leasing business became an integral part of the Company's profit while enjoying good development momentum.

In 2017, facing the complex macroeconomic conditions, as well as the pressure from the market, environmental protection and increasing costs, the Company, aiming at "developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand", committed itself to "team building, management enhancement, outstanding business performance and good results" to strive for progress and be innovative and practical, and comprehensively improved its quality and efficiency, management level, technology application, sense of happiness and brand image. It successfully completed all the work targets for the year and achieved very satisfactory results.

I. Results of Operations

In 2017, the Company completed the production of machine-made paper of 5.10 million tonnes with sales of 4.96 million tonnes and achieved revenue of RMB29.852 billion, a year-on-year increase of 30.32%. The Company recorded operating costs of RMB19.729 billion, a year-on-year increase of 24.97%. Total profit and net profit attributable to equity holders of the Company were RMB4,536 million and RMB3,769 million respectively, up by 75.62% and 88.60% from the prior year. The Company's total assets amounted to RMB105.625 billion. The financial segment experienced stable development across businesses with ever improving management systems and effective risk preventions.

II. Corporate Governance

During the reporting period, the Company regulated its operation under the requirements of Companies Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the related provisions of the China Securities Regulatory Commission. The Company kept on improving and optimising its legal person governance structure and regulating its operation in practice. The Board considered the state of the Company's corporate governance was substantially in compliance with the requirements and requests of the regulatory documents such as Code of Corporate Governance for Listed Companies.

During the reporting period, the Board strived to regulate the operation of the Company by improving its corporate governance. It improved its corporate governance system in a timely manner and amended and improved the amended management systems including the Rules of Procedures for General Meetings, the Rules of Procedures for Board Meetings and the Articles of Association in accordance with the regulatory requirements.

Strict enforcement of relevant internal control systems had promoted a regulated operation and healthy development of the Company, protecting the legitimate rights and interests of our investors. The overall state of corporate governance was in compliance with the requirements of the China Securities Regulatory Commission. As the Company's development strives forward, its state of regulated operation and internal control will continue to improve.

III Chairman's Report

III. Dividend Distribution

Consistent with our long-term goal of pursuing the maximisation of corporate values, the Company has always placed much emphasis on the benefits of and returns to our shareholders. The audited consolidated net profit attributable to shareholders of the Company for 2017 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB3,769,325,450.93. When deducting the interest for perpetual bonds of RMB153,140,000 and the dividend of preference shares of RMB333,702,107.35 for 2017, the distributable profit realised for 2017 amounted to RMB3,282,483,343.58. In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, the proposed profit distribution plan of the Company for 2017 is as follows:

Based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017 and the 774,526,678 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB5.81 as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB6 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares; and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. A cash dividend of RMB1,161,843,280.20 will be distributed to ordinary shareholders and a variable cash dividend of RMB464,716,006.88 will be distributed to holders of preference shares. In other words, a cash dividend of RMB10.33 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

As always, the Company will continue to stay focused on its long-term development and maximise returns for our shareholders by delivering better results.

IV. Future Development

Benefiting from the continuous stable macroeconomic growth, the development of the paper making industry will maintain stable growth in the long run. In recently years, the central government has been introducing various industry policies such as production capacity reduction, the supply-side reform, ten rules regarding water pollution and ten rules regarding air pollution. Different measures such as setting higher emission standards and strictly restricting corporate size and structure put stricter restrictions on the enterprises in the paper making industry and force those enterprises with backward production capacity to actively exit the paper making market. With the continuous introduction of the supply-side reform, substitution of new production capacity for backward production capacity and other policies, the environmental protection policies have becoming stricter. The elimination of backward production capacity in the paper making industry has been progressing smoothly. New production capacity mainly comes from large enterprises. It is expected that the industry concentration ratio will further increase. The improvement in the supply in the industry has effectively boosted the dual growth in revenue and profitability of the enterprises in the paper making industry. The downstream demand in the paper making industry will continue to grow along with the domestic economic growth. The turning point in the supply and demand structure in the industry has gradually developed with a boom in the industry to be prolonged.

III Chairman's Report

Since the implementation of the “Thirteenth Five Year Plan”, the accelerated urbanisation and industrialisation in China, the change in driver of economic growth, upgrade of traditional industries, development of emerging industries, and continuous infrastructure construction require substantial investment in fixed assets. China will become the largest leasing market in the world. According to the Research Report on Business Prospects Survey of and Investment Strategies in the China Financial Leasing Industry 2016-2021 issued by ASKCI Consulting Co. Ltd., the financial leasing industry will grow at a compound annual growth rate of over 20% in the future and it is expected that the outstanding leasing contracts of the financial leasing industry in China will amount to RMB20.79 trillion by 2021. The business prospects of the financial leasing industry in China are promising.

Looking forward, the Company will adhere to the main theme of emphasising on environmental protection, low carbon, recycling and sustainable development. Following the “Made in China 2025 Plan” and the principles of scientific development and quality and efficiency enhancement, it will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the integration between its production and manufacture segment and financial services segment, incorporation of smart technology into its industrial activities, further reorganised methodology and restructuring so as to achieve taxable profit over RMB10 billion and strive to become one of the world-class companies with the highest growth rate during the “Thirteenth Five Year Plan” period.

Chen Hongguo
Chairman

27 March 2018

IV Business Overview

I. Principal operations of the Company during the Reporting Period

Whether the Company needs to comply with the disclosure requirements of specific industries

No

(I) Principal operations of the Company during the Reporting Period

The Company is a large conglomerate principally engaged in paper making, finance, pulp and fibre and mining businesses while also involved in forestry, logistics, construction materials, and others. The Company is the first industrial and financing company in the paper making industry having a finance company and a financial leasing company and also the only listed company with A shares, B shares, H shares and preference shares in issue. The Company have maintained a leading position among its industry peers for 20 consecutive years in terms of its main indicators of corporate economic efficiency. The machine-made paper business and the financial leasing business are main sources of revenue and profit of the Company. During the reporting period, there was no significant change in the principal operations of the Company.

1. Machine-made paper business

The Company is a leading player in the paper making industry in China. It has established production bases in Shandong, Guangdong, Hubei, Jiangxi and Jilin with annual pulp and paper production capacity of over 10 million tonnes. It has the largest integrated forestry, pulp and paper project with the most advanced technology in the world and dozens of pulp and paper production lines of international advanced standards. The product mix of the Company has gradually diversified into eight major product series which focus on high and middle end products, including high-end offset paper, coated paper, white paper board, light weight coated paper, household paper, electrostatic copy paper, thermal paper and glassine paper.

The Company has scientific research institutions including the national enterprise technology centre, the postdoctoral working station as well as state certified CNAS pulp and paper testing centre and has obtained over 150 national patents including 12 patents for invention, with 7 products selected as national new products and 35 products filling the gap in China. The Company has obtained 21 Science and Technology Progress Awards above the provincial level and undertaken five national science and technology projects and 26 provincial technological innovation projects. The Company has obtained the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification, leading among its industry peers.

2. Financial leasing business

Since its establishment, the Financial Leasing Company, relying on strong capital strength of the Company and leveraging its excellent business project design ability, strong ability in credit integration and outstanding risk control capability while giving full play to the advantages of internationalisation and market-oriented operations, has sustained rapid business development and has been seeking the organic combination between industrial capital and financial capital. On the basis of serving the upper- and lower-stream of the paper making industry, it actively provides financing and value-added service solutions to large state-owned enterprises, listed companies, government financing platforms, quality private enterprises, new and high-tech enterprises, schools and hospitals, thus greatly promoting the healthy and rapid development of the real economy. The financial leasing business is mainly conducted on a leaseback basis. Recently, the financial leasing business has become an integral part of profit of the Company with sound momentum for future growth.

IV Business Overview

I. Principal operations of the Company during the Reporting Period *(Cont'd)*

(II) General information of the industries where the Company operated in during the reporting period

1. Paper making industry

The paper making industry is an important basic raw materials industry which is closely related to the national economy and social development. Since 2017, China's economy extended its development trend at stable pace, and gradually showed steady growth with favourable momentum. The Thirteenth Five Year Plan imposed much more stringent environmental protection requirements on the paper making industry. The successive implementation of environmental protection inspections, licensing system for pollutant discharge and others reflected that more stringent environmental protection measures will become a prolonged trend in the industry. Different measures such as setting higher emission standards and strictly restricting corporate size and structure put stricter restrictions on the enterprises in the paper making industry and forced those enterprises with backward production capacity to actively exit the paper making market. The large leading enterprises having comprehensive environmental facilities with significant economies of scale became the actual beneficiaries under these environmental protection policies.

Policies such as production capacity reduction and the supply-side reform were continuously introduced. The environmental protection policies continued to become stricter. The elimination of backward production capacity in the paper making industry progressed smoothly. New production capacity mainly came from large enterprises. The situation will bring about both commercial and development opportunities for some enterprises while facilitating an industry reshuffle to deepen the industry concentration, and therefore the industry will continue to prosper. The prices of paper products increase due to the increased costs of, among other things, wood pulp, waste paper and logistics. The leading enterprises maintain their cost advantage with their pulp inventories and their own pulp production capacity and improve their profitability with a boom in the industry to be prolonged.

The Company is a leading player in the paper making industry of China and is ranked among the top ten paper manufacturers in the world with an annual pulp and paper production capacity of over 10 million tonnes. The Company have maintained a leading position among its industry peers for 20 consecutive years in terms of its main indicators of corporate economic efficiency. Therefore, the Company enjoyed significant economies of scale in the industry and was relatively favourably positioned for its future development. As the first listed company with A shares, B shares, H shares and preference shares in issue in China, the Company had gained access to the capital market, thus providing effective support for the future project investments of the Company. The overall listing of the machine-made paper business of the Company also made the management of the Company more regulated and the operations more transparent, thus laying a solid foundation for the sustainable development of the Company.

IV Business Overview

I. Principal operations of the Company during the Reporting Period (Cont'd)

(II) General information of the industries where the Company operated in during the reporting period (Cont'd)

2. Financial leasing industry

The Guiding Opinions on Accelerating the Development of Financial Leasing Industry and the Guiding Opinions on Promoting the Sound Development of Financial Leasing Industry were issued by the State Council in 2015. As the first national policy on promoting the financial leasing industry in China, the above opinions had paved the way for the development of the financial leasing industry in the future.

Under the new normal of the economic development, the financial leasing industry in China entered its golden years. According to the statistics of China Leasing Alliance and Tianjin Binhai Financial Leasing Research Institute, there were about 9,090 enterprises engaging in financial leasing in China, representing a year-on-year increase of approximately 1,954, as at the end of the 2017. The outstanding financial leasing contracts amounted to RMB6.06 trillion, representing a year-on-year increase of approximately 13.70%. According to the Research Report on Business Prospects Survey of and Investment Strategies in the China Financial Leasing Industry 2016-2021 issued by ASKCI Consulting Co., Ltd., the financial leasing industry will grow at a compound annual growth rate of over 20% in the future and it is expected that the output of the industry will amount to RMB20.79 trillion by 2021. The business prospects of the financial leasing industry in China are promising.

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	The Company principally had new equity investments in Ningbo Kaichen Huamei and Weifang Sime Darby West Port during the reporting period.
Investment property	The Company disposed of its properties at Digital Building in Beijing and made an investment in investment property at Pujiang International Financial Plaza in Shanghai during the reporting period.
Fixed assets	The Company had the new fixed assets at Pujiang International Financial Plaza in Shanghai for its own use during the reporting period.
Construction in progress	Continued investment was made in the Shouguang Meilun chemical pulp project, the 510,000 tonne high-end cultural paper project and the Huanggang pulp and paper project, and investment was made in the newsprint paper-for-cultural paper project during the reporting period.

2. Major Assets Overseas

Applicable Not applicable

IV Business Overview

III. Analysis of Core Competitiveness

Whether the Company needs to comply with the disclosure requirements of specific industries

No

The Company is a leading player in the paper making industry of China. After innovation and development for more than half a century, it has developed into a large conglomerate principally engaged in paper making, finance, pulp and fibre and mining businesses while also involved in forestry, logistics, construction materials, and others. It is also the only listed company with A shares, B shares and H shares and preference shares in issue in China and the first company in the paper making industry having a finance company and a financial leasing company integrated with its industrial activities in China. Compared with other enterprises in the industry, the Company has the following advantages:

1. Scale advantages

After years of development, the Company, being a leading player in the paper making industry in China, has achieved annual pulp and paper production capacity of over 10 million tonnes and is capable to compete with international paper making enterprises in scale. The large-scale centralised production and operation model has provided the Company with obvious economic benefits. The Company also has strong market influence over raw material procurement, product pricing and industry policymaking.

2. Product advantages

While the production scale of the Company is expanding rapidly, its product mix also continues to optimise. In recent years, the Company has built production lines for cultural paper such as high-end coated paper, high-end food packaging paper and high-end white paper board. The product mix of the Company has gradually diversified into eight major product series which focus on high and middle end products, including high-end offset paper, coated paper, white paper board, light weight coated paper, household paper, electrostatic copy paper, thermal paper and glassine paper. Thus, the Company has become the enterprise that offers the widest product range in China's paper making industry. Diversification and gentrification of the product mix has not only greatly enhanced the Company's ability to withstand market risks, but also enabled the Company to maintain a relatively high profitability.

3. Advantages in technical equipment

Currently, the Company has the largest integrated forestry, pulp and paper project with the most advanced technology in the world and dozens of pulp and paper production lines of international advanced standards. The Company's overall technical equipment has reached the advanced international level. The major production equipment has been imported from internationally renowned manufacturers, including Valmet, Ahlstrom and Metso of Finland, Voith of Germany and TBC 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 calender technology and the technical processes independently developed by the Company of the pulp systems have all reached the international advanced level.

IV Business Overview

III. Analysis of Core Competitiveness (Cont'd)

4. Advantages in research and innovation and new product development

The Company is a high and new-technology enterprise and gives full play to its strong research capability. Supported by the national enterprise technology centre and the post-doctoral working station, the Company has established a comprehensive intellectual property system and put more and more efforts in technical innovation and scientific research and development to develop new products with high technology contents and high added value as well as proprietary technologies. Meanwhile, the technology centre of the Company has actively engaged in technical cooperation with schools, research institutions and international advanced enterprises. The Company has obtained over 150 national patents including 12 patents for invention, with 7 products selected as national new products and 35 products filling the gap in China. The Company participated in the formulation of 4 national standards and was awarded honours including “China Patent Shandong Star Enterprise”, becoming the “green engine” of the transformation and upgrading in the paper making industry and leading the direction of the latest and most advanced technology in the paper making industry in China.

5. Funding advantages

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

6. Team advantages

The key management members and the core personnel of the Company remain stable. In the business development of Chenming Paper, an internal corporate culture developed by the stable core staff team favourable to the growth of the Company consolidates the management experience specific to the industry, thus resulting in a team advantage blended with management and culture. Meanwhile, the Company has attracted experienced professionals with financial, legal, financial management backgrounds through its advanced management philosophy and ample room for development. The high quality and professional team secures the sustainable development of the Company with a solid supply of talents.

7. Advantages in environmental governance capacity

In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, white water recovery system and black liquor comprehensive utilisation system. The environmental emission indicators of the Company rank high among industry peers. Besides, the national policy of eliminating obsolete production capacity will facilitate the development of the paper making industry while the replenishment and replacement of advanced production capacity will bring new blood and momentum into the paper making industry, favouring industry concentration to establish a sound industry cycle.

V Discussion and Analysis of Operations

I. Overview

In 2017, facing the complex macroeconomic conditions, as well as the pressure from the market, environmental protection and increasing costs, the Company, aiming at “developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand”, committed itself to “team building, management enhancement, outstanding business performance and good results” to strive for progress and be innovative and practical, and comprehensively improved its quality and efficiency, management level, technology application, sense of happiness and brand image. It successfully completed all the work targets for the year and achieved very impressive results.

In 2017, the Company completed the production of machine-made paper of 5.10 million tonnes with sales of 4.96 million tonnes and achieved revenue of RMB29.852 billion, a year-on-year increase of 30.32%. The Company recorded operating costs of RMB19.729 billion, a year-on-year increase of 24.97%. Total profit and net profit attributable to equity holders of the Company were RMB4,536 million and RMB3,769 million respectively, up by 75.62% and 88.60% from the prior year. The Company’s total assets amounted to RMB105.625 billion. The financial segment experienced stable development across businesses with ever improving management systems and effective risk preventions.

(I) New breakthroughs in operation management

Facing the complex and ever-changing market conditions, the sales system persistently executed the decision and planning made by the management of the Company in spite of challenges with a pioneering attitude, thus opening up an unprecedented new era. By adopting measures such as strengthening business training, enhancing appraisal methods and incentive measures, focusing on performance and caring for employees’ living, the sales team significantly improved its capability with refreshed spirits. Under strengthened market operations and the regulated market order, the marketing strategies were useful and highly effective. The market construction was steadily enhanced through strengthened management on accounts receivable and channel construction.

(II) New progress in production management

Benefiting from the strengthened basic management, the progress made in team building and improved operation skills of employees, the production system was stable and under control and continued to perform well as a whole. The machines were under stable and efficient operation during the year through strengthened management, control and appraisal. The Company also conducted production capacity enhancement in its own pulp production, adjusted product structure, focused on the development of products with high efficiency, optimised techniques and promoted the application of new technologies and raw materials to improve efficiency.

V Discussion and Analysis of Operations

I. Overview (Cont'd)

(III) Stable operation in the financial segment

For the financial segment, the Company constructed a financial business system with a more reasonable structure through active business expansion and strict risk control. In order to strengthen the centralised management of its financial business, the Company set up the headquarters for the management of financial leasing and also established two financial leasing companies in Shanghai and Guangzhou, and two commercial factoring companies in Shandong and Guangzhou to further mitigate business risks and improve internal management and profitability. By issuing perpetual bonds of RMB3.0 billion and corporate bonds of RMB1.2 billion, the Company reduced its gearing ratio and improved its debt structure. The Company also stepped up efforts in cooperation between banks and enterprises by reaching a strategic cooperation with Qilu Bank and expanding the scope of cooperation with Industrial Bank, Postal Savings Bank and other banks, and obtained additional credit facilities of over RMB18.0 billion.

(IV) Flourishing project construction in full swing

The phase I of the magnesite mining project of Haiming Mining commenced operation in January 2018. The 400,000-tonne chemical pulp project and 510,000 tonne high-end culture paper project of Shouguang Meilun and the 300,000 tonne wood pulp project of Huanggang Chenming progressed smoothly according to the schedule. After being put into production, these projects will play a very important role in enhancing the sustainable development and achieving the strategic objectives of the Company.

(V) Effective corporate management

The Company fully implemented the adjustments in the organisational structure and the remuneration system as planned to further enhance the functional management as well as the effectiveness of remuneration as incentives. The Company promoted reform on management and system upgrade through the construction of process and information technology. The Company also further improved its management system to keep track of the basic management. By focusing on strengthening level management, formulating management measures and specifying management duties, the capabilities of discovering and solving problems at all levels were enhanced with stronger team execution. The Company motivated its team by enhancing remuneration and incentives and providing more positive incentives, thus significantly improving the enthusiasm and creativity of its management personnel.

V Discussion and Analysis of Operations

II. Analysis of principal operations

1. Overview

Please see “I. Overview” under “Discussion and Analysis of Operations” for relevant information.

2. Revenue and cost

(1) Components of revenue

	2017		2016		Unit: RMB Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	29,851,743,848.13	100%	22,907,118,241.84	100%	30.32%
By industry					
Machine-made paper	26,280,449,337.82	88.04%	19,536,639,601.47	85.29%	34.52%
Financial leasing	2,347,173,531.64	7.86%	2,339,925,682.07	10.21%	0.31%
Electricity and steam	198,073,854.15	0.66%	338,702,429.21	1.48%	-41.52%
Construction materials	255,747,205.45	0.86%	227,629,265.80	0.99%	12.35%
Chemicals	109,914,856.68	0.37%	129,003,963.48	0.56%	-14.80%
Hotel	24,368,815.97	0.08%	26,677,286.19	0.12%	-8.65%
Others	636,016,246.42	2.13%	308,540,013.62	1.35%	106.14%
By product					
Duplex press paper	6,368,897,144.23	21.34%	4,966,155,905.70	21.68%	28.25%
Coated paper	5,489,860,030.01	18.39%	4,428,162,301.09	19.33%	23.98%
White paper board	6,906,078,714.80	23.13%	2,815,701,912.71	12.29%	145.27%
Electrostatic paper	2,371,439,780.86	7.94%	2,107,489,078.57	9.20%	12.52%
Anti-sticking raw paper	1,207,953,706.05	4.05%	1,009,523,792.88	4.41%	19.66%
Newsprint paper	793,309,261.25	2.66%	996,218,028.98	4.35%	-20.37%
Household paper	689,570,026.52	2.31%	659,518,362.24	2.88%	4.56%
Light weight coated paper	515,092,105.82	1.73%	463,577,121.66	2.02%	11.11%
Writing paper	275,304,569.70	0.92%	274,469,632.58	1.20%	0.30%
Other machine-made paper	1,662,943,998.58	5.57%	1,815,823,465.06	7.93%	-8.42%
Financial leasing	2,347,173,531.64	7.86%	2,339,925,682.07	10.21%	0.31%
Electricity and steam	198,073,854.15	0.66%	338,702,429.21	1.48%	-41.52%
Construction materials	255,747,205.45	0.86%	227,629,265.80	0.99%	12.35%
Chemicals	109,914,856.68	0.37%	129,003,963.48	0.56%	-14.80%
Hotel	24,368,815.97	0.08%	26,677,286.19	0.12%	-8.65%
Others	636,016,246.42	2.13%	308,540,013.62	1.35%	106.14%
By geographical segment					
Mainland China	25,920,834,960.98	86.83%	19,628,612,055.93	85.69%	32.06%
Other countries and regions	3,930,908,887.15	13.17%	3,278,506,185.91	14.31%	19.90%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(2) Industries, products or regions accounting for over 10% of revenue or operating profit of the Company

Applicable Not applicable

Whether the Company needs to comply with the disclosure requirements of specific industries

No

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	26,280,449,337.82	18,620,269,325.34	29.15%	34.52%	25.03%	5.38%
Financial leasing	2,376,560,324.10	282,366,339.02	88.12%	1.57%	28.67%	-2.50%
By product						
Duplex press paper	6,368,897,144.23	4,681,114,971.82	26.50%	28.25%	25.85%	1.40%
Coated paper	5,489,860,030.01	3,806,504,813.36	30.66%	23.98%	15.77%	4.91%
White paper board	6,906,078,714.80	4,769,506,903.63	30.94%	145.27%	124.22%	6.49%
Electrostatic paper	2,371,439,780.86	1,503,657,404.54	36.59%	12.52%	8.70%	2.23%
Anti-sticking						
raw paper	1,207,953,706.05	795,913,212.90	34.11%	19.66%	11.05%	5.10%
Financial leasing	2,376,560,324.10	282,366,339.02	88.12%	1.57%	28.67%	-2.50%
By geographical segment						
Mainland China	25,920,834,960.98	16,111,178,123.56	37.84%	59.43%	34.15%	11.71%
Other countries and regions						
	3,930,908,887.15	3,618,012,351.53	7.96%	19.90%	25.47%	-4.09%

Under the circumstances that the statistics specification for the Company's principal operations data experienced adjustment in the reporting period, the principal operations data upon adjustment of the statistics specification at the end of the reporting period in the latest year

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(3) Whether revenue from sales in kind is higher than revenue from services

Yes No

By industry	Item	Unit	2017	2016	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	496	452	9.73%
	Production output	'0,000 tonnes	510	436	16.97%
	Inventories	'0,000 tonnes	47	33	42.42%

Explanation on why the related data varied by more than 30%

Applicable Not applicable

The inventories of machine-made paper increased by 42.42% year on year mainly due to the production capacity increase after the operation of the Zhanjiang 600,000-tonne liquid packaging paper project.

(4) Performance of material sales contracts of the Company during the reporting period

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(5) Composition of operating costs

By industry

Unit: RMB

By industry	Item	2017		2016		Increase/ decrease
		Amount	% of operating costs	Amount	% of operating costs	
Machine-made paper	Raw materials	11,321,010,554.29	60.80%	8,974,526,123.35	60.26%	26.15%
	Depreciation	875,140,104.87	4.70%	768,639,922.25	5.16%	13.86%
	Labour costs	259,402,371.05	1.40%	186,978,418.54	1.26%	38.73%
	Energy and power	2,041,148,096.91	11.00%	1,526,753,692.29	10.25%	33.69%
	Chemicals	2,649,089,266.03	14.20%	2,014,239,925.46	13.52%	31.52%
	Other production costs	1,474,478,932.18	7.90%	1,421,923,493.98	9.55%	3.70%
	Subtotal	18,620,269,325.34	100.00%	14,893,061,575.87	100.00%	25.03%
Power and steam	Raw materials	106,044,022.66	80.20%	161,521,323.47	75.37%	-34.35%
	Depreciation	9,800,393.22	7.40%	19,858,908.35	9.27%	-50.65%
	Labour costs	3,756,021.82	2.80%	7,643,082.12	3.57%	-50.86%
	Energy and power	2,850,799.43	2.20%	2,769,566.68	1.29%	2.93%
	Chemicals	345,197.70	0.30%	697,230.84	0.33%	-50.49%
	Other production costs	9,400,888.63	7.10%	21,811,402.07	10.18%	-56.90%
	Subtotal	132,197,323.45	100.00%	214,301,513.53	100.00%	-38.31%
Construction materials	Raw materials	151,042,972.58	72.70%	116,872,767.63	67.09%	29.24%
	Depreciation	7,247,023.47	3.50%	4,589,639.45	2.63%	57.90%
	Labour costs	14,112,147.05	6.80%	11,218,728.30	6.44%	25.79%
	Energy and power	23,009,884.02	11.10%	22,500,486.99	12.92%	2.26%
	Other production costs	12,319,837.64	5.90%	19,011,859.48	10.91%	-35.20%
	Subtotal	207,731,864.76	100.00%	174,193,481.85	100.00%	19.25%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(6) Change of scope of consolidation during the reporting period

Yes No

① Business combination not under common control

Name of acquiree	Point of time of equity acquisition	Equity acquisition costs (RMB'0000)	Equity acquisition proportion (%)	Equity acquisition mode	Acquisition date	Basis for the acquisition date	Revenue of acquiree from the acquisition date to the end of the period (RMB)	Net profit of acquiree from the acquisition date to the end of the period (RMB)
Shanghai Hongtai Real Estate Co., Ltd.	October 2017	159,064.67	45.00	Merger and acquisition	1 November 2017	The date when de facto control is established	485,784.40	-36,856,878.73

② Change in scope of consolidation due to other reasons

During the year, the scope of consolidation included 9 newly established subsidiaries, namely Shanghai Chenming Industry Co., Ltd., Shanghai Chenming Financial Leasing Co., Ltd., Guangzhou Chenming Financial Leasing Co., Ltd., Shandong Chenming Commercial Factoring Co., Ltd., Guangzhou Chenming Commercial Factoring Co., Ltd., Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd., Xuchang Chenming Paper Co., Ltd., Chengdu Chenming Culture Communication Co., Ltd. and Beijing Chenming Culture Communication Co., Ltd.

During the year, the scope of consolidation excluded 2 companies: a former subsidiary, namely Shouguang Chenming Hongxin Packaging Co., Ltd was deregistered upon merger and acquisition by another subsidiary Shouguang Hongxiang Printing and Packaging Co., Ltd, whereas Jilin Chenming Machinery Manufacturing Co., Limited was transferred.

(7) Significant change in or adjustment of the businesses, products or services of the Company during the reporting period

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	1,948,080,321.71
Total sales to top 5 customers as a percentage of the total sales for the year	6.53%
Sales to top 5 customers who are related parties as a percentage of the total sales for the year	0.00%

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	Customer A	520,359,524.99	1.74%
2	Customer B	397,167,618.02	1.33%
3	Customer C	375,786,051.33	1.26%
4	Customer D	342,484,499.61	1.15%
5	Customer E	312,282,627.76	1.05%
Total	—	1,948,080,321.71	6.53%

Other explanation of major customers

Applicable Not applicable

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	4,905,829,110.64
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	24.87%
Total purchases from top 5 suppliers who are related parties as a percentage of the total purchases for the year	0.00%

Information on top 5 suppliers of the Company

No.	Name of supplier	Purchases (RMB)	As a percentage of the total purchases for the year (%)
1	Supplier A	1,199,824,640.13	6.08%
2	Supplier B	1,191,365,504.15	6.04%
3	Supplier C	1,029,110,865.91	5.22%
4	Supplier D	867,095,512.68	4.39%
5	Supplier E	618,432,587.77	3.13%
Total	—	4,905,829,110.64	24.86%

Other explanation of major suppliers

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

3. Expenses

Unit: RMB

	2017	2016	Increase/ decrease (%)	Reasons for material changes
Selling and distribution expenses	1,304,465,552.27	1,166,484,567.20	11.83%	Mainly due to the increase of transportation expenses resulting from higher sales
General and administrative expenses	1,909,369,899.86	1,441,458,586.06	32.46%	Mainly due to an increase in research and development expenditure and employee's compensation
Finance expenses	2,496,592,415.87	1,818,564,890.78	37.28%	Mainly due to an increase in interest expenses and exchange loss
Loss on impairment of asset	141,361,141.80	413,711,106.31	-65.83%	Mainly due to impairment of assets incurred by Fuyu Chenming and Jiangxi Chenming during the corresponding period of the prior year

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

4. Research and development expenditure

Applicable Not applicable

The Company had been closely following the economic and market conditions in China and in the industry since 2017. Driven by customers' demand and targeting at enhancing economic benefits, the Company put more efforts into technical innovation, promoted the application of new technology and new raw materials such as enzymes for pulping and filler modification enhancers, and developed new products with high technology contents and high economic benefits, striving to conduct R&D on product differentiation and refining. Six R&D projects such as "technical development of light weight colour duplex press paper", "technical development of low ink absorption one-side coated paper", "technical development of copy raw paper for construction" and "technical development of oxidised starch for glassine paper", were listed on the technological innovative project plans of Shandong Province for 2017. The Company was awarded the second tier prize of the Science and Technology Progress Awards of the Ministry of Education in 2017 for its "Key Technology and Application of Water Saving and Clean Production in Paper Making" under collaborative development with Nanjing Forestry University on production, learning and research in the water saving and clean production area in paper making. Meanwhile, the Company completed the development and upgrade of high value-added products such as micro coated paper, exquisite duplex press paper and white solid bleached board, thereby accelerating the adjustment in product structure and facilitating transformation and upgrading after industrial application.

Research and development expenditure of the Company

	2017	2016	Percentage change
R&D headcount	1,434	1,161	23.51%
Ratio of R&D personnel	10.56%	8.94%	1.62%
R&D expenditure (RMB)	1,017,306,281.19	735,689,011.01	38.28%
R&D expenditure to revenue	3.41%	3.21%	0.20%

Reasons for significant change in total R&D expenditure to revenue

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

5. Cash flows

Item	2017	2016	Unit: RMB
			Increase/ decrease (%)
Subtotal of cash inflows from operating activities	25,185,850,961.77	23,640,327,789.01	6.54%
Subtotal of cash outflows from operating activities	25,162,084,918.84	21,487,278,519.17	17.10%
Net cash flows from operating activities	23,766,042.93	2,153,049,269.84	-98.90%
Subtotal of cash inflows from investing activities	1,018,367,966.90	660,100,177.22	54.27%
Subtotal of cash outflows from investing activities	4,649,220,322.66	4,327,554,352.96	7.43%
Net cash flows from investing activities	-3,630,852,355.76	-3,667,454,175.74	1.00%
Subtotal of cash inflows from financing activities	66,918,619,679.44	59,667,079,610.56	12.15%
Subtotal of cash outflows from financing activities	62,441,482,879.29	58,037,514,000.21	7.59%
Net cash flows from financing activities	4,477,136,800.15	1,629,565,610.35	174.74%
Net increase in cash and cash equivalents	824,547,328.84	91,753,551.86	798.65%

Explanation on main effects of material changes

Applicable Not applicable

- (1) Net cash flows from operating activities decreased by 98.90% as compared to the corresponding period of the prior year mainly due to the external business growth of the financial leasing business.
- (2) Net cash flows from financing activities increased by 174.74% as compared to the corresponding period of the prior year mainly due to the increase in borrowings during the year.

Explanation on main reasons leading to the material difference between net cash flows from operating activities during the reporting period and net profit for the year

Applicable Not applicable

The main reasons were the increase in amounts receivable of the Company settled through bills during the reporting period and the external business growth of the financing leasing business.

III. Analysis of non-principal operations

Applicable Not applicable

V Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of 2017		As at the end of 2016		Percentage change	Description of major changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	14,443,492,461.43	13.67%	10,109,930,319.49	12.29%	1.38%	Mainly due to the increase of the sales revenue
Accounts receivable	3,665,865,577.03	3.47%	3,974,065,104.15	4.83%	-1.36%	—
Inventories	6,022,805,491.17	5.70%	4,862,668,746.90	5.91%	-0.21%	Mainly due to the increase of inventories of raw materials and finished goods as the production capacity of the Company increased
Investment properties	4,809,535,109.82	4.55%	14,258,675.83	0.02%	4.53%	Mainly due to the inclusion of Shanghai Hongtai in the scope of consolidation
Long-term equity investments	391,868,827.45	0.37%	67,251,992.88	0.08%	0.29%	Mainly due to the new equity investments made in Kaichen Huamei and Sime Darby West Port during the reporting period
Fixed assets	28,227,509,503.05	26.72%	28,811,555,365.39	35.01%	-8.29%	—
Construction in progress	7,668,669,413.87	7.26%	4,115,194,870.23	5.00%	2.26%	Mainly due to the continued investment in the Meilun chemical pulp project, the 510,000 tons of cultural paper project and the Huanggang pulp and paper project
Short-term borrowings	35,096,574,873.03	33.23%	27,875,506,988.53	33.88%	-0.65%	Mainly due to the increase of the short-term liquidity demand from the expanded production scale
Long-term borrowings	7,646,122,995.91	7.24%	6,935,598,781.23	8.43%	-1.19%	—
Bills receivable	4,220,231,853.56	4.00%	1,590,460,875.23	1.93%	2.07%	Mainly due to the increase of the bills and letters of credit and the increase of the bills pledged for loans
Prepayments	1,962,151,473.35	1.86%	1,511,362,674.64	1.84%	0.02%	Mainly due to the increase of the prepayments for raw materials of the Company
Other receivables	538,734,656.55	0.51%	1,614,214,645.49	1.96%	-1.45%	Mainly due to the recovery of the financial support granted to Wuhan Chenming Wanxing Real Estate Co. Ltd by the Company
Non-current assets due within one year	6,901,695,875.94	6.53%	5,487,376,588.22	6.67%	-0.14%	Mainly due to the increase of amounts receivable due within one year of the long-term financing leasing business of the Company
Other current assets	11,568,757,330.26	10.95%	6,616,744,831.28	8.04%	2.91%	Mainly due to the increase of receivables under financial lease due within one year of the Company
Intangible assets	2,059,221,379.09	1.95%	1,540,959,330.74	1.87%	0.08%	Mainly due to the increase of the land use rights of Huanggang Chenming and Haiming Mining
Bills payable	1,278,395,090.71	1.21%	515,301,703.08	0.63%	0.58%	Mainly due to the increase of the payment for goods settled by bills by the Company
Advance receipts	243,182,891.22	0.23%	377,135,566.33	0.46%	-0.23%	Mainly due to the decrease of advance receipts received by the Company
Other receivables	1,426,629,545.41	1.35%	948,919,195.81	1.15%	0.20%	Mainly due to the increase of the deposits received by the Company during the reporting period
Non-current liabilities due within one year	3,625,430,347.40	3.43%	6,237,021,557.17	7.58%	-4.15%	Mainly due to the repayment of the matured corporate bonds of RMB3.8 billion
Other current liabilities	10,797,248,631.76	10.22%	6,602,863,069.45	8.02%	2.20%	Mainly due to the increase of the short-term and ultra-short-term commercial paper by the Company at the end of this year
Long-term payables	5,550,881,435.64	5.26%	3,951,368,854.00	4.80%	0.46%	Mainly due to the proceeds from the financing leasing business by the Company during the reporting period

V Discussion and Analysis of Operations

IV. Assets and liabilities (Cont'd)

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Closing balance
Financial assets							
1. financial assets measured at fair value with changes carried through profit or loss							
		94,000,000.00	94,000,000.00				94,000,000.00
Consumable biological assets	1,633,513,994.28	-21,000,042.33	99,474,798.31		170,118,925.16	26,256,923.04	1,756,375,954.07
Total	1,633,513,994.28	72,999,957.67	193,474,798.31	0.00	170,118,925.16	26,256,923.04	1,850,375,954.07
Financial liabilities	0.00						0.00

Whether there were any material changes on the measurement attributes of major assets of the Company during the reporting period

Yes No

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

Unit: RMB

Item	Carrying amount as at the end of the year	Reasons for such restriction
Monetary funds	11,639,084,086.97	As deposits for bank acceptance bills, letters of credit and bank borrowings, and deposit reserves
Bills receivable	2,108,159,820.71	As collateral for short-term borrowings, bills payable, letters of guarantee and letters of credit
Investment properties	4,809,535,109.82	As collateral for bank borrowings
Fixed assets	5,663,286,231.38	As collateral for bank borrowings and long-term payables
Intangible assets	597,992,087.19	As collateral for bank borrowings and long-term payables
Total	24,818,057,336.07	

V. Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
10,071,391,422.52	4,603,144,781.24	118.79%

V Discussion and Analysis of Operations

V. Investments (Cont'd)

2. Material equity investments during the reporting period

√ Applicable □ Not applicable

Unit: RMB

Name of investee	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Lawsuit is involved or not	Date of disclosure (if any)	Disclosure index (if any)
Shanghai Chemring Industry Co., Ltd.	Industrial investment, commercial consultation and property management	Newly established	1,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	15 September 2017 to 14 September 2037	Enterprise investment etc.	Completed	-	-6,832,513.72	No	26 September 2017	http://www.cninfo.com.cn
Shanghai Chemring Financial Leasing Co., Ltd.	Financial leasing and operating leasing	Newly established	0.00	100.00%	Self-owned funds	A wholly-owned subsidiary	6 November 2017 to 5 November 2047	Financial leasing	Not completed	-	0.00	No	26 September 2017	http://www.cninfo.com.cn
Shougang Chemring Import and Export Trade Co., Ltd.	Import and export of goods and technologies within the scope as permitted by the State	Capital increase	150,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	30 December 2011 to 30 December 2031	Import and export trade	Completed	-	2,389,702.11	No	14 October 2017	http://www.cninfo.com.cn
Shandong Chemring Group Finance Co., Ltd.	Business as permitted by the China Banking Regulatory Commission pursuant to relevant laws, administrative regulations and other regulations	Capital increase	1,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	Long-term	Corporate financial business	Completed	-	200,067,991.63	No	14 October 2017	http://www.cninfo.com.cn
Shanghai Hongtai Real Estate Co., Ltd.	Real estate development and operation and property management	Acquisition	1,590,646,717.76	45.00%	Self-owned funds	Guangdong Dejun Investment Management Co., Ltd. and Shanghai Xinhuangou Real Estate Co., Ltd.	31 January 1994 to 30 January 2044	Real estate	Completed	-	-36,856,878.73	No	31 October 2017	http://www.cninfo.com.cn
Guangzhou Chemring Financial Leasing Co., Ltd.	Financial leasing	Newly established	465,779,506.00	100.00%	Self-owned funds	A wholly-owned subsidiary	17 November 2017 to 16 November 2047	Financial leasing	Completed	-	98,465.85	No	16 November 2017	http://www.cninfo.com.cn
Guangzhou Chemring Commercial Factoring Co., Ltd.	Commercial factoring	Newly established	51,000,000.00	51.00%	Self-owned funds	Wefang Haiyue Corporate Management Co., Ltd.	Long-term	Commercial factoring	Completed	-	404.34	No	16 November 2017	http://www.cninfo.com.cn
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Private equity investment	Newly established	200,000,000.00	40.00%	Self-owned funds	Zhuhai Kaicheng Investment Advisory Company (General Partnership), Beijing Taihe Orient Investment Co., Ltd., Tibet Guangqi Venture Capital Management Co., Ltd., Shenzhen Pengchong Investment Management Co., Ltd., Wang Chengjiang, Yu Xiaojie and Sui Xinpeng	Long-term	Equity investment	Completed	-	-1,018,826.99	No	16 August 2017	http://www.cninfo.com.cn
Weifang Sendamei West Port Co. Ltd.	Engaged in port construction, management and operation	Acquisition	106,110,000.00	50.00%	Self-owned funds	Sendamei Overseas (Hong Kong) limited.	Long-term	Port	Completed	-	-1,325,077.59	No	-	Not applicable
Shandong Chemring Commercial Factoring Co., Ltd.	Relevant consultation services for domestic factoring, export factoring and commercial factoring, corporate management consultation, and asset valuation services	Newly established	150,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	Long-term	Commercial factor	Completed	-	843,198.40	No	-	Not applicable
Xuchang Chemring Paper Co. Ltd.	Paper pulp, finished paper, paper products, packaging production, sales.	Newly established	60,000,000.00	60.00%	Self-owned funds	A holding subsidiary	Long-term	Machine-made paper	Completed	-	-17,007,455.36	No	Not applicable	Not applicable
Zhanjiang Chemring Pulp & Paper Co. Ltd.	Production and sales of electrostatic paper, duplex press paper and white paper board; and production and sales of pulp	Capital increase	2,000,000,000.00	100.00%	Self-owned funds	A subsidiary	Long-term	electrostatic paper, duplex press paper, white paper board, etc.	Completed	-	1,684,736,236.73	No	17 November 2016	http://www.cninfo.com.cn
Qingdao Chemring Nonghai Financial Leasing Co., Ltd.	Conducting spot transactions, trading of and electronic commerce of pulp, finished paper products, paper-making auxiliary materials, etc., and online sale of pulp, paper, paper product, etc.	Capital increase	3,297,855,216.76	100.00%	Self-owned funds	A wholly-owned subsidiary	Long-term	Financial leasing	Completed	-	196,608,697.71	No	31 March 2016	http://www.cninfo.com.cn
Total	-	-	10,071,391,442.52	-	-	-	-	-	-	-	2,021,703,944.38	-	-	-

V Discussion and Analysis of Operations

V. Investments (Cont'd)

3. Material non-equity investments during the reporting period

Applicable Not applicable

Unit: RMB

Project name	Form of investment	Fixed assets investment or not	Industry in which the investment project operates	Investment amount during the reporting period	Accumulated actual amount invested as of the end of the reporting period	Source of fund	Progress	Estimated return	Accumulated realised return as of the end of the reporting period	Reasons for failure in meeting scheduled progress and estimated return	Date of disclosure (if any)	Disclosure index (if any)
Forestry paper integration project of Huanggang Chenming	Self-constructed	Yes	Pulp production	802,532,697.23	2,482,982,255.45	Self-raised and borrowings	78.00%	The expected net profit of the forest base will amount to RMB102 million and the expected average total profit per annum of the industrial project will amount to RMB350 million.	0.00	Not yet completed	2 August 2013	http://www.cninfo.com.cn/
510,000 tonne high-end cultural paper project of Shouguang Meilun	Self-constructed	Yes	Paper making	577,977,304.68	697,210,244.24	Self-raised and borrowings	1.44%	Upon the completion of construction and commencement of production of the project, the expected profit will amount to RMB308 million.	0.00	Not yet completed	18 February 2017	http://www.cninfo.com.cn/
400,000 tonne chemical pulp project of Shouguang Meilun	Self-constructed	Yes	Pulp production	1,188,512,282.02	1,801,971,276.32	Self-raised and borrowings	43.84%	Upon the completion of construction and commencement of production of the project, the expected total profit will amount to RMB410 million.	0.00	Not yet completed	21 March 2014	http://www.cninfo.com.cn/
Magnesite project	Self-constructed	Yes	Mining	289,216,242.71	1,047,440,597.94	Self-raised and borrowings	99.00%	The expected average total profit per annum RMB184 million	0.00	Not yet transfer to fixed assets as at the end of the reporting period	25 October 2012	http://www.cninfo.com.cn/
Newsprint paper to cultural paper machine and transformation of the ancillary pulp production lines	Self-constructed	Yes	Paper making and pulp production	902,644,220.48	902,644,220.48	Self-raised and borrowings	30.00%	-	0.00	Not yet completed		Not applicable
Total	-	-	-	3,760,882,747.12	6,932,248,594.43	-	-	-	0.00	-	-	-

4. Financial asset investment

(1) Security investments

Applicable Not applicable

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

(2) Derivatives investments

Applicable Not applicable

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

V Discussion and Analysis of Operations

V. Investments (Cont'd)

5. Use of proceeds

Applicable Not applicable

(1) General use of proceeds

Applicable Not applicable

Unit: RMB'0,000

Year	Fund-raising method	Total amount of proceeds	Total amount of utilised proceeds during the current period	Total amount of utilised proceeds	Total amount of proceeds with change in use during the reporting period	Total amount of accumulated proceeds with change in use	Proportion of total amount of accumulated proceeds with change in use	Total amount of unutilised proceeds	Use and status of unutilised proceeds	Total amount of idle proceeds for over 2 years
2017	Public offering of corporate bonds	119,820	119,820	119,820	0	0	0.00%	0	Not applicable	0

Description of the general use of proceeds

On 13 March 2017, the Company received the Approval (Zheng Jian Xu Ke [2017] No. 342) from the China Securities Regulatory Commission for the public offering of corporate bonds of not more than RMB4.0 billion. On 21 August 2017, the Company issued the first tranche of corporate bonds for 2017 to qualified investors, with total proceeds raised of RMB1,200 million. After deducting the issuance expense paid of RMB1.80 million, the net proceeds raised of RMB1,198.20 million were deposited to the designated account for the proceeds of corporate bonds.

V Discussion and Analysis of Operations

V. Investments (Cont'd)

5. Use of proceeds (Cont'd)

(2) Commitment of proceeds

√ Applicable □ Not applicable

Unit: RMB'0,000

Committed investment project and excess proceeds	Change in project (including partial change)	Total committed investment of proceeds	Total investment after adjustment ⁽¹⁾	Invested amount during the reporting period	Accumulated invested amount as at the end of the period ⁽²⁾	Investment progress as at the end of the Period ^{(3)=(2)/(1)}	Expect date of operation of the project	Return realised during the reporting period	Expected return being achieved or not	Significant change in project
Committed investment project										
Swap of bank loans	No	119,820	119,820	119,820	119,820	100.00%	22 August 2017	Not applicable	Not applicable	No
Subtotal of committed investment project	—	119,820	119,820	119,820	119,820	—	—	Not applicable	—	—
Amount, use and utilisation of excess proceeds	Not applicable									
Change in place of implementation of investment project of proceeds	Not applicable									
Adjustment on implementation method of investment project of proceeds	Not applicable									
Pre-investment and swap of investment project of proceeds	Not applicable									
Temporary replenishment of liquidity by idle proceeds	Not applicable									
Balance and reason for proceeds arising from project implementation	Not applicable									
Use and direction of unused proceeds	Proceeds had been fully utilised.									
Use of proceeds and problems disclosed or other issues	None.									

V Discussion and Analysis of Operations

V. Investments (Cont'd)

5. Use of proceeds (Cont'd)

(3) Change in use of proceeds

Applicable Not applicable

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

VI. Disposal of material assets and equity interest

1. Disposal of material 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 of disposal on the Company (note 3)	Ratio of net profit contribution to the Company of disposal of asset over total net profit (%)	Pricing basis of disposal of asset	Related party transaction or not	Relationship with counterparty (ies) (in case of related party transaction)	Relevant asset title fully transferred or not	Relevant debt fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Jinrun Science and Technology Co., Ltd.	Property 2601- 2617, Block A, Cyber Tower, No. 2 Zhongguancun South Street, Haidian District, Beijing	24 February 2017	8,200	5,832	The disposal of asset is beneficial for the revitalisation of the Company's assets, optimisation of resources allocation and enhancement of fund utilisation efficiency. Relevant income has been accounted for profit for the period, which can boost the profitability for 2017.	1.55%	Determined by parties involved through negotiation after considering various factors, including the basic condition of subject project, transaction price of nearby property and other factors.	No	Not applicable	Yes	Yes	Not applicable	1 March 2017	http://www.cninfo.com.cn

2. Disposal of material equity interest

Applicable Not applicable

V Discussion and Analysis of Operations

VII. Analysis of major subsidiaries and investees

√ Applicable □ Not applicable

Major subsidiary and investees accounting for over 10% of the net profit of the Company

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of pulp, duplex press paper, electrostatic paper	5,550,000,000	19,637,972,265.93	7,674,094,388.74	9,314,971,712.72	1,980,723,132.50	1,684,736,236.73
Shandong Chenming Financial Leasing Co., Ltd.	Subsidiary	Paper product trading and financial leasing	7,700,000,000	35,412,243,151.58	26,091,740,690.40	2,768,375,693.24	1,074,327,081.23	875,802,429.89
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper and household paper	3,000,000,000	9,882,253,940.98	5,286,042,008.02	4,940,598,286.91	221,294,183.74	202,049,304.67
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Production and sale of light weight paper and white paper board	2,038,116,000	5,081,399,764.50	2,390,668,674.54	3,323,823,190.88	338,019,850.01	293,490,046.91

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Name of companies	Methods to acquire and dispose of subsidiaries during the reporting period	Impact on overall production and operation and results
Shanghai Chenming Industry Co., Ltd. Shanghai Hongtai Real Estate Co., Ltd.	Newly established Equity acquisition	Net profit of –RMB6,832,513.72 From the date of inclusion into the scope of consolidation to the end of the reporting period, net profit amounted to –RMB36,856,878.73 No effect on overall operation and results
Shanghai Chenming Financial Leasing Co., Ltd.	Newly established	Net profit of RMB98,465.85
Guangzhou Chenming Financial Leasing Co., Ltd.	Newly established	Net profit attributable to the parent company was RMB404.34
Guangzhou Chenming Commercial Factoring Co., Ltd.	Newly established	Net profit of RMB843,198.40
Shandong Chenming Commercial Factoring Co., Ltd.	Newly established	No effect on overall and operation and results
Chengdu Chenming Culture Communication Co., Ltd.	Newly established	No effect on overall and operation and results
Beijing Chenming Culture Communication Co., Ltd.	Newly established	Net profit of RMB2,327,743.51
Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd.	Newly established	Net profit attributable to the parent company of –RMB17,007,455.36
Xuchang Chenming Paper Co. Ltd.	Newly established	No effect on overall and operation and results
Shouguang Chenming Hongxin Packaging Co., Ltd.	Consolidation by merger	Effect on current net profit of RMB480,189.88
Jilin City Chenming Machinery Manufacturing Co., Ltd.	Equity transfer	

Particulars of major subsidiaries and investees

- (1) Zhanjiang Chenming's major products, including high-end cultural paper and white paper board, had higher average selling prices, higher gross profit margin and stronger profitability.
- (2) Financial Leasing Company made steady progress and delivered better profit.
- (3) Benefiting from the higher prices of coated paper and living paper, Shouguang Meilun recorded better profit.
- (4) Jiangxi Chenming's major products, including high-end cultural paper, had higher selling price, higher gross profit and stronger profitability.

V Discussion and Analysis of Operations

VIII. Structured entities controlled by the Company

Applicable Not applicable

IX. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

Paper making industry

The growth in production and consumption in the paper making industry is closely related to the domestic economic development. Benefiting from the continuous stable macroeconomic growth, the development of the paper making industry will maintain stable growth in the long run. In recently years, the central government has been introducing various industry policies such as production capacity reduction, the supply-side reform, ten rules regarding water pollution and ten rules regarding air pollution. Different measures such as setting higher emission standards and strictly restricting corporate size and structure put stricter restrictions on the enterprises in the paper making industry and force those enterprises with backward production capacity to actively exit the paper making market. With the continuous introduction of production capacity reduction, the supply-side reform and other policies, the environmental protection policies have becoming stricter. The elimination of backward production capacity in the paper making industry has been progressing smoothly. New production capacity mainly comes from large enterprises. It is expected that the industry concentration ratio will further increase. The improvement in the supply in the industry has effectively boosted the dual growth in revenue and profitability of the enterprises in the paper making industry. The downstream demand in the paper making industry will continue to grow along with the domestic economic growth. The turning point in the supply and demand structure in the industry has gradually developed with a boom in the industry to be prolonged.

Financial leasing industry

As the financial reforms advance further, the integration of industrial capital and financial capital gradually accelerate in China. The financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraces continuously mounting market demand. Since the implementation of the “Thirteenth Five Year Plan”, the accelerated urbanisation and industrialisation in China, the change in drivers of economic growth, upgrade of traditional industries, development of emerging industries, and continuous infrastructure construction require substantial investment in fixed assets. China will become the largest leasing market in the world. According to the Research Report on Business Prospects Survey of and Investment Strategies in the China Financial Leasing Industry 2016-2021 issued by ASKCI Consulting Co. Ltd, the financial leasing industry will grow at a compound annual growth rate of over 20% in the future and it is expected that the outstanding leasing contracts of the financial leasing industry in China will amount to RMB20.79 trillion by 2021.

In view of the establishment and optimisation of trading rules, accounting standards, industry regulation and tax policies for the financial leasing industry, the financial leasing in China will present a development trend with stable growth in scale, in-depth expansion of scope of business, further enlarged agglomeration, improving professionalism, further strengthening risk prevention and control, and consolidating foundation for development in the future. The size of the financial leasing business in China will expand significantly. Financial leasing will become an important alternative of financing for enterprises, especially small and medium-sized enterprises. The business prospects of the financial leasing industry in China are promising.

V Discussion and Analysis of Operations

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

(II) Development strategy

Looking forward, the Company will adhere to the principal of emphasising on environmental protection, low carbon, recycling and sustainable development. Following the “Made in China 2025 Plan” and the principles of scientific development and quality and efficiency enhancement, it will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the integration between its production and manufacture segment and financial services segment, incorporation of smart technology into its industrial activities, reorganised methodology and restructuring so as to expand and improve itself and strive to achieve taxable profit over RMB10 billion and strive to become one of the world-class companies with the highest growth rate during the “Thirteenth Five Year Plan” period.

Transformation and upgrade strategy: The Company will comprehensively improve the industrial structure and regional layout; emphasise on the development of the five leading businesses, namely paper making, finance, fibre yarn, forestry and so on; and construct an efficient industrial system with synergies.

Green development strategy: Remaining steadfast in the operation philosophy of “forestry-pulp-paper-fibre-yarn integration”; with technical progress, advanced equipment and strict and prudent management, the Company will promote clean production and recycling economy, become a low-energy consumption and environmentally-friendly enterprise. The Company seeks for development while protecting the environment and maintains higher environmental protection standards while seeking for scientific development, thus achieving a “win-win” situation in economic development and environmental protection.

International operation strategy: The Company, based in China with a global reach, will follow the national strategy of the “Belt and Road” initiative, accelerate its pace of “going global”, reinforce global exchanges and communication and gradually expand its overseas market.

Operational excellence strategy: By adhering to the management policy of “management enhancement, team building, outstanding business performance and good results”, the Company will constantly heighten its whole process management including production and operation, marketing, financial costs and project construction, effectively integrate its systems and resources, and strive to upgrade the Company’s management capacity and profitability.

Strengthening the Company through talent strategy: By improving talent development, introduction, application and incentive mechanisms, and nurturing high-end, versatile, innovative and international talents, Chenming will become one of the world-class companies with the highest growth rate.

Harmonious development strategy: By comprehensively enhancing enterprise culture building, caring for the employees, acting on its corporate social responsibilities, and elevating its integrated value-creating ability in terms of economy, society and environment, Chenming will create a positive corporate image for itself and strive to become a harmonious enterprise.

V Discussion and Analysis of Operations

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

(III) Operation plans for 2018

In 2018, the main goal of the Company is adherence to the main theme of achieving growth amid stability, the general goal of “developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand” and the guiding principal of work of “team building, management enhancement, outstanding business performance and good results”. The Company will fully carry forward its corporate style of “tackling problems once discovered” and strive to enhance management and efficiency while emphasising project construction and committing itself to, among other things, operating steadily, boosting growth, adjusting the structure, preventing risks and benefiting the employees, so as to take corporate development to a new level. The major measures are as follows:

1. Determined to upgrade corporate management

The guiding ideology of the Company’s management in 2018 is “solid foundation, new talents, guaranteed implementation and strict evaluation”.

- (1) Enhance team building: ① The Company will focus on staff training, training system building, hierarchical training material preparation and overall elevation of all employees’ comprehensive capabilities and management capacity of each level, ensuring qualified work. ② The Company will further nurture young management personnel, revitalise the management, and introduce high-end talents to effectively support the Company’s development. ③ The Company will further improve its performance appraisal, widen the gap in distribution hierarchy and motivate the entire staff.
- (2) Solidify basic management: ① The Company will apply a firmer grip on systematic and procedural early warning and feasibly elevate the scientific and standardised level. ② The Company will perform supervision and inspection on the implementation of policies and performance of functions of each department, provide assistance and rewards as appropriate and further promote the management capacity of the Company.

2. Determined to strengthen operations management and innovation

In 2018, with new projects going into production, the Company, facing tougher market conditions, will march on with “confidence, courage, positiveness and initiative”.

- (1) Enhance basic management: ① The Company will dedicate itself to the information technology development for the sales and full mechanical operation. ② The Company will increase its efforts into market survey, and conduct comprehensive follow-up inspections and appraisal for basic management and business priorities on a monthly basis.
- (2) Focus on return management: ① With confidence, the Company will increase the selling prices in a timely manner based on the actual market conditions and reap the returns on higher prices. ② The Company will promote its returns through product structure adjustments and launch of products of higher returns. ③ The Company will standardise channel management and deepen its cooperation with the major customers. ④ The Company will increase its investments in markets of close proximity to realise returns.
- (3) Determined to enhance risk management: ① Collection of past due accounts, being a critical part of our marketing, must be personally handled by the management. The Company will tighten its assessment procedure and increase its efforts into preventing new past due accounts and past due collection. ② The Company will standardise its credit management by extending credit based on effective assets of customers and reduce the payment period and credit extended to customers in default. ③ The Company will continue to promote real estate mortgage with certain customers. ④ The Company will heighten prepayment operations.

V Discussion and Analysis of Operations

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

(III) Operation plans for 2018 (Cont'd)

3. **Determined to enhance production management, innovation and efficiency**
 - (1) Enhance basic management: ① The Company will comprehensively streamline the control procedure of its subsidiaries and enhance supervision and appraisal. ② The Company will add talents to the teams and break through barriers currently suppressing its efficiency and elevate the management capacity.
 - (2) Promote technological innovations: ① The Company will recruit technicians of high calibre, advance the industry-university-research cooperation, accelerate the introduction and integration of international advanced technologies such as high-efficient production and water saving while upgrading its own independent capability of research and development. ② The Company will continue to optimise its product structure and increase its returns by focusing on the development of new products such as pure texture paper, super electro-static paper and food package board as well as increasing the production of high-margin products. ③ The Company will introduce new technologies and new materials such as dipropylene latex, mechanical pulp penetrant and surface enhancement to increase its returns.
 - (3) Enhance safety and environmental protection: ① The Company will implement safety standardisation management and provide basic safety educational training to enhance awareness and capabilities on safety protection of the employees, sparing no efforts in the prevention of major accidents. ② The Company will continue to invest in environmental protection with new projects such as membrane treatment for reclaimed water recycling and comprehensive utilisation of solid waste, becoming a first-rate company in the industry. ③ The Company will identify, rectify and assess potential hazards with zero tolerance, ensuring rectification rate of 100%.
 - (4) Step up in project management: ① The Company will strengthen monthly inspections and appraisals and delegate more power to the management to enhance project supplies and progress management, prevent any issue from arising in project management and provide rewards in cases of timely or early completion. ② The Company will build a production team with sound personnel allocation with proper training to design mechanical production plans, striving for production that excels in efficiency, quantity and quality.
4. **Determined to enhance financial management and achieve steady growth**
 - (1) Enhance risk management in the finance sector: ① The Company will be professionally equipped, improve and strictly implement its risk management system and realise mechanical control with information technology system, preventing business risks. ② The Company will standardise the finance leasing business and reinforce the post-lease management for existing projects.
 - (2) Strengthen financing management: ① The Company will advance the issuance of privately placed bonds, renewable corporate bonds, perpetual medium-term notes and private placement to improve its debt structure and reduce the gearing ratio. ② The Financial Leasing Company and the Finance Company will together form a complete financing system and gradually achieve a virtuous financing circle.

V Discussion and Analysis of Operations

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

(III) Operation plans for 2018 (Cont'd)

5. Determined to enhance supply chain building and increase business value

- (1) Enhance basic management: The Company, by virtue of information technology platforms such as process building, international tender network and contract management, will strengthen its control over suppliers and business processes, comprehensively enhancing the level of information management for procurement.
- (2) Focus on procurement efficiency: The Company will focus on and rely on the sources of procurement of bulk materials, optimise its supplier teams and procurement channels and strengthen market analysis to keep abreast of market conditions and reduce procurement costs.
- (3) Extend the scope of business: ① The Company will conduct the financing business relating to the supply chain to ensure zero risk and improve efficiency. ② The Company will extend the channels of raw materials to deepen the development of high-quality source customers and establish strategic cooperation relationship with quality suppliers. The Company will also set up a dedicated team to ensure the supply of raw materials for the production of new projects and the sustainable development of the Company.
- (4) Strengthen logistics construction: ① The Company will introduce logistics professionals for the construction of a logistics information platform to establish an intelligent logistics system and facilitate the logistics construction of the Group. ② The Company will promote the construction of the Shouguang Chenming International Logistics Centre project and the Qingdao Innovative Industrial Park project.

6. Caring for employees and sharing the results of development

Firstly, the Company will establish a scientific training system to provide a smooth promotion channel, strengthen internal training, helping its employees grow quickly and provide them with more development opportunities and a promotion platform. Secondly, the Company will redesign and change the work uniform for employees to showcase the brand new spirits of the employees, which will greatly improve the image and satisfaction of employees. Thirdly, the Company will continue to build more garden-like factories to create a beautiful Chenming and a more pleasant working environment for the employees. Fourthly, the Company will rationalise the salary increment mechanism to improve the staff's income in real terms so as to make sure the salary level of its staff is relatively higher than those of its local counterparts and industry peers.

V Discussion and Analysis of Operations

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

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

The Company has established a conglomerate principally engaged in paper making, finance, pulp and fibre and mining businesses, etc.. With the further development of the existing principal businesses of the Company, the future capital requirements of the Company will be: (1) investment in the existing projects under construction and proposed new projects; (2) consistent investment in the existing production facilities because of technological transformation or production expansion; and (3) business expansion and general working capital requirements. As the demand for capital has been growing for the Company's production and operation, there is a strong need to replenish the working capital to enhance the Company's capability for sustainable operations.

In order to meet the business development requirements of the Company and further extend and expand the industry chain, the Company will establish diversified financing channels and increase the proportion of direct financing through diversified financing channels such as private placement, corporate bonds, perpetual bonds, short-term commercial paper and cross-border financing so as to improve the debt structure of the Company and provide stable financial support for the operation and development of the Company.

Diversified financing channels to meet the Company's capital requirements: (1) The Company will use RMB3.7 billion from private placement to reduce the cost of paper making. The investment in the 400,000-tonne chemical pulp project through private placement will improve the self-sufficiency of pulp of the Company and the raw materials structure of the paper making segment, in the expectation of reducing the production costs of paper making and enhancing profitability of paper making business. At the same time, non-public issuance of shares will optimise the debt structure and reduce financial costs as well as the gearing ratio. (2) The Company will reduce the financing costs and optimise the capital structure by issuing corporate bonds, medium-term notes, short-term financing, super short-term financing, perpetual bonds and other means for financing so as to provide financial support for the Company's long-term healthy development. (3) The Company will facilitate cross-border financing by making full use of the financing platform in Hong Kong market to increase its credit facilities. Besides, the Company will also mitigate exchange rate risk through multi-currency financing and improve the efficiency of use of capital to reduce financial costs. As at the end of December 2017, the credit facilities utilised by the Company amounted to RMB47.7 billion and the banking credit facilities obtained by the Company amounted to RMB75.6 billion with an utilisation rate of 63.07%. (4) The Company will make use of the advantages of the Finance Company and the Financial Leasing Company in the financial industry to expand the financing channels for the Group, bring new momentum for business development.

V Discussion and Analysis of Operations

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

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

1. Risk on paper making industry

Policy risk

Paper making industry is a basic raw materials industry and its growth has been faster than the average growth of the national economy in recent years. However, the paper making industry's profitability is closely correlated to the economic cycle, and the industry is therefore a cyclical industry fluctuating with the national macroeconomic performance, which will further affect the profitability of the Company.

Hence, following the principles of scientific development and quality and efficiency enhancement, the Company will comprehensively improve its industrial structure and regional layout through the integration between its production and manufacture segment and financial services segment, and incorporation of smart technology into its industrial activities. The Company will emphasise on the development of leading businesses including paper making, finance, pulp and fibre and mining so as to construct an efficient industrial system with synergies.

Market fluctuation risk

With the rapid growth of the national economy, economic globalisation and China's accession to the WTO, China's paper making industry has been facing increasingly fierce competition. Leveraging the strength and capital accumulated over the years, domestic enterprises have further expanded their size and improved their technological levels and product quality. Well-known paper making enterprises overseas have also directly set up production bases in China through sole proprietorship or joint ventures so as to participate in the domestic market competition by virtue of their advantages in size and technology. Besides, tariff reduction on China after accession to the WTO has also further intensified the impact on the international market.

Hence, the Company will strive to enhance the quality of paper products and achieve the target of establishing a layout for high-end paper industry so as to increase the proportion of high-end paper. In recent years, the Company has been expanding its business size and optimising its product mix and has set up a few production lines for high-end paper. A diversified and high-end product mix enables the Company to spread market risk and strengthen the resistance towards market volatility. Besides, as high-end products have better profit margins, the Company can increase the proportion of high-end products through consistent improvement in product mix, thereby enhancing its profitability and comprehensive competitiveness.

V Discussion and Analysis of Operations

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

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

1. Risk on paper making industry (*Cont'd*)

Risk of overcapacity and slowdown in demand

Overcapacity is a prominent problem in the paper making and paper product industry in China such that there has been fierce competition among enterprises. Since 2013, affected by slowdown in macroeconomic growth, the demand in paper making industry has been weak. At the same time, China has been encouraging energy conservation and emission reduction. The obsolete production capacity will be phased out, and thus the new projects will be on a large scale. By virtue of the economies of scale in the paper making industry, the production capacity of individual paper making projects which are under construction or planning for construction in China is large, which affects the demand and supply relationship in the whole paper making industry.

Hence, the Company will make advancements in equipment and technological level, expand its product mix, improve the grading of products and focus on the research and development of high-end products so as to improve competitiveness.

Risk of price fluctuation of raw materials

The major raw materials used by the Company are wood pulp and waste paper. The market prices of wood pulp and waste paper fluctuate significantly. The market price fluctuation of raw material has significantly affected the production costs of the Company. In addition to intensified market competition resulting from surging capacity in the industry in recent years, the increases in prices of a number of paper products were not in line with the increases in prices of raw materials. The market price fluctuation of raw materials will have an impact on the performance of the Company.

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

Risk of change in environmental protection policies

China has been raising the standards for environmental protection in recent years. More stringent environmental protection policies have been implemented in the paper making industry with successive implementation of environmental inspections and licensing system for pollutant discharge. 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. A higher emission standard is bound to increase the Company’s environmental protection costs and a high entry standard may result in the slowdown of scale expansion.

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

V Discussion and Analysis of Operations

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

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

2. Risk on financial leasing business

Policy risk

Recently, the financial leasing business is regulated by the commerce departments at different levels instead of being directly regulated by the People's Bank of China or China Banking Regulatory Commission. The financial leasing industry in China is still at the exploration stage with incomplete laws and regulations. If there is any material adjustment or change in national or local policies for the financial leasing industry, the Company's financial leasing business may be adversely affected, in turn harming the Company's profitability.

In September 2015, the General Office of the State Council promulgated the Guiding Opinions on Accelerating the Development of Financial Leasing Industry, which formulated comprehensive systematic planning on accelerating the development of the financial leasing industry. The financial leasing industry embraced a rare opportunity for leap-forward development. In February 2016, the General Office of People's Government of Shandong Province promulgated the Opinions of the General Office of People's Government of Shandong Province on Accelerating the Development of Financial Leasing Industry by Implementing Document Guo Ban Fa [2015] No. 68, formulating specific measures to refine policy measures and ensure the measures being carried out properly, which provided actual policy support for the development of the financial leasing industry in Shandong Province.

Liquidity risk

In a market economy, the macroeconomic operation tends to be in cycles and the Company is inevitably affected by those cycles. At the same time, there is fierce competition in the financial industry and the interest margin is a main source of income for the financial leasing business. The market interest rate is affected by the benchmark interest rate of the People's Bank of China, the macroeconomic environment, market demand and supply and other factors, bringing uncertainties to the fluctuation of the market interest rate, which in turn causes uncertainties in revenue from the financial leasing business.

Hence, following the principles of scientific development and quality and efficiency enhancement, the Company will comprehensively improve its industrial structure and regional layout through the integration between its production and manufacture segment and financial services segment, and incorporation of smart technology into its industrial activities. The Company will emphasise on the development of leading businesses including paper making, finance, pulp and fibre, real estate and mining so as to construct an efficient industrial system with synergies.

V Discussion and Analysis of Operations

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

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

2. Risk on financial leasing business (Cont'd)

Credit risk

The Company may suffer from loss if the lessees of its financial leasing business cannot make full rental payment on time due to any reason and there are abuses on equipment or any other short-term behaviour. Although the risk of such rental being unrecoverable is minimal, the Company will also make bad debt provision as required under its accounting policy. If such amounts cannot be recovered on time, the Company may be exposed to risk of bad debts.

The stringent risk management measures of Chenming Leasing provide comprehensive risk prevention and management for the Company's projects. Besides, the Company usually cooperates with state-owned enterprises and local governments, so it has strong risk resistance and low risk of default. The Company does not have any non-performing or overdue loans so far. Chenming Leasing will develop quality customers and strengthen risk management so as to enhance risk resistance and maintain high quality services.

Operation risk

Recently, there is still a gap between the practitioners working in the financial leasing industry and those working in traditional financial institutions such as banks in terms of their expertise and experience in financial profession in China. There is also a large gap in terms of investment in infrastructure. If internal control procedures are not implemented properly and involve operation risk as a result of operation errors, violations or non-standard execution, the Company may suffer from loss.

Learning from the risk management experience of outstanding financial leasing companies at home and abroad, the leasing company has formulated and optimised the internal management system of the leasing business and established an effective system for risk assessment, risk control and risk tracking. The Company has also exercised proper control on business risk by regulating the key business procedures including quotation, guarantee review, contract signing, leased assets management and archives management.

X. Reception of research investigations, communications and interviews

Applicable Not applicable

During the reporting period, there was no reception of research investigations, communications and interviews by the Company.

VI Directors' Report

The Directors (the "Directors") of the Company hereby present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2017.

I. Principal activities

Please refer to section IV "Business Overview", and "I. Principal operations of the Company during the Reporting Period" and "II. Analysis of principal operations" under section V "Discussion and Analysis of Operations" for details of principal activities of the Company.

II. Results and profit distribution

Please refer to section XIII "Financial Report" for the results of the Group for the year ended 31 December 2017.

III. Dividends and Conversion of Capital Reserves into Share Capital

After the end of the reporting period, the Board proposed to pay a final dividend for the year ended 31 December 2017 ("final dividend") of RMB6.00 in cash for every 10 Shares (tax inclusive) and a capitalisation issue made out of the capital revers for 5 shares for every ten shares (2016: dividend of RMB6.00 in cash for every 10 Shares (tax inclusive)) to the ordinary shareholders of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM") of the Company held on 31 May 2018. Upon approval of shareholders of the Company at the AGM, the Company is expected to pay the final dividend on or by 30 July 2018 to shareholders whose names appear on the register of members of the Company on 6 June 2018.

In accordance with the Corporate Income Tax Law of the PRC and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of final dividends as corporate income tax, distribute the final dividends to non-resident enterprise shareholders, i.e. any shareholders who hold the Company's Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, or other nominees, trustees, or holders of H Shares registered in the name of other organisations and groups.

Due to changes in the PRC tax laws and regulations, according to the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents issued by the State Administration of Taxation (《關於公佈全文失效廢止、部份條款失效廢止的稅收規範性文件目錄的公告》) on 4 January 2011, individual Shareholders who hold the Company's H Shares and whose names appeared on the H Share Register of the Company can no longer be exempted from individual income tax pursuant to the Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045) (《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》(國稅發[1993]045號)) issued by the State Administration of Taxation, whilst pursuant to the letter titled Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Stock Exchange to the issuers on 4 July 2011 and the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 of State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), it is confirmed that the overseas resident individual shareholders holding shares of domestic non-foreign invested enterprises issued in Hong Kong are entitled to the relevant preferential tax treatments pursuant to the provisions in the tax arrangements between the countries where they reside and the PRC or the tax arrangements between the PRC and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified in the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

VI Directors' Report

IV. Closure of register of members

The register of members of the Company will be closed from 30 April 2018 (Monday) to 31 May 2018 (Thursday), (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on 31 May 2018 (Thursday), all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 27 April 2018 (Friday).

V. Five-year financial summary

Please refer to "IX. Five-year financial summary under paragraph 19 of appendix 16 of the Hong Kong Listing Rules" under section II "Company Profile and Key Financial Indicators" for the financial summary of the Company for the past five financial years.

VI. Donations

During the year, the Company donated RMB1,950,000 (2016: RMB1,000,000) to non-profit making organisations.

VII. Subsidiaries

Please refer to "VII. Analysis of major subsidiaries and investees" under section V "Discussion and Analysis of Operations" and "XX. Matters of significant of subsidiaries of the Company" under section VII "Material Matters" for the details of acquisition and disposal of subsidiaries by the Company during the year.

VIII. Property, plant and equipment

Please refer to "1. Consolidated Balance Sheet" under section XIII "Financial Report" for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2017.

IX. Share capital

Please refer to "I. Changes in shares" under section VIII "Changes in Share Capital and Shareholders" for details of changes in share capital of the Company for the year ended 31 December 2017.

X. Pre-emptive rights

In accordance with the Articles of Association and the PRC laws, there are no rules requiring the Company to grant existing shareholders pre-emptive rights on newly issued shares of the Company in proportion to their shareholdings.

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Law. As at 31 December 2017, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB9,514,629,584.05 (2016: RMB7,393,989,520.67) as set out in "1. Consolidated Balance Sheet" under section XII "Financial Report".

VI Directors' Report

XII. Directors

As at 31 December 2017, the Directors of the Company were:

1. Executive Directors

Mr. Chen Hongguo
Mr. Yin Tongyuan
Mr. Geng Guanglin
Mr. Li Feng

2. Non-executive Directors

Ms. Zhang Hong
Ms. Yang Guihua

3. Independent Non-executive Directors

Ms. Liang Fu
Ms. Wang Fengrong
Mr. Huang Lei
Ms. Pan Ailing

According to the Articles of Association of the Company, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from May 2016 to May 2019. They may be re-elected for another term upon expiry of tenure.

XIII. Directors' service contracts

All Directors have entered into service contracts with the Company for a term from 18 May 2016 to 17 May 2019.

None of the Directors who have offered themselves for re-election at the forthcoming AGM have entered into any service contract with the Company or any of its subsidiaries which cannot be terminated by the Group within one year without payment of compensation other than statutory compensation.

XIV. Directors and Senior Management's remuneration and the five highest paid individuals

Details of Directors and the Senior Management's remuneration and the five highest paid individuals of the Company or/and its subsidiaries are set out in part V of section X and part XII of section XII.

In 2017, the Company had 23 Senior Management members in total, which included directors, supervisors and the Senior Management. The remuneration of the Senior Management falls within the following ranges:

Range of remuneration (RMB)	Number
4.8 million to 5.2 million	1
3.6 million to 4.0 million	
3.2 million to 3.6 million	
2.8 million to 3.2 million	1
2.4 million to 2.8 million	1
2.0 million to 2.4 million	2
1.6 million to 2.0 million	3
1.2 million to 1.6 million	1
0.8 million to 1.2 million	
Below 0.8 million	14

VI Directors' Report

XV. Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Hong Kong Listing Rules and considered all of the independent non-executive Directors to be independent during the year.

XVI. Securities interests held by Directors, Supervisors and Chief Executives

As at 31 December 2017, interests of the Company or its associated corporations (within the meaning of Part XV of SFO) held by each of the Directors, Supervisors and Chief Executives of the Company under section 352 of the SFO are set out as follows:

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman	6,696,296
Yin Tongyuan	Executive Director and Vice Chairman	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director and General Manager	437,433
Yang Guihua	Non-executive Director	—
Zhang Hong	Non-executive Director	—
Huang Lei	Independent non-executive Director	—
Liang Fu	Independent non-executive Director	—
Wang Fengrong	Independent non-executive Director	—
Pan Ailing	Independent non-executive Director	—
Supervisors		
Li Dong	Supervisor	100,000
Sun Yinghua	Supervisor	—
Yang Hongqin	Supervisor	—
Zhang Xiaofeng	Supervisor	—

VI Directors' Report

XVI. Securities interests held by Directors, Supervisors and Chief Executives (Cont'd)

Associated corporations

Name	Position	Name of associated corporations	Number of shares held at the beginning of the reporting period (shares)	Change during the period +/-	Number of shares held at the end of the reporting period (shares)
Chen Hongguo	Chairman	Shouguang Henglian Enterprise Investment Co. Ltd. (Note 2)	231,000,000	—	231,000,000

Note 1: Save for the 6,696,296 A shares held personally, Chen Hongguo is deemed to be interested in the 429,348 A shares held by his spouse, Li Xueqin.

Note 2: Chen Hongguo and his spouse, Li Xueqin, collectively hold 43% equity interests in Shouguang Henglian Enterprise Investment Co. Ltd., (hereinafter referred to as "Shouguang Henglian"), as a result, Shouguang Henglian is deemed to be controlled by Chen Hongguo. As a result, the 231,000,000 shares in Chenming Holdings (approximately 18.65% of the total share capital of Chenming Holdings) held by Shouguang Henglian is also deemed to be held by Chen Hongguo.

Save as disclosed above, as at 31 December 2017, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules").

As at 31 December 2016, none 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.

XVII. Interests and short position of substantial shareholders in shares and underlying shares

As at 31 December 2017, the following shareholders (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Shouguang Chenming Holdings Co., Ltd.	293,003,657 A shares (L)	15.13	26.32
Shouguang Chenming Holdings Co., Ltd.	137,122,226 B shares (L)	7.08	29.12
Chenming Holdings (Hong Kong) Limited	137,122,226 B shares (L)	7.08	29.12
Shouguang Chenming Holdings Co., Ltd.	102,276,000 H shares (L)	5.28	29.04
Chenming Holdings (Hong Kong) Limited	102,276,000 H shares (L)	5.28	29.04
The National Social Security Fund Council	31,638,500 H shares (L)	1.63	8.98

(L) - Long position

(S) - Short position

(P) - Lending pool

Save as disclosed above, as at 31 December 2017, 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.

VI Directors' Report

XVIII. Relationship with employees, customers and suppliers

Please refer to “VI. Personnel of the Company” under section X “Directors, Supervisors and Senior Management and Staff”, “2. (8) Sales to major customers and major suppliers” of “II. Analysis of principal operations” under section V “Discussion and Analysis of Operations” for details of the relationship between the Company and its employees, customers and suppliers.

XIX. Directors' interests in material contracts and indemnity provision

None of the Company or any of its subsidiaries entered into any material contracts, in which Directors had significant interests (either directly or indirectly), that subsisted at the end of the financial year or at any time during the reporting period. The Company did not have any indemnity provision in favour of any Director.

XX. Interests in competing business

None of the Directors or controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Company and any of its subsidiaries.

XXI. Directors' rights to purchase shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

XXII. Preference shares

Please refer to section IX “Preference Shares” for details of the issue of preference shares of the Company.

XXIII. Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2017.

XXIV. Major risk factors

Please refer to “(V) Risk factors likely to be faced and the measures to be taken” of “IX. Outlook on the future development of the Company” under section V “Discussion and Analysis of Operations” for details of major risk factors of the Company.

XXV. Material matters

Please refer to section VII “Material Matters” for details of material matters of the Company.

XXVI. Future development

Please refer to “(I) Competition overview and development trend of the industry”, “(II) Development strategy”, “(III) Operating plan for 2018” and “(IV) Future capital requirements, source of funds and plan for use” of “IX. Outlook on the future development of the Company” under section V “Discussion and Analysis of Operations” for details of future development of the Company.

XXVII. Environment, social and governance report and social responsibility

Please refer to XVIII. Fulfilment of Social Responsibility under section VII “Material Matters” for details of fulfilment of social responsibility. Please refer to the environment, social and governance report as required by the Hong Kong Listing Rules, which will be issued separately by the Company before 27 June 2018.

VI Directors' Report

XXVIII. Purchase, sale and redemption of shares

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

XXIX. Sufficiency of public float

During the reporting period, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Hong Kong Listing Rules.

XXX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2017 has been reviewed by the Audit Committee of the Company.

XXXI. Gearing ratio

As at 31 December 2017, the Company's gearing ratio (including minority interest) was 60.80%, representing a decrease of 1.61 percentage points from 62.41% for 2016, mainly due to the issuance of perpetual bonds of RMB3.0 billion as the Company sought to improve its capital and debt structure.

The ratio was calculated as: total borrowings/total assets (whereas total borrowings represent borrowings due within one year, borrowings due after one year, short-term commercial paper and medium and long-term notes and others).

XXXII. Going Concern Basis

The Company is a leading player in the paper making industry in China. After innovation and development for more than half a century, it has developed into a large conglomerate principally engaged in paper making, finance, pulp and fibre and mining businesses while also involved in forestry, logistics, construction materials, and others. It is also the only listed company with A shares, B shares and H shares and preference shares in issue in China and the first company in the paper making industry having a finance company and a financial leasing company integrated with its industrial activities in China. The Group has production bases in Shandong, Guangdong, Hubei, Jiangxi and Jilin, which deliver annual pulp and paper production capacity of over 10,000,000 tonnes.

The Company has good sustainable profitability. In 2017, the Company achieved revenue of RMB29.852 billion, net profit attributable to shareholders of the Company of RMB3,769 million and net cash inflows from operating activities of RMB25.186 billion. Meanwhile, the Company always places emphasis on the interests of and return to shareholders, and has paid generous cash dividends for several years. With the improvement of the economic situation, the future performance of the Company is worth looking forward to.

In addition, as at the end of December 2017, the Company obtained, from major financial institutions, comprehensive credit facilities of RMB75,600 million, of which the unutilised credit facilities amounted to RMB27.9 billion, which provided important support to the Company's business development. As an A-share, B-share and H-share listed company, the Company has convenient financing channels. The Company has established financial leasing companies, finance companies and commercial factoring companies as the core of the financial segment. The rapid business development, improving management system and effective risk control provide new sources of profit growth for the Company, further increase the Group's fund settlement, management, investment and financing ability, and reduce its financing cost while improving its debt structure.

The auditors of the Company have prepared the 2017 annual financial report on a going concern basis, and have issued a standard unqualified audit opinion (see Financial Report section).

Therefore, the Board believes the Company has the ability to continue as a going concern.

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital

Formulation, implementation or adjustment of profit distribution policy for ordinary shares, especially the cash dividend during the reporting period

Applicable Not applicable

The Company implemented its profit distribution policy in strict compliance with the Articles of Association. Its cash dividend policy was formulated and implemented in compliance with the requirements of the Articles of Association and the resolution of the general meeting with well-defined and clear dividend distribution criteria and proportion. The legal interests of the small shareholders were fully protected as the related decision making process and mechanism were in place, the duties of independent Directors were well-defined so that they played a role, and the small shareholders were given opportunities to sufficiently voice their opinion and make requests.

Implementation of the 2016 profit distribution plan for ordinary shareholders: Based on the number of the ordinary shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB6 (tax inclusive) was to be paid to all ordinary shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB1,161,843,280.20 (tax inclusive). The dividend distribution was implemented and completed on 16 June 2017. 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 1 June 2017, and the announcement on the implementation of the 2016 profit distribution plan for A share and B share published on CNINFO on 9 June 2017.

Particulars of Cash Dividend Policy

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

The dividend distribution plans for ordinary shares (proposed) and the proposals on conversion of capital reserves into share capital (proposed) over the past three years (the reporting period inclusive)

(1) The 2017 profit distribution plan for ordinary shares

Based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares and a transfer of 5 shares for every 10 shares from capital reserve to ordinary shareholders, and RMB1,161,843,280.20, representing 30.82% of the net profit attributable to ordinary shareholders of the Company in the consolidated financial statements, will be distributed to ordinary shareholders.

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital (*Cont'd*)

The dividend distribution plans for ordinary shares (proposed) and the proposals on conversion of capital reserves into share capital (proposed) over the past three years (the reporting period inclusive) (*Cont'd*)

(2) The 2016 profit distribution plan for ordinary shares

The 2016 profit distribution plan was considered and approved in the 2016 annual general meeting convened by the Company on 21 April 2017. Based on the number of the ordinary shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB6.00 (tax inclusive) was to be paid to all ordinary shareholders for every 10 shares held. The total cash dividend distributed during 2016 amounted to RMB1,161,843,280.20 (tax inclusive).

(3) The 2015 profit distribution plan

The 2015 profit distribution plan was considered and approved in the 2015 annual general meeting convened by the Company on 18 May 2016. Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB3.00 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend distributed during 2015 amounted to RMB580,921,640.10 (tax inclusive).

Cash dividends for ordinary shares of the Company over the past three years (the reporting period inclusive)

Unit: RMB

Year of distribution	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statements during the year of distribution	As a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Amount of cash dividends distribution through other means	Ratio of cash dividends distribution through other means
2017	1,161,843,280.20	3,769,325,450.93	30.82%	0.00	0.00%
2016	1,161,843,280.20	1,998,578,788.75	58.13%	0.00	0.00%
2015	580,921,640.10	1,086,632,711.54	53.46%	0.00	0.00%

The Company made a profit and had positive retained profit available for ordinary shareholders of parent company during the reporting period without cash dividend for ordinary shares being proposed

Applicable Not applicable

VII Material Matters

II. Proposals on profit distribution and conversion of capital reserves into share capital during this reporting period (including preference shares)

Applicable Not applicable

Numbers of bonus share per 10 shares (share(s))	Cash dividend of RMB6 (tax inclusive) per 10 shares to ordinary shareholders and cash dividend of RMB6 (tax inclusive) per 10 simulated shares converted from preference shares into ordinary shares to holders of preference shares
Dividend distribution per 10 shares (RMB) (tax inclusive)	Converted every 10 shares of the ordinary shareholders into 5 shares by using capital reserve
Conversion per 10 shares (share(s))	1,936,405,467 ordinary shares and 774,526,678 simulated shares converted from preference shares on a conversion ratio of 1 preference share valued at RMB5.81; the share base of the distribution proposal was 2,710,932,145 shares
Share base of the distribution proposal (shares)	
Total cash dividend (RMB) (tax inclusive)	1,626,559,287.08
Distributable profits (RMB)	8,866,614,844.39
Percentage of cash dividend to total profits distribution	62.69%

Cash dividend policy

For profit distribution of companies which are fully developed with significant capital expenditure arrangement, the percentage for cash dividend shall represent at least 40% of the profits distribution for the current year

Particulars of profit distribution and conversion of capital reserves into share capital

The audited consolidated net profit attributable to shareholders of the Company for 2017 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB3,769,325,450.93. When deducting the interest for perpetual bonds of RMB153,140,000 and dividend for preference shares of RMB333,702,107.35 for 2017, the distributable profit realised for 2017 amounted to RMB3,282,483,343.58. In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, the proposed profit distribution plan of the Company for 2017 is as follows:

Based on the total ordinary share capital of 1,936,405,467 shares and the 774,526,678 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB5.81 as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB6 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares; and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. A cash dividend of RMB1,161,843,280.20 will be distributed to ordinary shareholders and a variable cash dividend of RMB464,716,006.88 will be distributed to holders of preference shares. In other words, a cash dividend of RMB10.33 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

VII Material Matters

III. Performance of undertakings

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period

√ Applicable Not applicable

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

VII Material Matters

III. Performance of undertakings (Cont'd)

1. Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Cont'd)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Shouguang Chenming Holdings Co., Ltd.	Defective properties	(1) According to the plan on defective properties of the Company, Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Shouguang Chenming Holdings will purchase it (them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Shouguang Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Shouguang Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Implementing as normal
	Shandong Chenming Paper Holdings Limited	Specific remedial measures for non-public issuance of preference shares	In view of the impacts on dilution of current returns for ordinary shareholders under the preference shares issuance, and in order to implement the Notice of the General Office of the State Council on Further Strengthening Protection of the Lawful Rights of Small Investors in Capital Markets, protect the interests of ordinary shareholders and provide remedies for the possible dilution on current returns as a result of preference shares issuance, the Company has undertaken that it will implement various measures to ensure the effective utilisation of proceeds raised, which can prevent dilution on current returns effectively, thereby enhancing future returns.	25 March 2016	9999-12-31	Implementing as normal

VII Material Matters

III. Performance of undertakings (Cont'd)

- Undertakings made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period (Cont'd)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Equity incentive undertakings						
Other undertakings made to the Company's minority shareholders						
Whether undertakings performed on time	Yes					
Specific reasons why undertakings were not performed on time and next steps	Not applicable					

- Description on the Company's assets and items in meeting original profit forecast and its explanation as there is profit forecast for assets and items of the Company and the reporting period is still within the profit forecast period

Applicable Not applicable

IV. 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.

V. Opinions of the Board, the Supervisory Committee and independent Directors (if any) regarding the "modified auditor's report" for the reporting period issued by the accountants

Applicable Not applicable

VI. Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

Applicable Not applicable

VII Material Matters

(1) Change in accounting policies

Change of accounting policies due to the implementation of new Accounting Standard for Business Enterprises

On 28 April 2017, the Ministry of Finance issued the Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held-for-sale, Disposal Groups and Termination of Operations (Cai Kuai [2017] No. 13) which became effective on 28 May 2017 for implementation. On 10 May 2017, the Ministry of Finance issued the Accounting Standard for Business Enterprises No. 16 - Government Grants (Revised in 2017) (Cai Kuai [2017] No. 15) which became effective on 12 June 2017 for implementation.

The Accounting Standard for Business Enterprises No. 42 - Non-current Assets, Disposal Groups for Sale and Termination of Operations defines the classification, measurement and disclosure of non-current assets or disposal groups for sale, and the disclosure of termination of operations. The financial statements have adjusted the disclosure of the annual financial statements in the comparable year and the notes thereof with respect to the termination of operations existed on the implementation date (28 May 2017) in accordance with the standard.

Prior to the implementation of the Accounting Standard for Business Enterprises No. 16 - Government Grants (Revised in 2017), the Company included the government grants obtained in non-operating income or the government grants related to assets in deferred income, and the average amortisation is included in the profit or loss for the current period. After the implementation of the Accounting Standard for Business Enterprises No. 16 - Government Grants (Revised in 2017), the government grants related to daily activities after 1 January 2017 is recognised in other income, if not, it is recognised in non-operating income or non-operating expenses.

VII Material Matters

(2) Change in accounting estimates

Unit: RMB

Details, reason and time of application of change in accounting estimates	Procedure for approval	Items affected	Amount affected
The debts arising from the financial leasing business of the Company's subsidiary shall be provided for bad debts from at 5% to 10% to by the following ways from 29 December 2017:	Resolved and approved at the 19th extraordinary meeting of the eighth session of the Board on 29 December 2017	Long-term receivables	Decreased by RMB6,177,445.94
① Individual assessment of impairment When assessing the probability of recovery of lease receivables from a customer, the ability and willingness to pay lease payments, and the payment record of the customer, profitability of the lease projects, and guarantees for leased assets will be analysed. If there are evidences indicating that the customer is unable to repay and its willingness to repay is not strong, and the principal and interest are still not recoverable, or only a very small portion can be recovered, after taking all possible measures or all necessary legal procedures, the receivables are subject to individual impairment assessment, and the difference between the present value of the future cash flows expected to be derived from the receivables and the carrying amount shall be accounted for as provision for bad debts and recognised in profit or loss.		Loss on impairment of assets	Increased by RMB132,800,396.14
② Collective assessment of impairment based on credit risk characteristics At the end of the period, each individual leasing contract is classified based on the amount past due and recovery, and the major basis for classification and provision for impairment are as follows:		Non-current assets due within one year	Increased by RMB45,914,608.78
③ No bad debt provision will be made for lease receivables from related parties unless there is objective evidence that the Company is unable to recover the lease receivables from related parties. If there is objective evidence that the lease receivables from related parties are recovered and can be linked objectively to an event occurring after the write-down, the impairment losses recognised will be reversed and accounted for in profit or loss for the current period. The carrying amount reversed shall not exceed the assumed amortised costs on the date of reversal of the lease receivables had no impairment provision been made.		Other current assets	Decreased by RMB172,537,558.98

VII Material Matters

VII. Reason for retrospective restatement to correct major accounting errors during the reporting period

√ Applicable □ Not applicable

Unit: RMB

The contents of the correction of accounting errors.	Procedure	The name of the report projects during the periods of comparison affected	Cumulatively affected amount
<p>Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, applied for high-tech enterprise certification in 2015. The company received the high-tech enterprise certificate on 28 March 2016 and issued a public announcement. The company's annual report was announced on 30 March 2016, which is very close to the time that the company received the certificate, thus in 2015, Zhanjiang Chenming was still withholding tax at a 25% income tax rate. In May 2016, when Zhanjiang Chenming settled the annual income tax for 2015, the tax authorities approved that the income tax may be paid at the rate of 15% for 2015. In addition, the tax authorities also refunded the overpaid taxes of RMB65,952,632.95 in August 2016. The company directly offset the current income tax expense for 2016 after receiving it. As a result, there was an error in the amount of income tax for 2015 and 2016, but in this year, the company has made corrections to previous mistakes. In 2015, the company prepaid income tax at a rate of 15%, which would reduce the deferred income tax assets of RMB544,599.45 as of 31 December 2015, and reduce the income tax expenses of RMB65,408,033.50 for the year of 2015 (among which, the current income tax expense was reduced by RMB65,952,632.95, and the deferred income tax expense increased by RMB544,599.45).</p>	<p>Correction of financial statements for 2016</p>	Income tax expense (2016)	Increased by RMB65,408,033.50
		Initial undistributed profit (1 January 2016)	Decreased by RMB65,408,033.50

VII Material Matters

VIII. Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

Applicable Not applicable

① Business combinations not under common control

Name of acquiree	Point of time of equity acquisition	Equity acquisition costs (RMB'0,000)	Equity acquisition proportion (%)	Equity acquisition mode	Acquisition date	Basis for the acquisition date	Revenue of acquiree from the acquisition date to the end of the period (RMB)	Net profit of acquiree from the acquisition date to the end of the period (RMB)
Shanghai Hongtai Real Estate Co., Ltd.	2017.10	159,064.67	45.00	Merger and acquisition	1 November 2017	The date when de facts control is established	485,784.40	-36,856,878.73

② Changes in scope of consolidation due to other reasons

During the year, the scope of consolidation included 9 newly established subsidiaries, namely Shanghai Chenming Industry Co., Ltd., Shanghai Chenming Financial Leasing Co., Ltd., Guangzhou Chenming Financial Leasing Co., Ltd., Shandong Chenming Commercial Factoring Co., Ltd., Guangzhou Chenming Commercial Factoring Co., Ltd., Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd., Xuchang Chenming Paper Co., Ltd., Chengdu Chenming Culture Communication Co., Ltd. and Beijing Chenming Culture Communication Co., Ltd.

During the year, the scope of consolidation excluded 2 companies: a former subsidiary, namely Shouguang Chenming Hongxin Packaging Co., Ltd was deregistered upon merger and acquisition by another subsidiary Shouguang Hongxiang Printing and Packaging Co., Ltd, whereas Jilin Chenming Machinery Manufacturing Co., Limited was transferred.

IX. Engagement or dismissal of accounting firms

Current accounting firm engaged

Name of the domestic accounting firm	Ruihua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm (RMB'0,000)	260
Continued term of service of the domestic accounting firm	5
Name of certified public accountants of the domestic accounting firm	Zhao Yanmei and Wang Zongpei
Whether to appoint another accounting firm during the period	
Continued term of service of certified public accountants of the domestic accounting firm	2
Whether to appoint another accounting firm during the current period	

Yes No

Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control and auditing purposes

Applicable Not applicable

- In 2017, the Company engaged Ruihua Certified Public Accountants as the internal control and auditing firm of the Company. The Company paid RMB600,000 as internal control and auditing fees during the period;
- In 2017, the Company engaged King & Wood Mallesons (Qingdao) Law Firm as its regular legal advisor and paid RMB100,000 as legal advisory fees during the period;
- Due to the working requirements for the non-public issuance of A shares, the Company engaged CSC Financial Co., Ltd. as the sponsor for the non-public issuance. The term for ongoing supervisory will be expired on 31 December 2017.

VII Material Matters

X. Suspension in trading or delisting upon publication of annual report

Applicable Not applicable

XI. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VII Material Matters

XII. Material litigation and arbitration

√ Applicable □ Not applicable

Basic information about litigation (arbitration)	Amount (RMB'0,000)	Will liability be incurred	Progress of litigation (arbitration)	Judgment result of the litigation (arbitration) and its effect	Judgment execution of the litigation (arbitration)	Disclosure date	Disclosure index
Statutory demand and Winding-up Petition	RMB167.86 million and the interest thereon, USB3.5489 million and the interest thereon, HK\$3.3039 million and the interest thereon	Yes	<ol style="list-style-type: none"> The Court of First Instance in the High Court of the HKSAR completed the hearing held from 21 February 2017 to 23 February 2017. The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017. On 26 June 2017, there was an ex-parte hearing in chambers in the High Court of the HKSAR in which the petitioner applied for an interim injunction order to prohibit the Company from distribution of the 2016 final dividend to the holders of H shares. On 30 June 2017, the Hon Mr. Justice Harris of the High Court of the HKSAR discharged the interim injunction order on the same date after the hearing. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. The winding-up petition was scheduled to be heard before the High Court of the HKSAR at 9:30 a.m. on 23 August 2017. The Company through its legal adviser applied to the Court of HKSAR for the validation order relating to the transfer of fully paid-up shares of the Company on 19 July 2017 (case no. HCCW175/2017). The hearing of the application of the validation order was scheduled to be heard at 9:30 a.m. on 19 October 2017. The winding-up petition was heard by the Hon Mr. Justice Harris of the High Court of the HKSAR on 28 August 2017. 	<ol style="list-style-type: none"> The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017: (1) the amended originating summonses for the injunction order be dismissed; and (2) an order nisi be made on the costs of the legal proceedings. The Company paid the costs to the defendant (including the fees payable to two counsels). The costs shall be taxed if not agreed. The High Court of the HKSAR anticipated the reasons for decision of the case would be handed down on 7 July 2017. On 15 June 2017, the office address of the Company in Hong Kong received a winding-up petition dated 15 June 2017 filed by the defendant to the High Court of the HKSAR. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. Having considered the reasons for decision and the consequences to the Company once the winding up petition is given, the Company applied for an appeal against the decision to the High Court of HKSAR on 12 July 2017. The hearing was scheduled to be heard before the Court of Appeal of the High Court of the HKSAR at 10:00 a.m. on 11 May 2018. The High Court of HKSAR granted the Validation Order to the Company. Therefore, the transfer of fully paid-up shares of the Company since the Winding Up Petition (i.e. 15 June 2017) would not be deemed void because of the Winding Up Petition. 	Not applicable	25 February 2017, 17 July 2017, 20 October 2017, 29 August 2017, 12 September 2017, 20 October 2017	http://www.cninfo.com.cn , announcement number: 2017-015, 2017-067, 2017-069, 2017-070, 2017-071, 2017-076, 2017-084, 2017-128, 2017-103, 2017-106

VII Material Matters

XII. Material litigation and arbitration (Cont'd)

Basic information about litigation (arbitration)	Amount (RMB'0,000)	Will liability be incurred	Progress of litigation (arbitration)	Judgment result of the litigation (arbitration) and its effect	Judgment execution of the litigation (arbitration)	Disclosure date	Disclosure index
Statutory demand and Winding-up Petition		Yes	<p>9. On 5 July 2017, the Company initiated legal proceedings for a civil complaint against Arjowiggins HKK2 Limited ("HKK2") and related parties (the "Civil Complaint") at the Intermediate People's Court of Weifang City in Shandong Province of the People's Republic of China ("Weifang Court"). The Civil Complaint was admitted to be heard by Weifang Court on 8 July 2017.</p> <p>Justice Mimmie Chan of the Court of First Instance of the High Court of the HKSAR on 19 January 2018 in chambers (open to public) ordered that the Company be restrained from further proceeding with the Civil Complaint that it had filed on 5 July 2017 against HKK2 and the related parties before Weifang Court.</p> <p>The Company withdrew the Civil Complaint from Weifang Court on 22 February 2018.</p>	<p>6. The Court ordered an adjournment of the Winding-up Petition, on the Company's undertaking that it would procure a third party to pay into court the amount of the Statutory Demand plus interest to 27 August 2018, totalling approximately HK\$389 million within 14 days. The costs of the Winding-up Petition were kept.</p> <p>7. The Company had procured payment by a third party into the High Court of the HKSAR in the sum of HK\$389,112,432.44 (this sum being the Hong Kong dollar equivalent of the amount set out in the Statutory Demand and interest thereon from 19 October 2016 to 27 August 2018).</p>			

XIII. Punishment and rectification

Applicable Not applicable

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

XIV. Credibility of the Company, its controlling shareholders and beneficial controllers

Applicable Not applicable

XV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company

Applicable Not applicable

There was no implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company during the reporting period.

VII Material Matters

XVI. Significant related party transactions

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

Applicable Not applicable

Related party	Related party relationship	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transactions	Price of related party transactions	Amount of related party transactions (RMB'0,000)	Percentage as the amount of similar transactions (%)	Amount of transactions approved (RMB'0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index	
Jiangxi Chenming Gas Co., Ltd	Natural Gas	Pursuant to the requirement under Paragraph (2) of Article 10.1.6 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange	Procurement	Natural gas, heavy oil etc.	Market price	Market price	14,767.27	0.75%	35,000	No	Bank acceptance and telegraphic transfer	Not applicable	18 February 2017	http://www.cninfo.com.cn
Total				-	-	14,767.27	-	35,000	-	-	-	-	-	-
Particulars on refund of bulk sale				No										

2. Related party transaction in connection with purchase or sale of assets or equity interest

Applicable Not applicable

There was no related party transaction of the Company in connection with purchase or sale of assets or equity interest 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.

VII Material Matters

XVI. Significant related party transactions (Cont'd)

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

Debts payable to any related party:

Related party	Relationship with the Company	Reason	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Shouguang Chenming Holdings Company Limited	Controlling shareholder	Provision of financial support to the Company from the controlling shareholder	0	1,996,093,650.42	1,996,093,650.42	0.00%	0	0
Shouguang Hengtai Enterprise Investment Company Limited	A company controlled by some directors and Senior Management members of the Company	Provision of financial support from Hengtai Investment and the Company on the same proportion of shareholdings in Haiming Mining.	4,037.27	0	0	4.35%	181.70	4,218.97

Effect of related debts on the operating results and financial position of the Company: The related debts are financial support to the Company and its subsidiaries from Chenming Holdings and Hengtai Investment to help ease the financial pressure on the Company and its subsidiaries and promote the operation and production of the Company and its subsidiaries.

5. Other significant related party transactions

Applicable Not applicable

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

VII Material Matters

XVII. 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. Significant guarantees

Applicable Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to Weifang Sime Darby West Port Co., Ltd., a joint venture, and the guarantee amount incurred was RMB50.00 million. The Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB12,860.0440 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB1,851.2499 million.

As at 31 December 2017, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB18,452.7438 million, representing 66.43% of the equity attributable to shareholders of the Company as at the end of 2017.

The Company did not provide any guarantee to external parties (excluding the guarantee provided to its subsidiaries and investees and the guarantee provided to subsidiaries by subsidiaries) and did not provide any guarantee against the rules and regulations.

Unit: RMB'0,000

External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)								
Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Guarantee to related parties	
							Fulfilled or not	or not
Weifang Sime Darby West Port Co., Ltd.	24 July 2017	17,500		5,000	General guarantee	10 years	No	No
Total external guarantees approved during the reporting period (A1)		17,500	Total actual external guarantees during the reporting period (A2)					5,000
Total external guarantees approved at the end of the reporting period (A3)		17,500	Balance of total actual guarantees at the end of the reporting period (A4)					5,000

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries					Term	Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee				
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2016	150,000			General guarantee	3 years	No	No	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	17 February 2017	650,000		342,060.64	General guarantee	3 years	No	No	
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000		224,968.29	General guarantee	7 years	No	No	
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000			General guarantee	7 years	No	No	
Huanggang Chenming Arboriculture Development Co., Ltd.	17 February 2017	5,000			General guarantee	3 years	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000		116,161.34	General guarantee	7 years	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000			General guarantee	7 years	No	No	
Jiangxi Chenming Paper Co., Ltd.	30 March 2016	150,000		91,467.48	General guarantee	3 years	No	No	
Jiangxi Chenming Paper Co., Ltd.	17 February 2017	200,000			General guarantee	3 years	No	No	
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000		50,000	General guarantee	10 years	No	No	
Shouguang Meilun Paper Co., Ltd.	17 February 2017	100,000			General guarantee	3 years	No	No	
Shandong Chenming Paper Sales Company Limited	30 March 2016	200,000			General guarantee	3 years	No	No	
Shandong Chenming Paper Sales Company Limited	17 February 2017	400,000		342,479.49	General guarantee	3 years	No	No	
Chenming (HK) Limited	30 March 2016	100,000			General guarantee	3 years	No	No	
Chenming (HK) Limited	17 February 2017	500,000		470,012.15	General guarantee	3 years	No	No	
Shouguang Chenming Import and Export Trade Co., Ltd.	17 February 2017	50,000		18,000	General guarantee	3 years	No	No	
Jilin Chenming Paper Co., Ltd.	17 February 2017	150,000			General guarantee	3 years	No	No	
Shandong Chenming Group Finance Co., Ltd.	17 February 2017	500,000			General guarantee	3 years	No	No	
Zhanjiang Chenming Arboriculture Development Co., Ltd.	17 February 2017	5,000			General guarantee	3 years	No	No	
Nanchang Chenming Arboriculture Development Co., Ltd.	15 August 2017	10,000			General guarantee	3 years	No	No	
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		2,570,000		Total amount of guarantee provided for subsidiaries during the reporting period (B2)				1,286,004.40	
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		5,520,000		Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)				1,655,149.38	
Guarantees between subsidiaries									
Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not	
Chenming (HK) Limited	30 March 2016	100,000		99,620.41	General guarantee	3 years	No	No	
Chenming (HK) Limited	30 March 2016	100,000		85,504.58	General guarantee	3 years	No	No	
Chenming (HK) Limited	30 March 2016	100,000			General guarantee	3 years	No	No	
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0		Total amount of guarantee provided for subsidiaries during the reporting period (C2)				185,124.99	
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		300,000		Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)				185,124.99	
Total amount of guarantee provided (i.e. sum of the above three guarantee amount)									
Total amount of guarantee approved during the reporting period (A1+B1+C1)		2,587,500		Total amount of guarantee during the reporting period (A2+B2+C2)				1,476,129.39	
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		5,837,500		Total balance of guarantee as at the end of the reporting period (A4+B4+C4)				1,845,274.37	
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company								66.43%	
Of which:									
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)								0	
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)								1,240,584.92	
Total amount of guarantee provided in excess of 50% of net assets (F)								604,689.45	
Sum of the above three amount of guarantee (D+E+F)								1,845,274.37	

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(2) External guarantees against the rules and regulations

Applicable Not applicable

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

3. Entrusted cash and asset management

(1) Entrusted wealth management

Applicable Not applicable

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

(2) Entrusted loans

Applicable Not applicable

Entrusted loans during the reporting period

During the reporting period, the Company did not have other entrusted loans except for the entrusted loans of RMB900 million recovered from Shouguang Jin Choi Public Assets Management Co., Ltd. according to the agreement.

The specific circumstances of a high-risk entrusted loan with single significant amount or low security, poor liquidity, and no principal protection.

Unit: RMB'0,000

Borrower	Types of borrower	Interest rate of loans	Loan amount	Sources of funds	Commencement date	Expiry date	Expected return (if any)	Actual gains or losses during the reporting period	Actual gains or losses recovered during the reporting period	Impairment provision (if any)	Statutory procedure passed	Any entrusted loan plan in the future	Summary of events and related search index (if any)
Shouguang Jin Choi Public Assets Management Co., Ltd.	Local government platform company	10.00%	50,000	Self-owned funds	18 January 2014	17 January 2017	-	375.00	Recovered on time	0	Yes	No	http://www.cninfo.com.cn/
Shouguang Jin Choi Public Assets Management Co., Ltd.	Local government platform company	10.00%	40,000	Self-owned funds	18 April 2014	18 April 2017	-	1,311.11	Recovered on time	0	Yes	No	http://www.cninfo.com.cn/
Total			90,000	-	-	-	-	1,686.11	-	-	-	-	-

Unable to recover the principal of entrusted loans or other circumstances that may result in impairment

Applicable Not applicable

VII Material Matters

XVII. Material contracts and implementation *(Cont'd)*

4. Other material contracts

Applicable Not applicable

The Company did not have any other material contract during the reporting period.

XVIII. Fulfilment of Social Responsibility

1. Fulfilment of social responsibility *(Cont'd)*

The state is the strongest support for the development of Chenming, while the society is the greatest origin for Chenming's development and growth. During its development for more than half a century, Chenming has always adhered to its philosophy of "building the country through industry development and paying back to society". It has voluntarily performed its social responsibility, and cultivated the "tree of responsibility", which has already achieved fruitful results.

The Company has established its corporate governance structure in accordance with the requirements of the Companies Law, Securities Law, Articles of Association and other relevant laws and regulations and the actual situation of the Company. There is a clear separation of powers and responsibilities between the general meeting, the Board, the Supervisory Committee and the management which is accountable to the general manager. The management system under the structure is characterised by a mechanism of checks and balances of a legal person with separation of ownership and operation, separation of the decision-making, execution and supervisory powers, as well as the co-existence of the general meeting, the Board and the Supervisory Committee. Strict provisions on the rights, duties and responsibilities of the general meeting, the Board, the Supervisory Committee and general managers have been stipulated. The Company has placed great emphasis on fulfilment of social responsibility and goes beyond the concept of "profit as the only goal". While creating value for shareholders during the process of production, operation and business development, the Company, in line with the development of the State and the society, has strived to reach a compromise between economic benefits and social benefits, short-term benefits and long-term benefits, as well as corporate development and social development, with the aim to achieve a healthy and harmonious development between the Company and its employees, the Company and the society, and the Company and the environment.

Centring the corporate mission of "Creating Sharing Culture within Chenming and Achieving Win-Win Situation", the core value of "Good Faith, Win-Win and Sharing", the corporate spirit of "Learning, Surpass and Leading" as well as the human resources philosophy of "Providing Staff Trainings, Recruiting Talents, Allocating Human Resources Properly and Retaining Talents", the Company has established its own corporate culture, which has become the spirit and driver for the sustainable and health development of the Company.

The Company strives to the development path of new type industrialisation with high technology contents, low energy consumption and less pollution. It puts great efforts in the implementation of green low-carbon strategy. In addition, the Company endeavours to facilitate business development in line with ecological development, enhance its competitiveness in economic development and environmental protection, and establish its economic and ecological culture. It also seeks for development while protecting the environment and maintains higher environmental protection while seeking for scientific development, thus achieving "win-win" situation in economic development and environmental protection. The Company has strictly in compliance with relevant environmental protection policies, laws and regulations in China. It has mitigated the impact on environment through industrial optimisation and upgrade, reduced resources utilisation through innovative operation, and implemented strict management with the concept of environmental protection and safety operation being penetrated into every procedure in production and operation, thereby promoting the harmonious development between the people and the Company, as well as that of the Company and the environment. The Company is the first in the industry in China which passes ISO14001 environmental management system certification. The Company has been named the environmental friendly enterprise, the recycling economy exemplary enterprise, the outstanding water efficiency unit and the outstanding unit in comprehensive utilisation of resources of Shandong province.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

1. Fulfilment of social responsibility (Cont'd)

Leveraging its advanced production technology and manufacture equipment, extensive experience in waste treatment and various comprehensive treatment systems, the Company strives to implement horizontal and vertical control throughout its production processes, thus achieving low carbon emission through low energy consumption, as well as reduction of use of resources through recycling. The Company has passed the clean production assessment organised by United Nations Development Programme in May 1999. The Company focuses on its works in various aspects, including the establishment of eco-friendly energy consumption system, implementation of on-site 6S management, launch of environmental protection and hazard inspection works, wide application of new energy conservation and emission reduction technology, promotion of key energy conservation and emission reduction projects, enhancement of innovative technology, promotion of the industrialisation of comprehensive resources utilisation, implementation of scientific proposal on “multi-usage of water” based on the quality, quantity and working procedure, as well as strengthening of the awareness on energy saving and environmental protection of all staff and habit building. Hence, the Company has achieved whole process control and management over clean and efficient production.

The Company has strictly implemented in-depth corporate governance. It has put great efforts and huge investments in promoting the management of “the three wastes” so as to facilitate energy conservation and emission reduction, aiming to become a low energy consumption and environment friendly enterprise. In respect of waste water treatment, the Company has established world-class waste water treatment system. It has over 10 waste water treatment facilities for various purposes, with the most advanced treatment technology in domestic and overseas market being adopted. Hence, the Company has realised the comprehensive integration and upgrade of waste water treatment facilities in plants, with different emission indicators better than relevant regulatory benchmark. In respect of solid waste treatment, the Company has discontinued the traditional landfilling treatment. It has enhanced its technology innovation, strengthened comprehensive resources utilisation, as well as expanded its industrial chain, thereby achieving recycling and harmless utilisation of solid wastes. In respect of waste gas treatment, the Company has introduced advanced international environmental protection equipment and technology for desulphurisation, denitrification and de-dusting, smelly gas treatment and closure of coal plants. It has adopted scientific waste gas treatment as to ensure our waste gas emission is in compliance with all relevant environmental protection standards and requirements in China.

The Company strives to create a wealthy society. It has offered more job vacancies, thereby contributing more taxes to the government, and sharing the achievements of the Company with our staff and society. While caring our staff sincerely and building up a harmonious relationship with the staff, the Company also greatly supports different charity programmes. Over the past few years, the Company has donated tens of millions to Shouguang Education Fund, Shouguang Charity Federation, Weifang Venture Association, Shandong Red Cross and districts suffered from earthquake, which reflects the outstanding contribution of the Company to building a harmonious society in China. The Company has been honoured with the title of “Most Caring Donating Enterprise” by Weifang and Shouguang Municipal Committee and Municipal Government for several times, while our chairman Mr. Chen Hongguo has been honoured with the title of “Most Caring Person”.

2. Fulfilment of social responsibility regarding targeted poverty relief

Applicable Not applicable

VII Material Matters

VIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters

Are the Company and its subsidiaries classified as key pollutant discharging unit as specified by environmental protection authority?

Yes

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Shandong Chenming Paper Holdings Limited	COD	Organised emission	3	Within Chenming Industrial Park	200mg/L	300mg/L	4547t	7,666.64t	No
	Ammonia nitrogen	Organised emission	3	Within Chenming Industrial Park	2.90mg/L	45mg/L	58.40t	766.66t	No
	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	4.70mg/m ³	35mg/m ³	17.22t	247.16t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	48.05mg/m ³	100mg/m ³	163.10t	941.81t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	0.64 mg/m ³	10mg/m ³	12.91t	70.62t	No
Shouguang Meilun Paper Co., Ltd.	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	4.87mg/m ³	35mg/m ³	55.30t	348.10t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	48.35mg/m ³	100mg/m ³	464t	709.32t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	0.58mg/m ³	5mg/m ³	30.80t	73.62t	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	COD	Organised emission	1	East of the factory area	33.97mg/l	80mg/L	40.47t	184.30t	No
	Ammonia nitrogen	Organised emission	1	East of the factory area	0.45mg/l	8mg/L	0.53t	17.30t	No
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Sulphur dioxide	Organised emission	2	Within Qianneng Electric Power factory area	13mg/m ³	50mg/m ³	32.95t	102.58t	No
	Nitrogen oxide	Organised emission	2	Within Qianneng Electric Power factory area	25mg/m ³	100mg/m ³	77.21t	205.16t	Nitrogen oxide emission exceeded the standards in the first quarter of 2017 due to changes in emission standards.
	Smoke	Organised emission	2	Within Qianneng Electric Power factory area	15mg/m ³	20mg/m ³	14.47t	41.03t	No
Jiangxi Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	45mg/L	90mg/L	584.62t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.5mg/L	8mg/L	48.78t	112t	No
	Sulphur dioxide	Organised emission	2	Within factory area	60mg/m ³	200mg/m ³	446.06t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	100mg/m ³	200mg/m ³	715.35t	806t	No
	Smoke	Organised emission	2	Within factory area	15mg/m ³	30mg/m ³	115.73t	135t	No

VII Material Matters

VIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Jilin Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	61.70mg/L	90mg/L	315t	357t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.02mg/L	8mg/L	5.41t	34t	No
	Sulphur dioxide	Organised emission	1	Within factory area	34.30mg/m ³	100mg/m ³	53.28t	97t	No
	Nitrogen oxide	Organised emission	1	Within factory area	54.90mg/m ³	100mg/m ³	73.16t	213t	No
	Smoke	Organised emission	1	Within factory area	13.65mg/m ³	30mg/m ³	23.51t	51.66t	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	1	Within Zhanjiang Chenming factory area	63mg/L	90mg/L	1,311.90t	1,943t	No
	Ammonia nitrogen	Organised emission	1	Within Zhanjiang Chenming factory area	1.53mg/L	8mg/L	39t	43.90t	No
	Smoke	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln 21.96mg/m ³ ; Alkali recovered 18.60mg/m ³ ; 1#-3# circulating fluidised bed boiler 5.83mg/m ³ ; 4# circulating fluidised bed boiler 2.63mg/m ³	Lime kiln 80mg/m ³ ; Alkali recovered 30mg/m ³ ; 1#-3# circulating fluidised bed boiler 30mg/m ³ ; 4# circulating fluidised bed boiler 10mg/m ³	165.75t	196t	No
	Sulphur dioxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln 1.67mg/m ³ ; Alkali recovered 22.87mg/m ³ ; 1#-3# circulating fluidised bed boiler 4.63mg/m ³ ; 4# circulating fluidised bed boiler 2.47mg/m ³	Lime kiln 400mg/m ³ ; Alkali recovered 200mg/m ³ ; 1#-3# circulating fluidised bed boiler 100mg/m ³ ; 4# circulating fluidised bed boiler 35mg/m ³	160.65t	620t	No
	Nitrogen oxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln 198.95mg/m ³ ; Alkali recovered 192.10mg/m ³ ; 1#-3# circulating fluidised bed boiler 6.90mg/m ³ ; 4# circulating fluidised bed boiler 4.25mg/m ³	Lime kiln 300mg/m ³ ; Alkali recovered 200mg/m ³ ; 1#-3# circulating fluidised bed boiler 100mg/m ³ ; 4# circulating fluidised bed boiler 50mg/m ³	1588.60t	2169.70t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly executed the evaluation system on impacts of project construction on environment. In order to ensure pollutants are discharged strictly in accordance to requirements under laws and regulation and disposed properly, production and operation strictly comply with the national Law on the Prevention and Control of Environmental Pollution, Law on the Prevention and Control of Air Pollution, Ten Rules Regarding Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste.
- (2) Both the Company and its subsidiaries are equipped with comprehensive environmental protection treatment facilities. The aerobic-anaerobic-in-depth treatment technology is the major technology for water treatment, which can achieve standardised discharge of waste water. Moreover, subsidiaries are equipped with recycling system for process effluent, and reuse treated waste water to the greatest extent in order to minimise pollution. The Company has constructed a total of 8 water treatment plants, with daily treatment capacity of 350,000 m³. A total of ten online water monitor facilities were installed in subsidiaries. Five online water monitor facilities are directly managed by the environmental protection bureau, while the remaining five online water monitor facilities are operated by entrusted enterprises qualified for running such facilities. In addition, governmental authority will regularly visit the Company to conduct comparison of online monitor data every quarter. All data meets the standards.
- (3) All subsidiaries have their own power plants. Each self-owned plant has its own environmental protection facilities for de-dusting, desulphurisation and denitrification. Denitrification is conducted through SNCR; while desulphurisation is primarily conducted through gypsum desulphurisation (ammonia desulphurisation is adopted in self-owned plant of Jiangxi Chenming).

Environmental impact assessment of construction projects and other environmental protection administrative licensing

The Company strictly complied with environmental laws and regulations all along to carry out environmental impact assessment of construction projects. The construction projects are all subject to environmental impact assessment. During the construction process, a reasonable environmental protection project construction plan is formulated and strictly implemented. The environmental protection facilities and the main project are designed, constructed and put into operation at the same time. At present, all construction projects put into production have obtained environmental impact assessment approval and acceptance approval.

In 2017, the Company applied to the Environmental Protection Bureau in accordance with the Measures for the Administration of Pollutant Discharge Permits of the Ministry of Environmental Protection. All subsidiaries completed the formalities for new discharge permits in June.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Emergency plan for emergency environmental incidents

The Company has strictly implemented emergency regulations for emergency environmental incidents, and formulated the “Emergency plan for emergency environmental incidents” according to the technical requirements in the “Technical Guidelines for Emergency Environmental Pollution Accidents”. The plan is reviewed by and filed with the Environmental Protection Bureau, and regular emergency training and emergency drills are conducted. Emergency measures in relation to dangerous chemicals are formulated in accordance with the environmental protection requirements. At the same time, necessary emergency supplies are provided with regularly inspections and updates.

Environmental self-monitoring programme

The Company has strictly complied with self-monitoring laws and regulations and conducted self-monitoring in accordance with environmental protection requirements to establish and perfect the corporate environmental management ledgers and materials. At present, self-monitoring is a combination of manual monitoring and automatic monitoring. At the same time, qualified units are engaged to conduct regular monitoring. Automatic monitoring projects include: Total wastewater discharge (COD, Ammonia nitrogen, flow rate); power plant, Alkali recovered furnace, and lime kiln exhaust emission (Sulphur dioxide, Nitrogen oxide, Smoke). Manually monitored items include: Daily monitoring of COD, Ammonia nitrogen, SS, chroma, pH, total phosphorus, and total nitrogen indicators. Sewage and other monitoring projects, unorganised exhaust emission, solid waste, and noise at the plant boundary, are monitored on a monthly or quarterly basis by qualified units engaged in accordance with the local environmental protection requirements in relation to each subsidiary.

The self-monitoring data and environmental monitoring programmes for pollutants discharge of various subsidiaries are published on the national key pollution source information disclosure website and the provincial key pollution source information disclosure website.

Other environmental information to be disclosed

The relevant environmental protection information of the pollutant discharge permit information and the pollutant discharge permit requirements is announced on the national sewage discharge permit management information platform.

Other environmental protection related information

Other environmental protection related information is announced on the Company's website.

VII Material Matters

XIX. Other matters of significance

√ Applicable Not applicable

1. Non-public issue of A shares

At the 8th extraordinary meeting of the eighth session of the Board, relevant resolutions, including the Resolutions in Respect of the Extension of the Validity of the Resolutions in Respect of the Non-Public Issue of Shares of the Company were considered and approved. In view of the fact that the application for non-public issue of shares of the Company was still under review, it was proposed to extend the validity of the shareholders' meeting resolutions in respect of the non-public issue of shares for a period of 12 months (i.e. 2 June 2018) to ensure the smooth progress of the non-public issue of shares and related matters. The Fourth Revision of Non-public Offering for 2016 was disclosed on 8 June 2017, and the Announcement on Adjustments to the Issue Price and Size for the Non-Public Issue of A Shares after Implementation of the 2016 Profit Distribution Plan was published on 26 July 2017.

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

2. Issue of medium-term notes with an amount of RMB3,000 million.

The public issue of the 2017 first tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 11 July 2017. The amount of the issue was RMB1,000 million with a nominal value of RMB100 each at the interest rate of 6.80%.

The public issue of the 2017 second tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 27 September 2017. The amount of the issue was RMB2,000 million with a nominal value of RMB100 each at the interest rate of 6.30%.

3. Establishment of Shanghai Chenming Industry Co., Ltd.

In order to promote the diversified development of the Company, further expand its business scope, extend its market influence, enhance its overall strength and comprehensive competitiveness, and develop new sources of profit growth, the Company established a wholly-owned subsidiary in Shanghai named Shanghai Chenming Industry Co., Ltd. with self-owned funds of RMB1,000 million.

For details, please refer to the relevant announcement (announcement no.: 2017-113) of the Company published on CNINFO on 26 September 2017.

4. Capital increase in Chenming Finance Company

In order to further improve the fund settlement, management and investment and financing standards, acquire more interbank funds and improve the profitability of Chenming Finance Company, the Company and Jiangxi Chenming Paper Co., Ltd. intended to increase the capital of Chenming Finance Company by RMB800 million and RMB200 million with their own funds respectively. After the completion of the capital increase, the registered capital of Chenming Finance Company increased to RMB3,000 million from RMB2,000 million.

For details, please refer to the relevant announcement (announcement no.: 2017-120) of the Company published on CNINFO on 14 October 2017.

VII Material Matters

XIX. Other matters of significance (Cont'd)

5. Establishment of new financial leasing companies

In order to promote the diversified development of the financial segment of the Group, further expand the business scope of the financial leasing business, enhance the overall strength and comprehensive competitiveness of the Company and create new sources of profit growth for the Company, the Company proposed to establish Shanghai Chenming Financial Leasing Co., Ltd. and Guangzhou Chenming Financial Leasing Co., Ltd in Shanghai and Guangzhou respectively.

For details, please refer to the relevant announcements (announcement no.: 2017-114, 2017-143) of the Company published on CNINFO on 26 September 2017 and 16 November 2017.

6. Disposal of 30% equity interest in Xuchang Chenming

In order to further integrate resources of the Company, optimise its asset structure and reduce its management risk, the Resolution on the disposal of 30% equity interest in Xuchang Chenming was considered and approved at the eighteenth extraordinary meeting of the eighth session of the Board of the Company, pursuant to which the Company proposed to dispose of 30% equity interest in its controlling subsidiary Xuchang Chenming Paper Co., Ltd. through public tender.

For details, please refer to the relevant announcement (announcement no.: 2017-148) of the Company published on CNINFO on 28 November 2017.

7. Issue of super & short-term commercial paper approved for registration

In order to further expand the finance channels of the Company, lower the finance expenses, improve the debt structure and enhance the benefits of the Company, the Resolution on the issue of super & short-term commercial paper was considered and approved at the 2016 Annual General Meeting of the Company held on 21 April 2017. The issue of super & short-term commercial paper of the Company was filed and approved by the National Association of Financial Market Institutional Investors and received the acceptance of registration notice (Zhong Shi Xie Zhu [2017] SCP242), by which the Company was approved to issue super & short-term commercial paper with registered amount of RMB15 billion. The registered amount is valid for 2 years from the date of receipt of the notice and can be issued in phases within the valid registration period.

For details, please refer to the relevant announcement (announcement no.: 2017-085) of the Company published on CNINFO on 5 August 2017.

VII Material Matters

XIX. Other matters of significance (Cont'd)

8. Information disclosure index for 2017

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-001	Announcement on Estimated Annual Results for 2016	10 January 2017	http://www.cninfo.com.cn
2017-002	Announcement on Result of the Issue of 2017 First Tranche of Short-term Commercial Paper	10 January 2017	http://www.cninfo.com.cn
2017-003	Announcement on Result of the Issue of 2017 First Tranche of Super & Short-term Commercial Paper	12 January 2017	http://www.cninfo.com.cn
2017-004	Indicative Announcement on Subsidiary Receiving Subsidy	19 January 2017	http://www.cninfo.com.cn
2017-005	Supplementary Announcement Subsidiary Receiving Subsidy	20 January 2017	http://www.cninfo.com.cn
2017-006	Announcement in respect of Resolutions of the Fourth Meeting of the Eighth Session of the Board of Directors	18 February 2017	http://www.cninfo.com.cn
2017-007	Notice of 2016 Annual General Meeting	18 February 2017	http://www.cninfo.com.cn
2017-008	2016 Annual Report Summary	18 February 2017	http://www.cninfo.com.cn
2017-009	Announcement in respect of Resolutions of the Fifth Meeting of the Eighth Session of the Supervisory Committee	18 February 2017	http://www.cninfo.com.cn
2017-010	Announcement on Provision of Guarantee for General Credit Lines of Relevant Subsidiaries	18 February 2017	http://www.cninfo.com.cn
2017-011	Announcement on External Investment (I)	18 February 2017	http://www.cninfo.com.cn
2017-012	Announcement on Provision of Financial Support to Haiming Mining and Related Party Transaction	18 February 2017	http://www.cninfo.com.cn
2017-013	Announcement on External Investment (II)	18 February 2017	http://www.cninfo.com.cn
2017-014	Announcement on Expected Ordinary Connected Transactions in 2017	18 February 2017	http://www.cninfo.com.cn
2017-015	Indicative Announcement	25 February 2017	http://www.cninfo.com.cn
2017-016	Announcement on Asset Disposal	1 March 2017	http://www.cninfo.com.cn
2017-017	Announcement in respect of Resolutions of the Seventh Extraordinary Meeting of the Eighth Session of the Board of Directors	7 March 2017	http://www.cninfo.com.cn
2017-018	Notice of 2016 Annual General Meeting	7 March 2017	http://www.cninfo.com.cn
2017-019	Announcement in respect of Resolutions of the Fourth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	7 March 2017	http://www.cninfo.com.cn
2017-020	Announcement on the Cancellation of Proposal for the 2016 Annual General Meeting	8 March 2017	http://www.cninfo.com.cn
2017-021	Supplemental Notice of 2016 Annual General Meeting	8 March 2017	http://www.cninfo.com.cn
2017-022	Announcement on the Distribution of Dividend for Preference Share	10 March 2017	http://www.cninfo.com.cn
2017-023	Announcement on Result of the Issue of 2017 Second Tranche of Super & Short-term Commercial Paper	10 March 2017	http://www.cninfo.com.cn
2017-024	Full Report of Changes in Equity	15 March 2017	http://www.cninfo.com.cn
2017-025	Announcement on Result of the Issue of 2017 Third Tranche of Super & Short-term Commercial Paper	17 March 2017	http://www.cninfo.com.cn
2017-026	Announcement on Entering into a Strategic Cooperation Agreement with the People's Government of Weidu District, Xuchang City	21 March 2017	http://www.cninfo.com.cn
2017-027	Announcement on Approval of Public Issuance of Corporate Bonds by the China Securities Regulatory Commission	24 March 2017	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

8. Information disclosure index for 2017 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-028	Indicative Announcement on Subsidiary Receiving Subsidy	31 March 2017	http://www.cninfo.com.cn
2017-029	Second Supplementary Notice of the 2016 Annual General Meeting	6 April 2017	http://www.cninfo.com.cn
2017-030	Announcement on Estimated Results for the First Quarter of 2017	11 April 2017	http://www.cninfo.com.cn
2017-031	Announcement on Entering into a Strategic Cooperation Agreement with Qilu Bank	11 April 2017	http://www.cninfo.com.cn
2017-032	Announcement in respect of Resolutions of the Eighth Extraordinary Meeting of the Eighth Session of the Board of Directors	13 April 2017	http://www.cninfo.com.cn
2017-033	Announcement in respect of Resolutions of the Fifth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	13 April 2017	http://www.cninfo.com.cn
2017-034	Announcement in Relation to the Extension of the Validity of the Resolutions in Respect of the Non-Public Issue of Shares of the Company and the Authorisation Granted to the Board to Deal with the Relevant Matters	13 April 2017	http://www.cninfo.com.cn
2017-035	Notice of 2017 First Extraordinary General Meeting	13 April 2017	http://www.cninfo.com.cn
2017-036	Notice of the 2017 First Domestic Listed Share Class Meeting and 2017 First Overseas Listed Share Class Meeting	13 April 2017	http://www.cninfo.com.cn
2017-037	Announcement on Result of the Issue of 2017 Second Tranche of Short-term Commercial Paper	18 April 2017	http://www.cninfo.com.cn
2017-038	Indicative Announcement on 2016 Annual General Meeting	19 April 2017	http://www.cninfo.com.cn
2017-039	Announcement in respect of Resolutions of the Ninth Extraordinary Meeting of the Eighth Session of the Board of Directors	19 April 2017	http://www.cninfo.com.cn
2017-040	Announcement in respect of Resolutions of the Sixth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	19 April 2017	http://www.cninfo.com.cn
2017-041	Announcement on Third Revision of Non-public Offering for 2016	19 April 2017	http://www.cninfo.com.cn
2017-042	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Third Revision)	19 April 2017	http://www.cninfo.com.cn
2017-043	Announcement on Resolutions of the 2016 Annual General Meeting	22 April 2017	http://www.cninfo.com.cn
2017-044	Announcement on Result of the Issue of 2017 Fourth Tranche of Super & Short-term Commercial Paper	26 April 2017	http://www.cninfo.com.cn
2017-045	Announcement in respect of Resolutions of the Fifth Meeting of the Eighth Session of the Board of Directors	28 April 2017	http://www.cninfo.com.cn
2017-046	Announcement on Provision of Financial Support to Investee	28 April 2017	http://www.cninfo.com.cn
2017-047	Announcement in respect of Resolutions of the Sixth Meeting of the Eighth Session of the Supervisory Committee	28 April 2017	http://www.cninfo.com.cn
2017-048	2017 First Quarterly Report	28 April 2017	http://www.cninfo.com.cn
2017-049	Indicative Announcement on Receipt of Subsidy	28 April 2017	http://www.cninfo.com.cn
2017-050	Announcement on the Total New Borrowings for the Year Exceeding 20% of the Net Assets as at the End of the Previous Year	9 May 2017	http://www.cninfo.com.cn
2017-051	Announcement on Additional Resolutions Proposed at the 2017 First Extraordinary General Meeting	16 May 2017	http://www.cninfo.com.cn
2017-052	Supplementary Notice of 2017 First Extraordinary General Meeting	16 May 2017	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

8. Information disclosure index for 2017 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-053	Second Supplementary Notice of the 2017 First Domestic Listed Share Class Meeting and 2017 First Overseas Listed Share Class Meeting	16 May 2017	http://www.cninfo.com.cn
2017-054	Announcement on Pledge of Shares by Shareholders	1 June 2017	http://www.cninfo.com.cn
2017-055	Announcement on Resolution of the 2017 First Extraordinary General Meeting	3 June 2017	http://www.cninfo.com.cn
2017-056	Poll Results Announcement of the 2017 First Domestic A Shareholders' and B Shareholders' Class Meeting and the 2017 First Overseas H Shareholders' Class Meeting	3 June 2017	http://www.cninfo.com.cn
2017-057	Announcement on Release of Stock Pledge by Shareholders	3 June 2017	http://www.cninfo.com.cn
2017-058	Announcement on Pledge of Shares by Shareholders	8 June 2017	http://www.cninfo.com.cn
2017-059	Announcement in respect of Resolutions of the Tenth Extraordinary Meeting of the Eighth Session of the Board of Directors	8 June 2017	http://www.cninfo.com.cn
2017-060	Announcement in respect of Resolutions of the Seventh Extraordinary Meeting of the Eighth Session of the Supervisory Committee	8 June 2017	http://www.cninfo.com.cn
2017-061	Announcement on Entering into Conditional Share Purchase Agreement and Connected Transactions under the Non-public Offering of A Share (Second Revision)	8 June 2017	http://www.cninfo.com.cn
2017-062	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Fourth Revision)	8 June 2017	http://www.cninfo.com.cn
2017-063	Announcement on Adjustment to the Price Determination Date for the Non-public Issue of A Shares	8 June 2017	http://www.cninfo.com.cn
2017-064	Notice of 2017 Second Extraordinary General Meeting	8 June 2017	http://www.cninfo.com.cn
2017-065	Notice of the 2017 Second Domestic Listed Share Class Meeting and 2017 Second Overseas Listed Share Class Meeting	8 June 2017	http://www.cninfo.com.cn
2017-066	Announcement on the Implementation of Dividend Distribution to Holders of A Shares and B Shares for 2016	9 June 2017	http://www.cninfo.com.cn
2017-067	Indicative Announcement	17 June 2017	http://www.cninfo.com.cn
2017-068	Announcement on Resumption of Trading	17 June 2017	http://www.cninfo.com.cn
2017-069	Indicative Announcement	23 June 2017	http://www.cninfo.com.cn
2017-070	Indicative Announcement	30 June 2017	http://www.cninfo.com.cn
2017-071	Indicative Announcement	3 July 2017	http://www.cninfo.com.cn
2017-072	Indicative Announcement of 2017 Second Extraordinary General Meeting, 2017 Second Class Meeting For Domestic Shareholders and 2017 Second Class Meeting For Overseas Shareholders	8 July 2017	http://www.cninfo.com.cn
2017-073	Announcement on the Accumulated New Borrowing of the Current Year	8 July 2017	http://www.cninfo.com.cn
2017-074	Announcement on Estimated Interim Results for 2017	10 July 2017	http://www.cninfo.com.cn
2017-075	Announcement on Result of the Issue of 2017 First Tranche of Medium-term Notes	15 July 2017	http://www.cninfo.com.cn
2017-076	Indicative Announcement	17 July 2017	http://www.cninfo.com.cn
2017-077	Announcement in Respect of Resolutions of The Eleventh Extraordinary Meeting of the Eighth Session of the Board of Directors	25 July 2017	http://www.cninfo.com.cn
2017-078	Announcement on the Commencement of Financial Leasing Business	25 July 2017	http://www.cninfo.com.cn
2017-079	Announcement on the Provision of Guarantee to Wholly-Owned Subsidiary and Investee	25 July 2017	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

8. Information disclosure index for 2017 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-080	Notice of 2017 Third Extraordinary General Meeting	25 July 2017	http://www.cninfo.com.cn
2017-081	Announcement in Respect of Resolutions of 2017 Second Extraordinary General Meeting, 2017 Second Class Meeting For Domestic Shareholders and 2017 Second Class Meeting For Overseas Shareholders	25 July 2017	http://www.cninfo.com.cn
2017-082	Announcement on Adjustments to the Issue Price and Size for the Non-Public Issue of A Shares after Implementation of the 2016 Profit Distribution Plan	26 July 2017	http://www.cninfo.com.cn
2017-083	Announcement on Release of Stock Pledge by Shareholders	26 July 2017	http://www.cninfo.com.cn
2017-084	Indicative Announcement	31 July 2017	http://www.cninfo.com.cn
2017-085	Announcement on Issue of Super & Short-term Commercial Paper Approved for Registration	5 August 2017	http://www.cninfo.com.cn
2017-086	Announcement in respect of Resolutions of the Twelfth Extraordinary Meeting of the Eighth Session of the Board of Directors	9 August 2017	http://www.cninfo.com.cn
2017-087	Announcement on the Distribution of Dividend for Second Tranche of Preference Share	9 August 2017	http://www.cninfo.com.cn
2017-088	Announcement on Pledge of Shares by Shareholders	9 August 2017	http://www.cninfo.com.cn
2017-089	Announcement on Result of the Issue of 2017 Fifth Tranche of Super & Short-term Commercial Paper	12 August 2017	http://www.cninfo.com.cn
2017-090	Announcement on 2017 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	15 August 2017	http://www.cninfo.com.cn
2017-091	Announcement in respect of Resolutions of the Sixth Meeting of the Eighth Session of the Board of Directors	16 August 2017	http://www.cninfo.com.cn
2017-092	2017 Interim Report Summary	16 August 2017	http://www.cninfo.com.cn
2017-093	Announcement on External Investment	16 August 2017	http://www.cninfo.com.cn
2017-094	Announcement on the Provision of Guarantee to Wholly-Owned Subsidiary	16 August 2017	http://www.cninfo.com.cn
2017-095	Announcement on Release of Stock Pledge by Shareholders	16 August 2017	http://www.cninfo.com.cn
2017-096	Announcement on the Implementation of the Distribution of Residual Profits of 2016 to Preference Shareholders	16 August 2017	http://www.cninfo.com.cn
2017-097	Announcement on the Coupon Rate of 2017 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	17 August 2017	http://www.cninfo.com.cn
2017-098	Announcement on the Participation in 2017 Online Collective Reception Activity for Investors of Listed Companies in Shandong Jurisdiction	19 August 2017	http://www.cninfo.com.cn
2017-099	Announcement on the Result of 2017 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	22 August 2017	http://www.cninfo.com.cn
2017-100	Supplementary Announcement of 2017 Third Extraordinary General Meeting	25 August 2017	http://www.cninfo.com.cn
2017-101	Supplementary Notice of 2017 Third Extraordinary General Meeting	25 August 2017	http://www.cninfo.com.cn
2017-102	Indicative Announcement	25 August 2017	http://www.cninfo.com.cn
2017-103	Indicative Announcement	29 August 2017	http://www.cninfo.com.cn
2017-104	Announcement on Result of the Issue of 2017 Sixth Tranche of Super & Short-term Commercial Paper	9 September 2017	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

8. Information disclosure index for 2017 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-105	Announcement on Release of Stock Pledge by Shareholders	9 September 2017	http://www.cninfo.com.cn
2017-106	Indicative Announcement	12 September 2017	http://www.cninfo.com.cn
2017-107	Announcement on the Distribution of Dividend for Third Tranche of Preference Share	13 September 2017	http://www.cninfo.com.cn
2017-108	Poll Results Announcement of the 2017 Third Extraordinary General Meeting	13 September 2017	http://www.cninfo.com.cn
2017-109	Announcement on Completion of Transfer of Shares Granted to Chairman	15 September 2017	http://www.cninfo.com.cn
2017-110	Announcement On Result Of The Issue Of 2017 Seventh Tranche Of Super & Short-Term Commercial Paper	22 September 2017	http://www.cninfo.com.cn
2017-111	Corrigendum to 2017 Interim Report	22 September 2017	http://www.cninfo.com.cn
2017-112	Announcement in respect of Resolutions of the Thirteenth Extraordinary Meeting of the Eighth Session of the Board of Directors	26 September 2017	http://www.cninfo.com.cn
2017-113	Announcement on External Investment	26 September 2017	http://www.cninfo.com.cn
2017-114	Announcement on External Investment	26 September 2017	http://www.cninfo.com.cn
2017-115	Announcement on the Listing of 2017 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	27 September 2017	http://www.cninfo.com.cn
2017-116	Announcement on Result of the Issue of 2017 Second Tranche of Medium-term Notes	30 September 2017	http://www.cninfo.com.cn
2017-117	Announcement on Pledge of Shares by Shareholders	30 September 2017	http://www.cninfo.com.cn
2017-118	Announcement on Estimated Results for the First Three Quarters of 2017	11 October 2017	http://www.cninfo.com.cn
2017-119	Announcement in respect of Resolutions of the Fourteenth Extraordinary Meeting of the Eighth Session of the Board of Directors	14 October 2017	http://www.cninfo.com.cn
2017-120	Announcement on External Investment	14 October 2017	http://www.cninfo.com.cn
2017-121	Announcement on External Investment	14 October 2017	http://www.cninfo.com.cn
2017-122	Announcement on Provision of Secured Borrowings to Xuchang Chenming	14 October 2017	http://www.cninfo.com.cn
2017-123	Notice of 2017 Fourth Extraordinary General Meeting	14 October 2017	http://www.cninfo.com.cn
2017-124	Announcement on Result of the Issue of 2017 Eighth Tranche of Super & Short-term Commercial Paper	14 October 2017	http://www.cninfo.com.cn
2017-125	Announcement in respect of Resolutions of the Fifteenth Extraordinary Meeting of the Eighth Session of the Board of Directors	20 October 2017	http://www.cninfo.com.cn
2017-126	Announcement on External Investment	20 October 2017	http://www.cninfo.com.cn
2017-127	Announcement on Pledge of Shares by Shareholders	20 October 2017	http://www.cninfo.com.cn
2017-128	Indicative Announcement	20 October 2017	http://www.cninfo.com.cn
2017-129	Announcement on Result of the Issue of 2017 Ninth Tranche of Super & Short-term Commercial Paper	24 October 2017	http://www.cninfo.com.cn
2017-130	2017 Third Quarterly Report	26 October 2017	http://www.cninfo.com.cn
2017-131	Announcement on Result of the Issue of 2017 Tenth Tranche of Super & Short-term Commercial Paper	28 October 2017	http://www.cninfo.com.cn
2017-132	Announcement on Resignation of Supervisor	30 October 2017	http://www.cninfo.com.cn
2017-133	Announcement in respect of Resolutions of the Sixteenth Extraordinary Meeting of the Eighth Session of the Board of Directors	31 October 2017	http://www.cninfo.com.cn
2017-134	Announcement on the Transfer of 45% Equity Interest in Hongtai Real Estate to the Company	31 October 2017	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

8. Information disclosure index for 2017 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-135	Announcement on the Provision of Guarantee to the Syndicated Loan of Zhanjiang Chenming	31 October 2017	http://www.cninfo.com.cn
2017-136	Announcement on Pledge of Shares by Shareholders	31 October 2017	http://www.cninfo.com.cn
2017-137	Announcement on Release of Stock Pledge by Shareholders	3 November 2017	http://www.cninfo.com.cn
2017-138	Announcement on Increase in Shareholding by Senior Management	10 November 2017	http://www.cninfo.com.cn
2017-139	Announcement on Resignation of General Manager	10 November 2017	http://www.cninfo.com.cn
2017-140	Announcement on Additional Resolutions Proposed at the 2017 Fourth Extraordinary General Meeting	11 November 2017	http://www.cninfo.com.cn
2017-141	Supplemental Notice of 2017 Fourth Extraordinary General Meeting	11 November 2017	http://www.cninfo.com.cn
2017-142	Announcement in respect of Resolutions of the Seventeenth Extraordinary Meeting of the Eighth Session of the Board of Directors	16 November 2017	http://www.cninfo.com.cn
2017-143	Announcement on External Investment	16 November 2017	http://www.cninfo.com.cn
2017-144	Announcement on External Investment	16 November 2017	http://www.cninfo.com.cn
2017-145	Announcement on Result of the Issue of 2017 Eleventh Tranche of Super & Short-term Commercial Paper	18 November 2017	http://www.cninfo.com.cn
2017-146	Announcement on Receipt of Government Subsidy	25 November 2017	http://www.cninfo.com.cn
2017-147	Announcement in respect of Resolutions of the Eighteenth Extraordinary Meeting of the Eighth Session of the Board of Directors	28 November 2017	http://www.cninfo.com.cn
2017-148	Announcement on the Disposal of 30% Equity Interest in Xuchang Chenming	28 November 2017	http://www.cninfo.com.cn
2017-149	Poll Results Announcement of the 2017 Fourth Extraordinary General Meeting	1 December 2017	http://www.cninfo.com.cn
2017-150	Announcement on Release of Stock Pledge by Shareholders	13 December 2017	http://www.cninfo.com.cn
2017-151	Announcement on Pledge of Shares by Shareholders	16 December 2017	http://www.cninfo.com.cn
2017-152	Announcement on the Results of Redemption and Delisting of "12 Chenming Bond"	20 December 2017	http://www.cninfo.com.cn
2017-153	Announcement on Result of the Issue of 2017 Twelfth Tranche of Super & Short-term Commercial Paper	21 December 2017	http://www.cninfo.com.cn
2017-154	Announcement on Pledge of Shares by Shareholders	23 December 2017	http://www.cninfo.com.cn
2017-155	Announcement on Progress of Receipt of Government Subsidy	28 December 2017	http://www.cninfo.com.cn
2017-156	Announcement in respect of Resolutions of the Nineteenth Extraordinary Meeting of the Eighth Session of the Board of Directors	30 December 2017	http://www.cninfo.com.cn
2017-157	Announcement on the Provision of Guarantee for the Issue of USD Bonds	30 December 2017	http://www.cninfo.com.cn
2017-158	Announcement on External Investment(I)	30 December 2017	http://www.cninfo.com.cn
2017-159	Announcement on External Investment (II)	30 December 2017	http://www.cninfo.com.cn
2017-160	Announcement on the Commencement of Financial Leasing Business	30 December 2017	http://www.cninfo.com.cn
2017-161	Announcement in respect of Changes in Accounting Policy and Accounting Estimation	30 December 2017	http://www.cninfo.com.cn
2017-162	Notice of 2018 First Extraordinary General Meeting	30 December 2017	http://www.cninfo.com.cn
2017-163	Announcement on Release of Stock Pledge by Shareholders	30 December 2017	http://www.cninfo.com.cn
2017-164	Announcement on Receipt of Government Subsidy	30 December 2017	http://www.cninfo.com.cn
2017-165	Announcement on Resolution of the Eighth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	30 December 2017	http://www.cninfo.com.cn

VII Material Matters

XX. Matters of significant of subsidiaries of the Company

√ Applicable Not applicable

1. Construction of 510,000-tonne high-end cultural paper project of Shouguang Meilun

In order to make full use of the existing pulping capacity and cost advantages of Zhanjiang Chenming Pulp & Paper Co., Ltd. and optimise the Company's market layout, it was proposed to construct a new production line with an annual output of 510,000-tonne high-end cultural paper in the original product line with a capacity of 600,000-tonne coating linerboard.

For details, please refer to the relevant announcement (announcement no.: 2017-013) of the Company published on CNINFO on 18 February 2017.

2. Transfer of 45% equity interest in Hongtai Real Estate to Shanghai Chenming Industry

Shanghai Chenming Industry Co., Ltd. and Shanghai Hongkelong Investment Co., Ltd. entered into the Equity Acquisition Agreement. Based on the appraised value of the total shareholders' equity of Shanghai Hongtai Real Estate Co., Ltd. of RMB3,908,397 thousand, Shanghai Chenming proposed to acquire 45% equity interest in and the loan due from Hongtai Real Estate held by Hongkelong at a consideration of RMB1,714,356,217.76, in which the equity interest amounted to RMB1,590,646,717.76 and loan amounted to RMB123,709,500.

For details, please refer to the relevant announcement (announcement no.: 2017-134) of the Company published on CNINFO on 31 October 2017.

3. Construction of Differential Viscose Fibre and Ancillary Production Facilities Project of Huanggang Chenming

In order to expand the industrial chain of the Company, facilitate the project construction of Huanggang Chenming, optimise the industrial deployment, cultivate new sources of profit growth and further enhance the competitiveness of the Company, Huanggang Chenming intended to establish a new production line with annual production capacity of 500,000 tonnes of differential viscose fibre and ancillary production facilities with annual production capacity of 320,000 tonnes of caustic soda, 170,000 tonnes of hydrogen peroxide, 150,000 tonnes of chloroacetic acid, 240,000 tonnes of epichlorohydrin, 260,000 tonnes of refined glycerine, 50,000 tonnes of carbon disulfide, 420,000 tonnes of sulfuric acid and 232,000 tonnes of calcium chloride, as well as the site construction of ancillary production facilities, and living quarters in Huanggang City, Hubei Province.

For details, please refer to the relevant announcement (announcement no.: 2017-158) of the Company published on CNINFO on 30 December 2017.

4. Construction of Cogeneration Project in the Chemical Industrial Park of Huanggang Chenming

In order to facilitate the project construction of Huanggang Chenming, satisfy the steam load of Huanggang Chenming's viscose and ancillary chemicals project and provide stable steam supply to enterprises and public service units in the chemical industrial park with the construction of supporting facilities of high standards and high-quality landscape and environment, Huanggang Chenming intended to construct two 125MW high-temperature and high-pressure extraction back pressure steam generators and four 580t/h circulating fluidised bed boilers in Huanggang City, Hubei Province, as the source of heat supply for the industrial park with related supporting facilities.

For details, please refer to the relevant announcement (announcement no.: 2017-159) of the Company published on CNINFO on 30 December 2017.

VIII Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Shares converted		Subtotal	Amount	Percentage
					from reserves	Others			
I. Restricted shares	7,787,180	0.40%	0	0	0	147,921	147,921	7,935,101	0.41%
1. Shares held by other domestic investors	7,787,180	0.40%	0	0	0	147,921	147,921	7,935,101	0.41%
Including: shares held by domestic natural persons	7,787,180	0.40%	0	0	0	147,921	147,921	7,935,101	0.41%
II. Non-restricted shares	1,928,618,287	99.58%	0	0	0	-147,921	-147,921	1,928,470,366	99.59%
1. RMB ordinary shares	1,105,591,276	57.07%	0	0	0	-201,721	-201,721	1,105,389,555	57.08%
2. Domestic listed foreign shares	470,823,511	24.32%	0	0	0	53,800	53,800	470,877,311	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%	0	0	0	0	0	352,203,500	18.19%
III. Total number of shares	1,936,405,467	100.00%	0	0	0	0	0	1,936,405,467	100.00%

The reasons for such changes

Applicable Not applicable

Before the change, the number of restricted shares held by domestic natural persons decreased by 147,921 shares from 7,787,180 shares to 7,935,101 shares due to the fact that: According to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, 196,327 RMB ordinary shares (A shares) without restriction granted to the Senior Management were put under restriction; 45,000 RMB ordinary shares (A shares) without restriction additionally acquired by the Senior Management and supervisors were put under restriction; and 46,200 domestic-listed foreign RMB shares (B shares) without restriction additionally acquired by the Senior Management were put under restriction during the reporting period;

39,606 restricted RMB ordinary shares (A shares) held by the Senior Management who had resigned for more than half a year were released; 100,000 domestic-listed foreign RMB shares (B shares) held by the Senior Management who had resigned for more than half a year without restriction were released.

Approval of changes in shareholding

Applicable Not applicable

VIII Changes in Share Capital and Shareholders

I. Changes in shares *(Cont'd)*

1. Changes in shares *(Cont'd)*

Transfer of shares arising from changes in shareholding

Applicable Not applicable

The Company issued the Announcement on Completion of Transfer of Shares Granted to Chairman (announcement no.: 2017-109) on 15 September 2017 in relation to the transfer of the 261,769 tradable A shares without restriction held by the former chairman of the Company, Mr. Chen Yongxing before his death to the current chairman, Mr. Chen Hongguo. The transfer was filed to China Securities Depository and Clearing Company Limited, Shenzhen Branch and the date of transfer was 11 September 2017.

As at the disclosure date of this report, Mr. Chen Hongguo held 6,696,296 A shares of the Company, representing 0.3458% of the total share capital of the Company.

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

2. Changes in restricted shares

Applicable Not applicable

VIII Changes in Share Capital and Shareholders

II. Issuance and listing of securities

1. Issuance of securities (excluding preference shares) during the reporting period

Applicable Not applicable

2. 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

3. Existing staff shares

Applicable Not applicable

III. Shareholders and beneficial controllers

1. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	94,435, of which 74,291 were holders of A shares, 19,731 were holders of B shares and 413 were holders of H shares	Total number of shareholders of ordinary shares as at the end of the month prior to the publication date of this annual report	97,370, of which 78,263 were holders of A shares, 18,735 were holders of B shares and 372 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period	0	Total number of shareholders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
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VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

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

Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders

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	Share pledged or locked-up	
							Status of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	0	293,003,657	Pledged	171,599,100
HKSCC NOMINEES LIMITED	Overseas legal person	12.85%	248,867,250	2,288,100	0	248,867,250		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	242,754,375	69,660,975	0	242,754,375		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0	0	40,137,900		
NATIONAL SOCIAL SECURITY FUND 403	Others	0.61%	11,853,596	7,111,563	0	11,853,596		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0	0	8,608,238		
JIAO Yanxi	Domestic nature person	0.37%	7,111,563	7,111,563	0	7,111,563		
CHEN Hongguo	Domestic nature person	0.35%	6,696,296	261,769	5,022,222	1,674,074		
LSV EMERGING MARKETS EQUITY FUND, L.P.	Overseas legal person	0.32%	6,102,800	0	0	6,102,800		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.31%	6,088,072	509,267	0	6,088,072		

Connected relationship or connected party relationship among the above shareholders

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Shareholder Chen Hongguo is the legal representative, chairman and general manager of Shouguang Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each other.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

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

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
HKSCC NOMINEES LIMITED	248,867,250	Overseas listed foreign shares	248,867,250
CHENMING HOLDINGS (HONG KONG) LIMITED	242,754,375	Domestic listed foreign shares	140,478,375
		Overseas listed foreign shares	102,276,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	40,137,900	RMB ordinary shares	40,137,900
NATIONAL SOCIAL SECURITY FUND 403	11,853,596	RMB ordinary shares	11,853,596
VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	Domestic listed foreign shares	8,608,238
		RMB ordinary shares	7,111,563
JIAO Yanxi	7,111,563	RMB ordinary shares	7,111,563
LSV EMERGING MARKETS EQUITY FUND, L.P.	6,102,800	Domestic listed foreign shares	6,102,800
		RMB ordinary shares	6,088,072
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	6,088,072	Domestic listed foreign shares	6,088,072
		RMB ordinary shares	5,789,200
JIN Xing	5,789,200	Domestic listed foreign shares	5,789,200

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

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each other.

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

Yes No

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

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

2. Controlling shareholders of the Company

Nature of controlling shareholder: regional state-owned enterprise

Type of controlling shareholder: legal person

Name of controlling shareholders	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
Shouguang Chenming Holdings Company Limited	Chen Hongguo	30 December 2005	78348518-9	Investment in paper making, electricity, heat and arboriculture by its own capital.

Shareholdings of controlling shareholders who have control or hold shares in other domestic or overseas listed companies during the reporting period

Save for the Company, Shouguang Chenming Holdings Company Limited does not have control over or hold any equity interest of other domestic or overseas listed companies.

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.

3. Beneficial controller of the Company

Nature of the beneficial controller: Regional state-owned assets administration authority

Type of the beneficial controller: legal person

Name of beneficial controller	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
State-owned Assets Supervision and Administration Office of Shouguang City	Fu Xingang	1 August 1991	F5108355-4	Responsible for the management and capital operation of the state-owned assets of enterprises and business units in Shouguang city

Shareholdings of beneficial controller who has control or holds shares in other domestic or overseas listed companies during the reporting period

Save for the Company, State-owned Assets Supervision and Administration Office of Shouguang City does not have control over or hold any equity interest of other domestic or overseas listed companies.

Change of beneficial controller during the reporting period

Applicable Not applicable

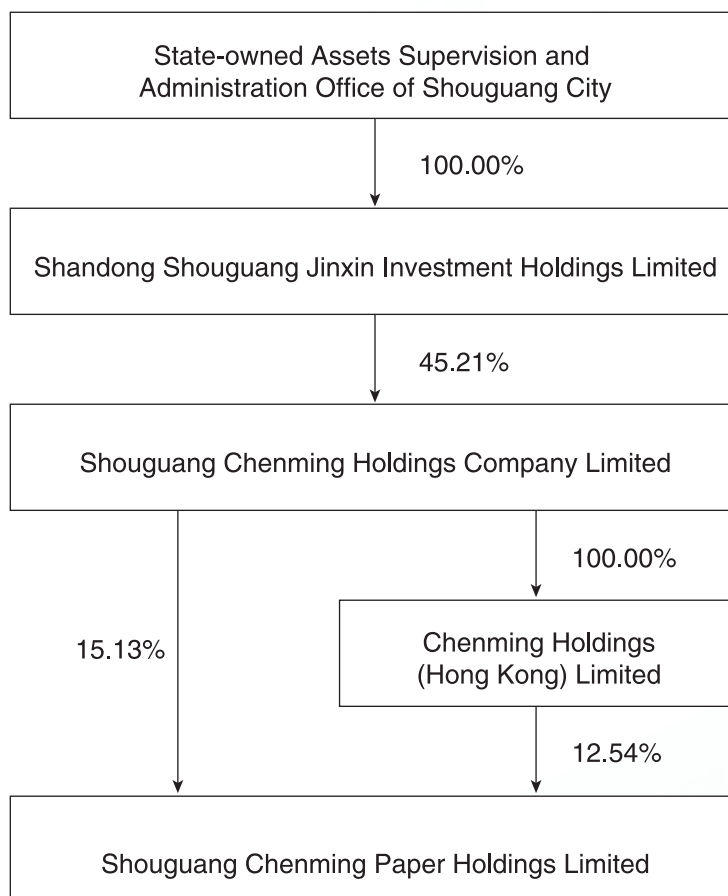
There was no change of beneficial owner of the Company during the reporting period.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

3. Beneficial controller of the Company (Cont'd)

Chart illustrating the relationship between the Company and the beneficial controller



Beneficial controller controlling the Company through trust or other asset management method

Applicable Not applicable

4. Other legal person shareholders interested in over 10% of the shares of the Company

Applicable Not applicable

5. Restrictions on decrease in shareholding by controlling shareholders, beneficial controller, reorganising party and other undertaking parties

Applicable Not applicable

IX Preference Shares

√ Applicable □ Not applicable

I. Issue and listing of preference shares during the past three years at the end of the reporting period

√ Applicable □ Not applicable

Method	Issue date	Issue price (RMB/share)	Coupon rate	Issue size (share)	Listing date	With listing permission (share)	Delisting date	Information of use of proceeds	Information of changes to proceeds
Private	16 March 2016	100	4.36%	22,500,000	8 April 2016	22,500,000	Not applicable	http://www.cninfo.com.cn	Not applicable
Private	16 August 2016	100	5.17%	10,000,000	12 September 2016	10,000,000	Not applicable	http://www.cninfo.com.cn	Not applicable
Private	21 September 2016	100	5.17%	12,500,000	24 October 2016	12,500,000	Not applicable	http://www.cninfo.com.cn	Not applicable

II. Holders of preference shares and their shareholdings

Unit: share

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

7 Total number of shareholders of preference shares as at the end of the month prior to the publication date of this annual report

7

Holders holdings more than 5% of the preference shares of the Company or top ten holders of preference shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.78%	12,500,000	0	0	12,500,000	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000	0	0	10,100,000		
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000	0	0	6,400,000		
QILU BANK CO., LTD. - QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	6,000,000	0	0	6,000,000		
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000	0	0	5,000,000		
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	6.67%	3,000,000	0	0	3,000,000		
NCF - MINSHENG BANK - CHINA FORTUNE INTERNATIONAL TRUST - CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000	0	0	2,000,000		

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

The aforesaid holders of preference shares, "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST" and "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST", are persons acting in concert. Save for the above, it is not aware that the remaining holders of preference shares are persons acting in concert, and it is also not aware whether there is any connected relationship between the above holders of preference shares and top ten holders of ordinary shares.

IX Preference Shares

III. Profit distribution for preference shares

Applicable Not applicable

Profit distribution for preference shares during the reporting period

Applicable Not applicable

Date of Distribution	Dividend Ratio	Distributed amount (RMB) (tax inclusive)	Whether it is in compliance with the conditions and the relevant procedures of distribution	Way of dividend payment	Whether it was an accumulated dividend	Whether it participates in distribution of remaining profit
17 March 2017	4.36%	98,100,000.00	Yes	Cash	No	Yes
16 August 2017	5.17%	51,700,000.00	Yes	Cash	No	Yes
24 August 2017	5.30%	119,277,108.41	Yes	Cash	No	Yes
21 September 2017	5.17%	64,625,000.00	Yes	Cash	No	Yes

Distribution for preference shares of the Company for the past three years

Year of distribution	Distributed amount (tax inclusive)	Net profit attributable to shareholders of listed company under the consolidated financial statements for the distribution year	Percentage to the net profit attributable to shareholders of listed company under the consolidated financial statements	Explanation on shortfall accumulated to the next accounting year due to insufficient distributable profits or portion can be allocated to remaining profit distribution
2017	679,141,006.88	3,769,325,450.93	18.02%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB464,716,006.88 in 2017.
2016	119,277,108.41	1,998,578,788.75	5.97%	Chenming You 01 participated in the remaining profit distribution for RMB119,277,108.41 in 2016.
2015	0.00	1,086,632,711.54	0.00%	

Any adjustment or change in profit distribution policy for preference shares

Yes No

IX Preference Shares

III. Profit distribution for preference shares *(Cont'd)*

Both earnings of the Company and retained profit of the parent company are positive during the reporting period but without profit distribution for preference shares

Applicable Not applicable

Explanation on other matters regarding distribution for preference shares

Applicable Not applicable

Shareholders of preference shares participate in profit distribution in two portions, namely the fixed dividend distributed based on a fixed dividend rate and the distribution of retained earnings realised for the year.

1. Distribution of fixed dividend

According to the Articles of Association, the Company shall distribute fixed dividends to holders of the preference shares at fixed dividend rate if there are distributable profits after making good losses and the contribution to reserve fund according to law. The Board is authorised by the general meeting to declare and pay all dividends on the preference shares in accordance with the issuance plan under the framework and principles considered and approved in the general meeting in respect of the preference shares. The general meeting of the Company has the right to cancel part of or all of the current dividends on the preference shares. However, when the general meeting of the Company will consider the cancellation of part of or all of the current dividends on the preference shares, the Company shall inform the shareholders of preference shares at least 10 working days before the date of dividend payment in accordance with the requirements of the related authorities.

2. Participation in the distribution of retained earnings realised for the year.

Holders of preference shares participate in the distribution of the retained earnings through receipt of cash which is non-cumulative and non-deferrable. In the event of making good losses and the contribution to reserve fund according to law, after receiving fixed dividends at fixed dividend rate as agreed, holders of preference shares can also participate in the distribution of the retained earnings for the year in proportion. Specific terms are as follows: the retained earnings for the year arises from net profit attributable to owners of the parent company on a consolidated basis upon distribution of relevant fixed income to holders of financial instruments such as the preference shares which may be classified under equity. 50% of the retained earnings shall be distributed to holders of preference shares and ordinary shareholders. Holders of preference shares shall participate in the distribution of the retained earnings by receiving cash dividends, and the ordinary shareholders shall participate in the distribution of the retained earnings by receiving cash dividends or dividends on ordinary shares.

IX Preference Shares

IV. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

V. Resumption of voting rights of preference shares

1. Resumption and exercise of voting rights

Applicable Not applicable

2. Shareholders and beneficial owner involved in resumption of voting rights of preference shares

Applicable Not applicable

VI. Accounting policy and reasons thereof

Applicable Not applicable

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

X Directors, Supervisors and Senior Management and Staff

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

Name	Position	Status	Sex	Age	Start date of the term	End date of the term	Shares 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)	Other changes (increase or decrease) (shares)	Shares held as at the end of the period (shares)
Chen Hongguo	Chairman	In office	M	53	6 September 2001	18 May 2019	6,434,527			261,769	6,696,296
Yin Tongyuan	Vice Chairman	In office	M	60	6 September 2001	18 May 2019	2,423,640				2,423,640
Geng Guanglin	Director	In office	M	44	27 May 2009	18 May 2019	437,433				437,433
	General manager	In office			15 November 2017	18 May 2019					
Li Feng	Director	In office	M	45	19 April 2006	18 May 2019	471,818				471,818
Zhang Hong	Director	In office	F	53	12 April 2010	18 May 2019					
Yang Guihua	Director	In office	F	52	9 May 2014	18 May 2019					
Pan Ailing	Independent Director	In office	F	53	15 May 2013	18 May 2019					
Wang Fengrong	Independent Director	In office	F	49	18 May 2016	18 May 2019					
Huang Lei	Independent Director	In office	M	61	18 May 2016	18 May 2019					
Liang Fu	Independent Director	In office	F	50	18 May 2016	18 May 2019					
Li Dong	Chairman of Supervisory Committee	In office	M	35	13 December 2016	18 May 2019	0	10,000			10,000
Sun Yinghua	Supervisor	In office	F	49	18 May 2016	18 May 2019					
Yang Hongqin	Supervisor	In office	F	50	30 April 2007	18 May 2019					
Zhang Xiaofeng	Supervisor	In office	M	40	18 May 2016	18 May 2019					
Li Xueqin	Deputy general manager	In office	F	52	1 September 2004	18 May 2019	429,348				429,348
Hu Changqing	Deputy general manager	In office	M	52	12 March 2010	18 May 2019	1,238				1,238
Hu Jinbao	Financial controller	In office	M	51	16 November 2016	18 May 2019					
Li Zhenzhong	Deputy general manager	In office	M	44	20 March 2011	18 May 2019					
Yang Weiming	Deputy general manager	In office	M	43	18 May 2016	18 May 2019					
Zhang Qingzhi	Deputy general manager	In office	M	52	18 May 2016	18 May 2019					
Poon Shiu Cheong	Company secretary and qualified accountant	In office	M	48	28 May 2008	18 May 2019					
Xiao Peng	Secretary to the Board	Resigned	M	35	16 November 2016	18 January 2018	0	111,600			111,600
Liu Jilu	Supervisor	Resigned	M	51	18 May 2016	29 October 2017					
Total	–	–	–	–	–	–	10,198,004	121,600	0	261,769	10,581,373

X Directors, Supervisors and Senior Management and Staff

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

Applicable Not applicable

Name	Position	Type	Date	Reason
Chen Hongguo	General Manager	Dismissed	09 November 2017	Dismissed as the general manager due to work arrangement
Xiao Peng	Secretary to the Board	Dismissed	18 January 2018	Dismissed as the secretary to the Board due to personal work change
Liu Jilu	Supervisor	Resigned	29 October 2017	Resigned as a Supervisor due to his personal work

X Directors, Supervisors and Senior Management and Staff

III. Employment

Professional background, major working experiences and current duties at the Company of Directors, Supervisors and The Senior Management

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

Mr. Chen Hongguo, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1987, had held different positions including chief officer of manufacturing section, chief officer of branch factory, the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., deputy general manager, director and general manager of the Company etc. He is currently the chairman of the Company and the chairman and general manager of Shouguang Chenming Holdings Company Limited. Mr. Chen Hongguo is the spouse of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Yin Tongyuan, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1982, had held different positions including the chief officer of manufacturing section, director of technology department, deputy factory chief, standing deputy factory chief and general manager and the director of Shouguang Chenming Holdings Co., Ltd. He is currently the vice chairman of the Company.

Mr. Geng Guanglin, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1992, had held different positions including the chief officer of manufacturing section of the Company, the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., the chairman of Jilin Chenming Paper Co., Ltd., the chairman of Jiangxi Chenming Paper Co., Ltd., the director of Shouguang Chenming Holdings Co., Ltd. and the deputy general manager of the Company. He is currently a Director and the general manager of the Company.

Mr. Li Feng, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1992, had held different positions including the chief officer of manufacturing section and assistant to the general manager of the Company, deputy general manager and chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd.. He is currently the Director and deputy general manager of the Company in charge of the sales of cultural paper products. Mr. Li Feng is the brother of Ms. Li Xueqin, a deputy general manager of the Company.

(2) Brief biographies of non-executive Directors

Ms. Yang Guihua, with Chinese nationality but without the right of permanent residence abroad, is a doctor of engineering, an advisor to doctoral students and an candidate for the Ten Million Talents Project (百千萬人才工程國家級人選). Ms. Yang is a professor of Qilu University of Technology, a standing director of Shandong Technical Association of Paper Industry, a committee member of Nano and Composite Materials Committee of China Technical Association of Paper Industry (中國造紙學會納米纖維素及複合材料專業委員會) and evaluation experts in National Natural Science Foundation of China. She has served as a non-executive Director of the Company since May 2014.

Ms. Zhang Hong, with Chinese nationality but without the right of permanent residence abroad, holds a doctoral degree in Economics. She is currently a professor and advisor to doctoral students at Shandong University, head of a multinational corporation research institute, a non-practising member of the Chinese Institute of Certified Public Accountants, a director of China Association of International Trade, a director of Shandong Province External Trade Association, an independent director of Shandong Gettop Acoustic Co., Ltd., an independent director of Shandong Zhangqiu Blower Co., Ltd., an independent director of Shandong Delisi Food Co., Ltd. and an independent director of Cisen Pharmaceutical Co., Ltd.. She has served as a non-executive Director of the Company since April 2010.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

1. Brief biographies of Directors (Cont'd)

(3) Brief biographies of independent non-executive Directors

Ms. Pan Ailing, with Chinese nationality but without the right of permanent residence abroad, is currently a professor of the School of Management, and the chief of the Investment and Financing Research Centre (投資研究中心) in Shandong University. She is also a director of the Accounting Institute, Shandong Province (山東省會計學會), a council member of Shandong Comparative Management Association, a visiting professor at Soochow University in Taiwan, and a visiting scholar at University of Connecticut in the United States. She is also an independent director of Sinotruck Jinan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司) and Inspir Software Co., Ltd. She has served as an independent non-executive director of the Company since May 2013.

Ms. Wang Fengrong, with Chinese nationality but without the right of permanent residence abroad, is a Ph.D. in Economics and a visiting scholar at West Virginia University in the United States. She was previously a lecturer at the Department of Finance of Shandong Economic University (山東經濟學院財金系) and an associate professor at the Economic Research Center of Shandong University (山東大學經濟研究中心). She currently holds positions including professor and advisor to doctoral students at the Economic Research School of Shandong University (山東大學經濟研究院) and Shandong School of Development at Shandong University (山東大學山東發展研究院), evaluation experts in both National Social Science Fund and National Natural Science Foundation of China, guest analyst regarding policy implementation of currency and credit matters for the Jinan branch of the People's Bank of China, as well as the executive director of Shandong Young Social Science Workers Association (山東省青年社會科學工作者協會). She concurrently serves as an independent director of Shandong Xinneng Taishan Power Generation Co., Ltd. (山東新能泰山發電股份有限公司) and Shandong Denghai Seeds Co., Ltd.

Mr. Huang Lei, with Chinese nationality but without the right of permanent residence abroad, is a Ph.D. in Economics. He was the chief of the Department of Finance and the dean of School of Finance in Shandong University of Finance (山東財政大學). He currently holds the positions including the professor of School of Finance in Shandong University of Finance and Economics, the director of the professor committee and the deputy director of the academic committee of Shandong University of Finance and Economics, a member of the Guiding Committee on Education of Financial Majors (金融學類專業教學指導委員會) of the Ministry of Education, a deputy director of the Collaborative Innovation Centre for Financial Optimisation and Regional Development in Shandong (山東金融產業優化與區域管理協同創新中心), a director of the Taishan Capital Market Research Center (泰山資本市場研究中心) of the Shandong University of Finance and Economics, a director of the Shandong Capital Market Training Base (山東資本市場人才培訓基地) as well as an independent director of Wanjia Asset Management Co., Ltd.

Ms. Liang Fu, with Chinese nationality but without the right of permanent residence abroad, is a Ph.D. in management, a Young and Middle-aged Expert with Outstanding Contributions in Shandong Province (山東省有突出貢獻的中青年專家) and a visiting scholar at Tsinghua University. She concurrently holds the positions including a professor and an advisor to doctoral students of the business school of Shandong University of Finance and Economics, a visiting professor at Shandong Youth University of Political Science, an evaluation expert in National Social Science Fund, a director of Talents Research Association of Shandong Higher Education (山東省高等教育人才研究會), a director of Shandong Economic Association (山東省經濟學會), an executive director of Shandong Management Association (山東省管理學會), an independent director of Shandong Shengli Co., Ltd. and an external director of Shandong Steel Group Co., Limited.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

2. Brief biographies of Supervisors

Mr. Li Dong, with Chinese nationality but without the right of permanent residence abroad. After joining the Company in 2004, he had held different positions including the deputy chief of cost auditing section and the chief of general section under the financial department of the Company, the financial controller of Zhanjiang Chenming and the chief of financial department of the Group. He is currently the director and deputy general manager of Shouguang Chenming Holdings Company Limited and the chairman of the supervisory committee of the Company.

Mr. Liu Jilu, with Chinese nationality but without the right of permanent residence abroad, graduated from the School of Economics and Management of China University of Geosciences with a master's degree. He currently serves as an associate professor of the accounting specialty of Weifang Vocational College and has years of teaching and practical experience in financial accounting, financial management, audit and tax laws. He participated in the core training of the preparatory courses for the accountant and certified public accountant examinations and was invited to conduct seminars for the continuing education classes for the middle and high level accounting personnel in the Weifang City for many times. He resigned as a Supervisor of the Company on 30 October 2017.

Mr. Zhang Xiaofeng, with Chinese nationality but without the right of permanent residence abroad, graduated from the School of Management of Shandong University with a doctorate's degree and his research direction was corporate strategies and corporate governance, traditional culture and modern management, etc. He currently serves as an associate professor of the Business Management Discipline and the deputy head of the Department of Business Management in the School of Management of Shandong University, offering management courses for undergraduate, MBA, EDP and EMBA students for a long time as well as providing training to large enterprises both inside and outside the province for hundreds of times. He concurrently holds positions including the committee member of the Professional Committee of Corporate Governance in the PRC (中國公司治理專業委員會), the part-time case researcher of China Europe International Business School and the secretary general of Shandong Young Social Science Workers Association (山東省青年社會科學工作者協會).

Ms. Sun Yinghua, with Chinese nationality but without the right of permanent residence abroad, is an associate economist. She joined the Company in 1993, serving as price audit officer, audit director and other positions of the Company, and is currently an assistant to the general manager of the Company responsible for the audit department.

Ms. Yang Hongqin, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1987, serving as the chief officer of quality control section and the chief of after sale services department of the Company and the manager of property management company, and is currently a Supervisor of the Company and assistant to general manager of Shandong Chenming Power Supply Holdings Co., Ltd.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

3. Brief biographies of Senior Management

Ms. Li Xueqin, with Chinese nationality but without the right of permanent residence abroad, is a deputy general manager of the Company. She joined the Company in 1987 and held the positions of the chief of audit department, deputy general manager, etc. Ms. Li has been a deputy general manager of the Company and a director of Shouguang Chenming Holdings Company Limited since March 2003. Ms. Li Xueqin is the spouse of Mr. Chen Hongguo, chairman of the Company.

Mr. Hu Changqing, with Chinese nationality but without the right of permanent residence abroad, is a deputy general manager of the Company. He joined the Company in 1988 and had held positions as the chief of the technological reform department, chief officer of branch factory, deputy general manager and Director of the Company, etc. He is currently the director of Shouguang Chenming Holdings Company Limited, a deputy general manager of the Company in charge of the Huanggang Chenming Pulp and Paper project.

Mr. Li Zhenzhong, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1995. He had served as principal representative of the Shanghai management region of a sales company, sales manager of light weight coated cultural paper products. He is currently a deputy general manager of the Company and marketing director of the Sales Company.

Mr. Yang Weiming, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1998 and had held positions as the deputy manager, manager, general manager and principal representative of Chenming Sales Company, and the deputy manager, leader in charge, and general manager of a product company. He is currently a deputy general director of the Company in charge of overseas sales.

Mr. Zhang Qingzhi, with Chinese nationality but without the right of permanent residence abroad, joined the Company in 1982 and had held positions as the chief officer of branch factory, head of the production department, assistant to the general manager and vice production director. He is currently a deputy general manager of the Company in charge of Shouguang Chenming.

Mr. Hu Jinbao, with Chinese nationality but without the right of permanent residence abroad, a senior project manager in energy saving, joined the Company in 2016. He had held different positions including the director of the business department and the vice president of the Shouguang sub-branch of Bank of China in Weifang City of Shandong Province, the president of the Kuiwen sub-branch, the deputy director of the business department of the branch and the president of the Changyi sub-branch of Bank of China in Weifang City of Shandong Province. He is currently the financial controller of the Company.

Mr. Xiao Peng, with Chinese nationality but without the right of permanent residence abroad, holds a bachelor degree in management. He had held different positions including the chief officer of the capital section, the chief officer of information disclosure section, head of securities investment department, and representative of securities affairs of the Company. He was the secretary to the Board of the Company during the reporting period. He resigned as the secretary to the Board of the Company on 18 January 2018.

Mr. Poon Shiu Cheong is a Fellow Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and CPA Australia. He obtained a master degree in Accounting from Central Queensland University and a master degree in Business Administration from Southern Cross University. He joined the Company in 2008, and is currently the qualified accountant and company secretary of the Company.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

3. Brief biographies of Senior Management (Cont'd)

Employment at the shareholder of the Company

√ Applicable Not applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from the shareholder of the Company
Chen Hongguo	Shouguang Chenming Holdings Company Limited	Chairman	22 September 2016	29 December 2020	No
Yin Tongyuan	Shouguang Chenming Holdings Company Limited	Director	22 September 2016	29 December 2017	No
Geng Guanglin	Shouguang Chenming Holdings Company Limited	Director	22 September 2016	29 December 2017	No
Li Xueqin	Shouguang Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Hu Changqing	Shouguang Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Li Dong	Shouguang Chenming Holdings Company Limited	Director	29 December 2017	29 December 2020	No
Explanation of the employment at the shareholder of the Company	Shouguang Chenming Holdings Company Limited held a general meeting on 29 December 2017 for re-election of new directors and supervisors.				

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

3. Brief biographies of Senior Management (Cont'd)

Employment at other units

Applicable Not applicable

Name of employee	Name of other units	Position at the other units	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from other units
Zhang Hong	Sinoer Men's Clothes Co., Ltd.	Independent director	05 September 2014	04 September 2017	Yes
	Shandong Gettop Acoustic Co., Ltd.	Independent director	16 September 2014	15 September 2017	Yes
	Shandong Zhangqiu Blower Co., Ltd.	Independent director	12 July 2015	11 July 2018	Yes
	Shandong Delisi Food Co., Ltd.	Independent director	26 September 2017	25 September 2020	Yes
Pan Ailing	Cisen Pharmaceutical Co., Ltd.	Independent director	28 November 2017	27 November 2020	Yes
	Sinotruck Jinan Truck Co., Ltd.	Independent director	28 April 2017	27 April 2020	Yes
Wang Fengrong	Inspir Software Co., Ltd.	Independent director	19 April 2017	18 April 2020	Yes
	Shandong Xinneng Taishan Power Generation Co., Ltd.	Independent director	23 May 2017	22 May 2020	Yes
Huang Lei	Shandong Denghai Seeds Co., Ltd.	Independent director	12 May 2016	11 May 2019	Yes
	Wanjia Asset Management Co., Ltd.	Independent director	16 October 2015	16 October 2018	Yes
Liang Fu	Shandong Shengli Co., Ltd.	Independent director	15 May 2015	15 May 2018	Yes
	Shandong Steel Group Co., Limited	External director	13 September 2017	13 September 2020	Yes
Explanation of the employment at the other unit	On 2 February 2018, Shandong Gettop Acoustic Co., Ltd. issued the Announcement on Delay of Re-election for Board and Supervisory Board. Prior to the completion of re-election for the Board of the Company, the independent director Zhang Hong would continue to carry out the obligations and duties of a director pursuant to the laws and regulations as well as the articles of association the company.				

Sanctions against current Directors, Supervisors and Senior Management of the Company and those who resigned during the reporting period by securities regulatory authorities in the past three years

Applicable Not applicable

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management

Decision process, basis for determining the remuneration and actual payment for the remuneration of Directors, Supervisors and the Senior Management

- (1) Determination basis for remuneration of Directors, Supervisors and the Senior Management: The annual remuneration of each of the executive Directors and the Senior Management of the Company was in the band of RMB0.20 million to 5.00 million and the specific amount for each of them was determined by the remuneration committee based on the main financial indicators and operation target completed by the Company, the scope of work and main responsibilities of the Directors and Senior Management of the Company, the target completion of the Directors and Senior Management as assessed by the duty and performance appraisal system, as well as business innovation capability and profit generation ability of the Directors and the Senior Management. During the reporting period, the Company paid each of the independent non-executive Directors and non-executive Directors of the Company allowance of RMB120,000 (before tax). The travel expenses for attending board meetings and general meetings of the Company and fees reasonably incurred in the performance of their duties under the Articles of Association by independent non-executive Directors and non-executive Directors are reimbursed as expensed. The annual remuneration of Supervisors assuming specific managerial duties in the Company were determined by the general manager office of the Company based on specific managerial duties assumed by them. Fixed annual remuneration policy was adopted on external Supervisors who did not hold actual management positions in the Company. During the reporting period, the fixed remuneration of external Supervisors was RMB25,000 (before tax).
- (2) Decision process for remuneration of Directors, Supervisors and Senior Management: In accordance with the relevant policies and regulations such as the Implementation Rules Of The Remuneration And Assessment Committee Under The Board, any remuneration plan for the Company's executive Directors proposed by the remuneration and assessment committee shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for the Senior Management officers of the Company shall be submitted to the Board for approval. The remuneration of independent non-executive directors, non-executive directors and external supervisors of the Company shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation.
- (3) The remuneration and assessment committee, which was set up by the Board according to the resolution of the general meeting, is mainly responsible to formulate the standards of, carry out appraisal in respect of the non-independent Directors and Senior Management of the Company; formulate and examine the remuneration policy and scheme of the non-independent Directors and Senior Management of the Company, and accountable to the Board.

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management (Cont'd)

Decision process, basis for determining the remuneration and actual payment for the remuneration of Directors, Supervisors and the Senior Management (Cont'd)

Remuneration of Directors, Supervisors and Senior Management during the reporting period

Unit: RMB'0,000

Name	Position	Sex	Age	Status	Total remuneration before tax received from the Company	Received remuneration from related parties of the Company
Chen Hongguo	Chairman	M	53	In office	499	No
Yin Tongyuan	Vice-chairman	M	60	In office	298	No
Geng Guanglin	Director, General Manager	M	44	In office	193.11	No
Li Feng	Director	M	45	In office	242.22	No
Zhang Hong	Director	F	53	In office	12	No
Yang Guihua	Director	F	52	In office	12	No
Pan Ailing	Independent Director	F	53	In office	12	No
Wang Fengrong	Independent Director	F	49	In office	12	No
Huang Lei	Independent Director	M	61	In office	12	No
Liang Fu	Independent Director	F	50	In office	12	No
Li Dong	Chairman of Supervisory Committee	M	35	In office	59.54	No
Sun Yinghua	Supervisor	F	49	In office	51.4	No
Yang Hongqin	Supervisor	F	50	In office	19.36	No
Zhang Xiaofeng	Supervisor	M	40	In office	2.5	No
Li Xueqin	Deputy general manager	F	52	In office	211.68	No
Hu Changqing	Deputy general manager	M	52	In office	200	No
Hu Jinbao	Financial controller	M	51	In office	180.65	No
Li Zhenzhong	Deputy general manager	M	44	In office	175.13	No
Yang Weiming	Deputy general manager	M	43	In office	135.7	No
Zhang Qingzhi	Deputy general manager	M	52	In office	61.79	No
Poon Shiu Cheong	Company secretary and qualified accountant	M	48	In office	12.85	No
Xiao Peng	Secretary to the Board	M	35	Resigned	36.96	No
Liu Jilu	Supervisor	M	51	Resigned	2.08	No
Total	—	—	—	—	2,453.97	—

Directors and Senior Management of the Company granted share options as incentives during the reporting period

Applicable Not applicable

X Directors, Supervisors and Senior Management and Staff

V. Personnel of the Company

1. Number of staff, specialty composition and education level

Number of staff at the Company (person)	4,510
Number of staff at major subsidiaries (person)	9,069
Total number of staff (person)	13,579
Total number of staff receiving remuneration during the period (person)	13,579
Number of retired/resigned staff the parent company and its principal subsidiaries are required to compensate (person)	0

Category of specialty composition	Specialty composition	Number of people (person)
Production staff		7,364
Sales staff		542
Technical staff		2,214
Financial staff		206
Administrative staff		1,746
Other staff		1,507
Total		13,579

Category of education level	Education level	Number of people (person)
Postgraduate and above		45
Undergraduate		1,293
Post-secondary		3,039
Technical secondary and below		9,202
Total		13,579

X Directors, Supervisors and Senior Management and Staff

V. Personnel of the Company (Cont'd)

2. Remuneration policies

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance etc. with reference to the remuneration level in the market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing accumulation funds and various holidays etc. The Company regularly investigated into the remuneration level, realising a fair job place with incentives; and stipulated a differentiated analysis remuneration strategy to attract scarce and key personnel and enhanced the Company's overall human resources competitiveness benefiting the Company's development and human resources strategy.

3. Training programmes

The Company attaches importance to personnel training, implements the corporate spirit of "learning, surpassing and leading" and establishes a learning organisation. In 2018, the Company will further enhance the cooperation with management consultancies and professional training institutions in order to build a scientific training system, prepare practical and efficient high-quality training materials and initiate targeted training programs by levels and by classes. All employees are given training on corporate culture. For the junior level staff, the training focuses on professional skills and business knowledge. For the middle level staff, the training focuses on team management and execution. For the senior management, training focuses on leadership. A staff team of high quality is made through training.

4. Labour outsourcing

Applicable Not applicable

XI Corporate Governance

I. Corporate governance in practice

The Company operated in compliance with the requirement of Companies Law (《公司法》), Securities Law (《證券法》), Code of Corporate Governance for Listed Companies (《上市公司治理準則》), Rules Governing Listing of Stocks on Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》), the Listing Rules of Hong Kong Stock Exchange and the related requirements as required by CSRC, and continued to improve and optimise its legal person governance structure during the reporting period. The Company also continuously improved its internal control system and proactively carried out management works in relation to investor relations during the reporting period, so as to further improve corporate governance standards and promote the Company's standardised operations. As of the end of the reporting period, the actual practice of corporate governance complied with the requirements of the regulatory documents issued by the CSRC regarding the governance of listed companies.

(I) Shareholders and general meeting

The Company had established a corporate governance structure that ensured shareholders' ability to fully exercise their rights and enjoy equal status. Shareholders enjoyed their rights and undertook corresponding obligations in accordance with the shares held by them. The convening and holding of general meeting of the Company were legal and compliant, and on the premise of guaranteeing the legality and effectiveness of the general meeting, both on-site voting and online voting were provided as channels to participate in such meetings. Where significant matters which had an impact on the interests of minority investors were being considered, the votes by minority investors were counted separately for the convenience of shareholders and for the sake of making public and timely disclosures. At the same time, investors present at the general meeting could communicate with the management of the Company in person, which effectively safeguard the rights and demands of investors to participate in the Company's management. We ensured that all investors could participate in corporate governance on an equal basis, which effectively safeguard the legitimate interests of shareholders, especially those of minority shareholders.

(II) Controlling shareholder and the listed company

During the reporting period, the Company remained independent of its controlling shareholder, beneficial controllers and related parties in terms of its business, assets, finance, personnel and organisations, and complied with the relevant provisions of the China Securities Regulatory Commission on the independence of listed companies. The controlling shareholders and beneficial controllers strictly regulated their behaviour, and exercised their rights and performed their obligations in accordance with the laws. The Company had business independence and self-operation capability. The Board, the Supervisory Committee and internal structure can operate independently.

(III) Directors and the Board

The composition of the Board of the Company complied with the laws and regulations and the requirements of the Articles of Association. Directors of the Company possessed the knowledge, skills, and qualities necessary to the performance of their duties. All of them were able to earnestly, faithfully, and diligently perform their duties and powers as stipulated in the Articles of Association. The convening and holding of Board meetings was in strict compliance the Articles of Association and Rules of Procedure of Board Meetings and other relevant provisions. The four special committees under the Board of the Company, namely the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, performed their duties normally and provided scientific and professional opinions for the decision-making of the Board.

XI Corporate Governance

I. Corporate governance in practice (Cont'd)

(IV) Supervisors and the Supervisory Committee

The Supervisory Committee strictly followed the requirement of relevant laws and regulations including the Companies Law, the Articles of Associations and the Rules of Procedure of the Supervisory Committee in fulfilling its duties. In the spirit of being accountable to the shareholders and the Company, the Supervisory Committee independently and effectively exercised its supervision and inspection functions. By attending Board meetings and conducting regular inspections on the legal compliance of the Company's operations and finance, the Supervisory Committee supervised the decision-making procedures of the Board, resolutions and the legal compliance of the Company's operations, so as to safeguard the legitimate interests of the Company and the shareholders.

(V) Information disclosure and management of investor relations

In accordance with the requirements of the relevant rules, the Company strictly enforced the relevant information disclosure regulations and fully fulfilled its information disclosure obligations. The Company disclosed information in a timely and fair manner and ensured that the information disclosed was true, accurate and complete, and did not contain false information, misleading statements or major omissions. During the reporting period, the Company issued a total of more than 490 periodic reports, interim announcements, and related documents through the designated information disclosure media. The Company performed its information disclosure obligations in a timely manner with respect to the Company's operations, related party transactions, external investment, external guarantees, and the implementation of annual profit distribution, so as to further safeguard the legitimate rights of investors.

Under the premise of strictly fulfilling disclosure obligations, the Company attached importance to the management of investor relations. The Company made public our address, contact number, facsimile, e-mail and other information on its official website and CNINFO, in an attempt to facilitate investors' communication with the Company through the above channels. The Company also made full use of the investor hotline, Shenzhen Stock Exchange's "EasyIR" platform, field investigation and research and other channels and methods to actively interact with investors and listen to what they had to say. We patiently answered questions from investors, and worked at enhancing investors' understanding and recognition of the Company. We passed investors' reasonable opinions and suggestions to the management of the Company in a timely manner, building a bridge between investors and the Company.

(VI) Management on registration of personnel with insider information

The Company strictly complied with the provisions of the "Registration Management System of Personnel with Insider Information" and other relevant systems to strengthen the confidentiality of insider information and improved the registration and management of personnel with insider information. The Directors, Supervisors, Senior Management and other related personnel of the Company were able to strictly observe their confidentiality obligations throughout the preparation of periodic reports, temporary announcements and the planning of major events. With the development of the Company, the Company will continue to strictly abide by the requirements of relevant laws and regulations and continuously promote corporate governance to ensure that the Company operates in a standardised manner.

Any material non-compliance of the regulatory documents on the governance of listed companies issued by the CSRC in respect of actual governance of the Company

Yes No

There was no material non-compliance of the regulatory documents on the governance of listed companies issued by the CSRC in respect of the actual governance of the Company.

XI Corporate Governance

II. Particulars about the independence in terms of businesses, personnel, assets, organisations, and finance from the controlling shareholder

The Company was completely separated from the controlling shareholder in terms of business, personnel, assets, organisations and finance. The Company had a comprehensive internal structure, independent and complete businesses as well as the capability of self-operation.

1. In terms of business: the Company had its own R&D, production, procurement and sales system, and was completely independent of controlling shareholder in terms of business. The controlling shareholder and its other subsidiaries were not competitors of the Company in the same industry.
2. In terms of personnel: the Company had an independent workforce, and had established independent departments including the research and development department, production department, administration department, finance department, procurement department and sales department. The Company had also established a comprehensive management system with respect of labour, personnel and salary. Personnel of the Company were independent of the controlling shareholder. The Company's Chairman was elected at the general meeting, while the general manager, deputy general manager, secretary to the Board, chief financial officer and other senior management members all worked at and received remuneration from the Company. They did not receive remuneration from related companies of the controlling shareholder, nor did they serve at any position therein other than a director or supervisor. The appointment of the Company's Directors, supervisors and senior management was conducted through legal procedures and in strict compliance with the relevant requirements of Companies Law and the Articles of Association. None of the controlling shareholders interfered with the Company's Board, or the appointment and dismissal decisions at general meetings.
3. In terms of assets: the title relationship between the Company and the controlling shareholder was clear, and the Company's funds, assets and other resources were not illegally occupied or dominated by the controlling shareholder. The Company's assets were complete, and possessed production equipment, auxiliary production equipment, patents and other assets that were in line with its production and operation scope. The Company had complete control and dominance over all assets.
4. In terms of organisations: the Board, Supervisory Committee, management and other internal organisations of the Company operated independently. Each functional department was completely separated from the controlling shareholder in terms of authority, personnel, etc. There was no subordinate relationship between the controlling shareholder and its functional departments, and the Company and its functional departments. The Company's independence in terms of its production, operation and management was not affected by the controlling shareholder.
5. In terms of finance: the Company had its own finance department, accounting and auditing system and financial management system, and was able to make independent financial decisions, with a standardised financial accounting system and financial management system for subsidiaries. None of the controlling shareholders interfered with the Company's finance and accounting activities. The Company had a separate account in a commercial bank and there was no sharing of bank accounts with the controlling shareholder. The Company reported on tax return and fulfilled its tax obligations independently in accordance with the law.

XI Corporate Governance

III. Competition in the industry

Applicable Not applicable

IV. Annual general meeting and extraordinary general meeting convened during the reporting period

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of investors	Convening date	Disclosure date	Disclosure index
2016 annual general meeting	Annual general meeting	20.36%	21 April 2017	22 April 2017	http://www.cninfo.com.cn
2017 first extraordinary general meeting	Extraordinary general meeting	30.24%	2 June 2017	3 June 2017	http://www.cninfo.com.cn
2017 first domestic listed share class meeting	Extraordinary general meeting	28.91%	2 June 2017	3 June 2017	http://www.cninfo.com.cn
2017 first overseas listed share class meeting	Extraordinary general meeting	39.08%	2 June 2017	3 June 2017	http://www.cninfo.com.cn
2017 second extraordinary general meeting	Extraordinary general meeting	31.97%	24 July 2017	25 July 2017	http://www.cninfo.com.cn
2017 second domestic listed share class meeting	Extraordinary general meeting	29.95%	24 July 2017	25 July 2017	http://www.cninfo.com.cn
2017 second overseas listed share class meeting	Extraordinary general meeting	41.05%	24 July 2017	25 July 2017	http://www.cninfo.com.cn
2017 third extraordinary general meeting	Extraordinary general meeting	26.48%	12 September 2017	13 September 2017	http://www.cninfo.com.cn
2017 fourth extraordinary general meeting	Extraordinary general meeting	27.15%	30 November 2017	1 December 2017	http://www.cninfo.com.cn

2. Extraordinary general meeting requested by holders of the preference shares with voting rights restored

Applicable Not applicable

XI Corporate Governance

V. Performance of Independent Directors during the reporting period

1. Attendance of Independent Directors at Board meetings and general meetings

Attendance of Independent Directors at Board meetings and general meetings

Name of Independent Directors	Number of attendance required for Board meetings during the reporting period	Attendance of Independent Directors at Board meetings and general meetings					Absent from Board meetings twice in a row (in person)	Attendance at general meetings
		Attendance at Board meetings in person	Attendance at Board meetings by communication	Attendance at Board meetings by proxy	Absence from Board meetings			
Pan Ailing	17	1	16	0	0	No	0	
Wang Fengrong	17	1	16	0	0	No	0	
Huang Lei	17	1	16	0	0	No	0	
Liang Fu	17	1	16	0	0	No	0	

Explanation on absence from the Board meeting twice in a row

None of the independent Directors was absent from the Board meeting twice in a row.

2. Objections from Independent Directors on related issues of the Company

Were there any objections on related issues of the Company from the Independent Directors?

Yes No

There was no objection on related issues of the Company from the Independent Directors during the reporting period.

3. Other details about the performance of duties by the independent Directors

Were there any suggestions from the independent Directors adopted by the Company?

Yes No

XI Corporate Governance

V. Performance of Independent Directors during the reporting period *(Cont'd)*

3. Other details about the performance of duties by the independent Directors *(Cont'd)*

Explanation on the adoption or non-adoption with related suggestions from the independent Directors

During the reporting period, the independent Directors of the Company focused on the operation of the Company and performed their duties strictly in accordance with relevant laws and regulations and the Articles of Association. They provided a lot of valuable professional recommendations on optimising the Company's system and decision on daily operation. They also issued independent and fair opinion on matters arising during the reporting period which requested opinions from Independent Directors. This helped optimising the supervisory system of the Company, as well as protecting the legal rights of the Company and all shareholders.

Publication time	Subject matter	Opinion
17 February 2017	Independent opinions on the Company's internal control self-assessment report, particulars and independent opinions on external guarantees, and independent opinions on the determination of remuneration of directors and senior management for 2016, use of proceeds by related parties and related party transactions, provision of guarantee for comprehensive credit line of relevant subsidiaries, related party transactions, appointment of accounting firm and day-to-day related party transactions.	Agreement
7 March 2017	Independent opinions on the cancellation of appointment for accounting firm	Agreement
12 April 2017	Independent opinions on the extension of the validity of the resolutions in respect of the non-public issue of shares at the general meeting	Agreement
18 April 2017	Independent opinions on matters relating to the non-public issue of shares	Agreement
27 April 2017	Independent opinions on provision of financial support to investee	Agreement
7 June 2017	Independent opinions on matters relating to the non-public issue of shares and appointment of accounting firm, the related party transactions and entering into of conditional share subscription agreement with specific parties; and prior approval opinions on matters relating to the non-public issue of shares	Agreement
24 July 2017	Independent opinions on the provision of guarantee for wholly-owned subsidiaries and investee	Agreement
15 August 2017	Independent opinions on the provision of guarantee to wholly-owned subsidiaries, utilisation of funds by controlling shareholders and other related parties and external guarantee	Agreement
30 October 2017	Independent opinions on the provision of guarantee to the syndicated loan of Zhanjiang Chenming	Agreement
15 November 2017	Independent opinions on the appointment of general manager	Agreement
27 November 2017	Independent opinions on the disposal of 30% equity interest in Xuchang Chenming	Agreement
29 November 2017	Independent opinions on the provision of guarantee for the issue of USD bonds and changes in accounting policies and estimates	Agreement

XI Corporate Governance

VI. Performance of duties by special committees under the Board during the reporting period

(I) Audit Committee

1. The following major tasks were completed in 2017:

- (1) it conducted pre-audit communication with external auditing institution engaged by the Company in respect of the 2016 financial report auditing, reviewed the 2016 auditors' report and financial report, which were submitted to the Board of the Company for consideration and approval;
- (2) it reviewed the 2017 first quarter report of the Company as of 31 March 2017, which was submitted to the Board for consideration and approval.
- (3) it reviewed the 2017 interim financial statements as of 30 June 2017, which were submitted to the Board for consideration and approval.
- (4) it reviewed the 2017 third quarter report of the Company as of 30 September 2017, which was submitted to the Board for consideration and approval.

2. Auditing work conducted on the 2017 financial report of the Company is as follows:

- (1) it convened a meeting to review with due consideration the 2017 auditing plan and the related information of the Company with the auditing certified public accountants and the finance department of the Company prior to the on-site audit, and negotiated and determined the schedule of an audit of the 2017 financial statements of the Company with Ruihua Certified Public Accountants, which was responsible for the Company's auditing work during the year;
- (2) with due consideration, it reviewed the draft of financial statements of the Company prior to an annual on-site audit performed by the auditing certified public accountants and issued its approval to audit;
- (3) it kept in close contact with the auditors upon the annual on-site audit performed by the auditing certified public accountants and issued a letter to the auditors to urge that they submit the auditors' report on schedule;
- (4) it reviewed the financial statements of the Company again upon the issue of preliminary opinion on the annual audit by the auditing certified public accountants appointed for the annual audit, and considered the financial statements of the Company to be true, accurate and complete to reflect the overall position of the Company;
- (5) at the first meeting of the Audit Committee in 2018, the audit summary on the annual audit issued by the accounting firm was approved and submitted to the Board;
- (6) it reviewed the 2017 report on internal audit and internal control of the Company as of 31 December 2017.

XI Corporate Governance

VI. Performance of duties by special committees under the Board during the reporting period (Cont'd)

(II) Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the Board of the Company were primarily responsible for formulating the remuneration and assessment for the Directors and the Senior Management of the Company and formulating and examining the remuneration package of the Directors and the Senior Management of the Company, and accountable to the Board. During the reporting period, the Remuneration and Assessment Committee formulated the 2016 remuneration package of the Directors and the Senior Management of the Company, which was arrived at based on the operation conditions of 2016 and assessment of the Directors and the Senior Management of the Company. The remuneration package was then submitted to the Board for consideration.

(III) Strategy Committee

The Strategy Committee conducted research on major investment decisions of the Company and made recommendations, and inspected and evaluated the implementation of related matters. At the same time, the Strategy Committee actively discussed the Company's future long-term strategic development plan based on the Company's industry characteristics and development stage in combination with the Company's production and operation conditions, providing valuable and constructive opinions for the company's steady development.

During the reporting period, the Strategy Committee held two meetings. The first meeting in 2017 considered the resolution in relation to "the construction of 510,000-tonne high-end cultural paper project ", which was submitted to the fourth meeting of the eighth session of the Board of the Company for consideration and approval. The second meeting in 2017 considered the resolutions in relation to "the construction of differential viscose fibre and ancillary production facilities project of Huanggang Chenming" and "the construction of cogeneration project in the chemical industrial park of Huanggang Chenming", which were submitted to the nineteenth extraordinary general meeting of the eighth session of the Board for consideration and approval.

(IV) Nomination Committee

During the reporting period, the Nomination Committee held one meeting. The first meeting in 2017 considered and approved the resolution in relation to "the proposal of the agreement to Mr. Geng Guanglin's appointment as the general manager of the Company", which was submitted to the seventeenth extraordinary general meeting of the eighth session of the Board for consideration and approval.

XI Corporate Governance

VII. Performance of duties by the Supervisory Committee

Were there any risks of the Company identified by the Supervisory Committee when performing its duties during the reporting period?

Yes No

None of those issues under the supervision was objected by the Supervisory Committee during the reporting period.

VIII. Assessment and incentive mechanism for the Senior Management

The senior management of the Company is assessed on monthly and annually basis. Monthly assessments were conducted in line with the direction of the annual major tasks, and were focused on appraisals of two fixed indicators, namely the completion status of each month and the evaluation on important performance indicators. It was carried out monthly by way of cross assessment and supervision among the related departments. The annual assessments were carried out by the Remuneration and Assessment Committee with reference to the results of monthly assessments and overall performances during the year, including the integrated quality of Senior Management and internal training of talents.

IX. Internal control

1. Particulars of material deficiencies in internal control detected during the reporting period

Yes No

2. Self-assessment Report on Internal Control

Date of Disclosure of Assessment Report on Internal Controls	28 March 2018
Index of Assessment Report on Internal Controls Disclosure	http://www.cninfo.com.cn
Percentage of Total Assets Included in Assessment to Total Assets in Consolidated Financial Statements of the Company	99.00%
Percentage of Revenue Included in Assessment to Revenue in Consolidated Financial Statements of the Company	99.80%

XI Corporate Governance

IX. Internal control (Cont'd)

2. Self-assessment Report on Internal Control (Cont'd)

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Qualitative criteria	<p>(1) Indicators of material deficiencies in the internal control of financial reporting include: ineffective control environment, material loss to and adverse impact on the Company as a result of misconduct by Directors, Supervisors and senior management; material misstatement of non-exceptional incidents; ineffectiveness in supervision of internal control of the Company by the Board, or its delegated authorities, and the internal audit department. (2) Indicators of major deficiencies in internal control of financial reporting include: failure in selecting and applying accounting policies in accordance with generally accepted accounting principles; failure to establish procedures and control measures to prevent corrupt practices; failure to establish corresponding control mechanism for the accounting of unusual or special transactions or failure to implement or set up the corresponding compensation control; failure to reasonably ensure the truthfulness and accuracy in the preparation of financial statement, as a result of one or more deficiencies in the control of financial reporting as of the end of the period. (3) General deficiencies: other deficiencies in internal control that do not constitute material or major deficiencies.</p>	<p>Indicators of material deficiencies in the internal control of non-financial reporting include: major failure as a result of the decision making process; lack of control system or occurrence of systematic failure in principal activities and lack of effective compensation control, high turnover rate of mid to senior level management and senior technical staff; failure to address the findings of internal control assessment, in particular material deficiencies; and other factors which impose material adverse impact on the Company. Indicators of major deficiencies in internal control of nonfinancial reporting include: general failure as a result of the decision-making process; deficiencies in major business procedure or system; high turnover rate of key staff; failure to address the findings of internal control assessment, in particular major deficiencies; and other factors which impose great adverse impact to the Company. Indicators of general deficiencies in internal control of non-financial reporting include: low efficiency of decision making process; deficiencies in general business procedure or system; high turnover rate of employees; and failure to rectify general deficiencies.</p>
Quantitative criteria	<p>General deficiencies: deviation of less than or equal to 0.1% from the target of accounting error/the total revenue; Major deficiencies: deviation of 0.1% - 0.5% from the target of accounting error/the total revenue; material deficiencies: deviation greater than 0.5% from the target of accounting error/the total revenue.</p>	<p>General deficiencies: quantitative criterion (financial loss) less than RMB5,000,000; major deficiencies: quantitative criterion (financial loss) between RMB5,000,000 and RMB20,000,000; material deficiencies: quantitative criterion (financial loss) over RMB20,000,000.</p>
Number of material deficiencies in financial reporting: (number)		0
Number of material deficiencies in non-financial reporting: (number)		0
Number of major deficiencies in financial reporting: (number)		0
Number of major deficiencies in non-financial reporting: (number)		0

XI Corporate Governance

X. Auditors' report on internal control

Applicable Not applicable

Auditors' opinion contained in the Auditors' report on internal control

We are of the opinion that Shandong Chenming Paper Holdings Limited had in all material aspects maintained effective internal control over the financial statements in accordance with the Basic Internal Control Norms for Enterprises as of 31 December 2017.

Disclosure of Auditors' Report on Internal Control	Disclosed
Date of Disclosure of Auditors' report on internal control	28 March 2018
Index of Auditors' Report on Internal Control Disclosure	http://www.cninfo.com.cn
Type of Opinion in Auditors' Report on Internal Control	Standard and unqualified opinion
Material deficiencies in non-financial reporting	No

Any opinions of non-standardisation set out in the Auditors' Report on Internal Control issued by accountants

Yes No

Auditors' Report on Internal Control issued by accountants was in line with Directors' opinions contained in Self-assessment Report

Yes No

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited

(I) Compliance with the Code on Corporate Governance

The Company maintained high standards of corporate governance through various internal controls. The Board reviewed the corporate governance practices of the Company from time to time to enhance the corporate governance standards of the Company.

Save for the details set out in III Board and XVII Communications with shareholders in this section, the Company had fully complied with all the principles and code provisions of the Code on Corporate Governance as set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

(II) Securities transactions by Directors

The Directors of the Company confirmed that the Company had adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules. Having made adequate enquiries with all Directors and Supervisors of the Company, the Company was not aware of any information that reasonably suggested that the Directors and Supervisors had not complied with the requirements as stipulated in this code during the reporting period.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board

The members of the Board of the Company are elected at the general meeting and held accountable to the general meeting, and shall exercise the following functions and powers: (1) to be responsible for convening the general meeting and to report on its work to the general meeting; (2) to carry out the resolutions of general meetings; (3) to decide on the business plans and investment proposals of the Company; (4) to formulate the proposed annual financial budget and final accounts of the Company; (5) to formulate the plan for profit distribution and the plan making up losses of the Company; (6) to formulate plans for the increase or reduction in the registered capital of the Company and for the issue and listing of Company's debentures or other securities; (7) to draft plans for material acquisition and repurchase of the Company's own shares; (8) to draft plans for the merger, division or dissolution or the change of formation of the Company; (9) to decide on external investment, acquisition and disposal of assets, pledge of assets, matter in relation to external guarantee, entrusted wealth management, connected transactions, etc. within the scope of mandate of the general meeting; (10) to decide on the establishment of the Company's internal management organisation; (11) to employ or dismiss the manager or secretary to the Board of the Company; to employ or dismiss the Senior Management, such as the deputy general manager(s) and personnel in charge of financial affairs, as proposed by the general manager; and to decide on their remuneration and rewards and punishments; (12) to formulate the basic management system of the Company; (13) to formulate proposals for amending the Articles of Association; (14) to administrate matter related to information disclosure of the Company; (15) to propose to the general meeting for the engagement or replacement of accounting firm performing audit for the Company; (16) to review work reports from managers of the Company and to inspect on their work; (17) to exercise the functions and powers as conferred upon by the Articles of Association or the general meeting.

The Board comprised four executive Directors: Chen Hongguo (Chairman), Yin Tongyuan, Li Feng, Geng Guanglin; two non-executive Directors: Yang Guihua, Zhang Hong; and four independent non-executive Directors: Pan Ailing, Wang Fengrong, Huang Lei and Liang Fu. Please refer to section VIII of this Annual Report for their brief biographies.

The Board is responsible for leading and monitoring the Company, and is wholly responsible for the administration and supervision of company businesses to facilitate its success. The Executive Director or the senior management is authorised to be responsible for the various divisions and functions and management of the processing. Directors of the Company shall act objectively and make decisions in the interests of the Company. The management and senior management of the Company held regular meetings with the Board to discuss the ordinary business operations and performance of the Company, and carried out the relevant decisions of the Board. The Company will arrange independent legal advice upon the request from the Directors or any committees of the Board, if the Board or any committees of the Board consider it necessary to seek for independent professional advice.

Pursuant to Code A.1.8 of the code provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company believes that it has sufficient resources to deal with such potential risks, and therefore the Company did not make such arrangements.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board (*Cont'd*)

During the reporting period, the Board held 17 meetings, 4 of which were regular meetings and 13 were extraordinary meetings. All Directors of the Company attended 17 Board meetings.

Name	Position	Attendance at the relevant meetings (attention required/attended)					General meetings
		Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration and assessment committee meetings	Strategic committee meetings	
I. Executive Directors							
Chen Hongguo	Chairman	17/17	N/A	1/1	N/A	2/2	9/1
Yin Tongyuan	Vice Chairman	17/17	N/A	N/A	N/A	2/2	9/8
Geng Guanglin	Director and General Manager	17/17	N/A	N/A	N/A	N/A	9/0
Li Feng	Director	17/17	N/A	N/A	N/A	N/A	9/1
II. Non-executive Directors							
Yang Guihua	Director	17/17	7/7	N/A	N/A	N/A	9/1
Zhang Hong	Director	17/17	N/A	N/A	1/1	2/2	9/0
III. Independent non-executive Directors							
Pan Ailing	Independent Director	17/17	7/7	N/A	N/A	N/A	9/0
Wang Fengrong	Independent Director	17/17	7/7	1/1	N/A	N/A	9/0
Huang Lei	Independent Director	17/17	N/A	N/A	1/1	N/A	9/0
Liang Fu	Independent Director	17/17	N/A	1/1	1/1	N/A	9/0

Save for those disclosed in the brief profile of Directors of the Company in this Report, none of the members of the Board had any financial, business, family relations or material connections with each other.

The Board held 4 regular meetings during the year, each by giving a 14-day notice in advance to ensure that all Directors could participate in discussions of matters in the agenda. Reasonable prior notification was given for the other meetings of the Board to ensure all Directors could take time to attend.

All Directors had access to opinions and services of the secretary to the Board to ensure the procedures governing the Board and all applicable regulations and rules were complied with.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board (*Cont'd*)

Directors' trainings and professional development

All newly appointed Directors are provided with necessary orientation information, with an aim to ensure that they will have a better understanding of operations and business of the Company as well as relevant laws and regulations and obligations under the Listing Rules.

Directors and Supervisors of the Company were arranged by the Company to attend the 1st and the 2nd session of training courses 2017 for directors and supervisors held by China Securities Regulatory Commission, Shandong; and, briefing paper in respect of amendments to Hong Kong Listing Rules prepared by Advisor to Hong Kong Law of the Company was distributed to all Directors and Supervisors, the above of which were to ensure all Directors and Supervisors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

(IV) Chairman and General Manager

The chairman of the Company is Mr. Chen Hongguo, and the general manager of the Company is Mr. Geng Guanglin. Please refer to section X of this annual report for his brief biographies. These two positions have been held separately by two different persons.

According to the Articles of Association of the Company, the chairman shall exercise the following powers: (1) presiding over general meetings, and convening and presiding over Board meetings; (2) supervising and inspecting the implementation of the resolutions of the Board; (3) signing the shares, the securities and bonds issued by the Company; (4) signing important documents of the Board and other documents which are required to be signed by legal representative of the Company; (5) performing the powers of a legal representative; (6) nominating candidates for general manager for the Board; (7) exercising the special right to operate the Company in accordance with the laws and acting for the benefits of the Company in the event of emergency situation as a result of act of God or natural disaster, and reporting to the Board meetings and general meeting afterwards; and (8) exercising other powers authorised by the Board.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(IV) Chairman and General Manager (*Cont'd*)

The general manager shall exercise the following powers: (1) in charge of the operation and management of the Company, and organising the implementation of the resolutions of the Board; (2) organising the implementation of the Company's annual business plans and investment plans; (3) drafting plans for the establishment of the internal organisational structure of the Company; (4) drafting the basic management system of the Company; (5) formulating specific rules and regulations for the Company; (6) proposing the appointment or dismissal of the deputy general manager and chief financial officer; (7) appointing or dismissing management personnel other than those required to be appointed or dismissed by the Board; (8) proposing the wages, welfare, rewards, and penalties of staff and to decide the appointment or dismissal of staff of the Company; (9) proposing the convening of extraordinary meeting of the Board; and (10) exercising other powers conferred by the Articles of Association of the Company and the Board.

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 principle and code provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to Hong Kong Listing Rules. However, the Directors of the Company believe that Mr. Chen Hongguo as the chairman and the general manager will enable the Company to more effectively plan and implement the business strategies so that the Group can effectively and rapidly seize business opportunities. As all major decisions will be made after consultation with other members of the Board, the Company believes that the supervision of the Board and independent non-executive directors will strike a sufficient balance of power and authority.

(V) Independent Non-executive Directors

There are four independent non-executive Directors in the Board, which is in compliance with the minimum requirement of the number of independent non-executive directors set out in the Hong Kong Listing Rules. Wang Fengrong and Pan Ailing, the independent non-executive Directors of the Company, have appropriate accounting or related financial management expertise, which is compliance with the requirement of Rule 3.10 of the Hong Kong Listing Rules. Please refer to section X of this annual report for their brief biographies. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Hong Kong Listing Rules and considered all of the independent non-executive Directors to be independent during the year.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(VI) Terms of Directors

According to the Articles of Association of the Company, all Directors, including non-executive Directors, are elected at general meetings with a term of three years from May 2016 to May 2019. They may be re-elected for another term upon expiry of tenure.

(VII) Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. The Directors believed that the Company had adopted and applied consistently appropriate accounting policies in preparing the financial statements in compliance with all related accounting standards.

(VIII) Board Committees

Pursuant to Code on Corporate Governance, the Board has established three committees, namely, Audit Committee, Remuneration and Assessment Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. Each Board Committee has its own defined written terms of reference. The written terms of reference of each Board Committee are published on websites of stock exchange and the Company.

Save for requirements of Code on Corporate Governance, the Company also set up Strategic Committee, for overseeing and studying long-term strategic development plan of the Company and making recommendations.

(IX) Audit Committee

The Audit Committee of the Company comprises three members, including Pan Ailing (as the chairman), Yang Guihua and Wang Fengrong. Two of them, including the chairman, are independent non-executive Directors. The primary duties of the Audit Committee are serving as a communication media between internal and external audit and the related review and supervision. Pan Ailing and Wang Fengrong have appropriate professional qualifications or appropriate accounting or related financial management expertise, which is in compliance with the requirement of the Hong Kong Listing Rules.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(IX) Audit Committee (*Cont'd*)

The primary duties of the Audit Committee of the Company are: (1) proposing the appointment or dismissal of the external auditors; (2) supervising the internal control system of the Company and its implementation; (3) serving as a communication media between internal and external audit; (4) auditing the financial information of the Company and its disclosures; (5) reviewing the financial control, risk control and internal control system of the Company and audit the significant connected transactions; (6) discussing the risk management and internal control system with the management to ensure the management has performed its duties to establish effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions of the Company; (7) studying the major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and the management's response to these findings; (8) where the annual report includes statements in relation to the risk management and internal control system of the Company, reviewing such statements prior to submission to the Board for approval; and (9) dealing with other matters as delegated by the Board.

The Audit Committee discussed with the management of the Company the accounting standards and practices adopted by the Group and discussed and reviewed this report, including the review of the financial statements of the Group for the year ended 31 December 2017 prepared in accordance with China Accounting Standards for Business Enterprises.

Particulars of the meetings held by the Audit Committee during the reporting period were detailed in part VI of this section.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2017.

In respect of internal control system, procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

(X) Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company comprises three members, including Liang Fu, the Chairman, and other members, namely Zhang Hong and Huang Lei. Two members, including the Chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Remuneration and Assessment Committee is primarily responsible for formulating the criteria of appraisal of the Directors and managers and conducting the appraisal, and studying and formulating the remuneration policy and package of the Directors and the Senior Management of the Company. The Remuneration and Assessment Committee is accountable to the Board.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(X) Remuneration and Assessment Committee (*Cont'd*)

The primary duties of the Remuneration and Assessment Committee of the Company are: (1) formulating the remuneration plan or package based on the major scope of work, duties and importance of the Directors and the management and the remuneration level of other counterparts; (2) formulating the remuneration plan or package which mainly includes but not limited to standards, procedures and a system for performance appraisals as well as major plans and a system for rewards and sanctions; (3) examining the performance of the Directors, excluding the independent non-executive Directors, and the Senior Management and conduct annual performance appraisals for them; (4) supervising the implementation of the remuneration policy of the Company; and (5) dealing with other matters as delegated by the Board.

Particulars of the meetings held by the Remuneration and Assessment Committee during the reporting period are detailed in part VI of this section.

(XI) Nomination Committee

The Nomination Committee of the Company comprises three members, including Wang Fengrong (as the chairman), Chen Hongguo and Liang Fu. Two of them, including the chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Nomination Committee is primarily responsible for selecting candidates for directors and the management of the Company, determining the selection criteria and procedure and making recommendations.

The primary duties of the Nomination Committee are (1) advising the Board on the size and composition of the Board in light of the Company's operating activities, asset scale and shareholding structure; (2) studying the selection criteria and procedure for Directors and the management and advising the Board on the same; (3) extensively identifying qualified candidates for Directors and the management; (4) examining candidates for Director and the management and advising on the same; (5) examining other Senior Management staff pending referral to the Board for decision on their employment and advising on the same; (6) advising to the Board on appointment and re-appointment of directors and on skills, knowledge, experience, background, gender and other characteristics required in serving as a director taking into consideration diversity, balance and efficiency of the Board and benefits thereto; (7) reviewing the Board diversity policy, revising thereon in a timely manner and making relevant disclosure in the corporate governance report in the corresponding annual report; and (8) dealing with other matters as delegated by the Board.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XI) Nomination Committee (*Cont'd*)

During the reporting period, the Nomination Committee, after studying the needs of the Company for new Directors and managerial personnel and taking into consideration the Board diversity policy, identified suitable candidates for Director and managerial positions through various channels (including from the Group internally and from the human resources market). Upon acceptance of nomination by the nominated person, the Nomination Committee performed qualification review on preliminary candidates by holding meetings, review criteria include the academic qualifications, relevant experience and specialised skills of the preliminary candidates. One to two months prior to election of new Directors, the Nomination Committee submitted recommendations and relevant materials of the directorial candidates to the Board; prior to engaging new Senior Management, the Nomination Committee submitted recommendations and relevant materials of the new Senior Management personnel to the Board.

Particulars of the meetings held by the Nomination Committee during the reporting period are detailed in part VI of this section.

(XII) Strategic Committee

The Company set up a Strategic Committee which comprised three members, including Chen Hongguo, the Chairman, and other members, namely, Yin Tongyuan and Huang Lei. The Strategic Committee is primarily responsible for studying the long term strategic development and major investments of the Company and making recommendations.

The primary duties of the Strategic Committee are (1) conducting research and submitting proposals regarding the long term development strategic plan; (2) conducting research and submitting proposals regarding the financing plans for major investments which require approval from the Board as stipulated in the Articles of Association of the Company; (3) conducting research and submitting proposals regarding major capital operations and assets operation projects which require approval from the Board as stipulated in the Articles of Association of the Company; (4) conducting research and submitting proposals regarding other material matters that may affect the development of the Company; (5) carrying out examination on the implementation of the above matters; (6) dealing with other matters as delegated by the Board.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XIII) Auditors

On 15 May 2015, the 2014 annual general meeting of the Company agreed to continue to engage Ruihua Certified Public Accountants (Special General Partnership) as the domestic auditors of the Company for 2015 and be responsible for domestic auditing of the Company for 2015.

On 13 December 2016, the 2016 fourth extraordinary general meeting of the Company agreed to continue to engage Ruihua Certified Public Accountants (Special General Partnership) as the domestic auditors of the Company for 2016 and be responsible for domestic auditing of the Company for 2016.

On 24 July 2017, the 2017 second extraordinary general meeting of the Company agreed to continue to engage Ruihua Certified Public Accountants (Special General Partnership) as the domestic auditors of the Company for 2017 and be responsible for domestic auditing of the Company for 2017.

(XIV) Remuneration for the Auditors

The financial statements for 2017 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Ruihua Certified Public Accountants (Special General Partnership). In 2017, the Company paid the auditors in aggregate RMB2,000,000 and RMB600,000 in respect of audit financial statements and non-audit services in relation to internal control respectively. Save the above, no other non-audit fee was incurred during the year.

Ruihua Certified Public Accountants (Special General Partnership) have stated their reporting responsibilities on the financial statements of the Group in XII. Financial Report.

(XV) Supervisors and Supervisory Committee

The Supervisory Committee is accountable to the shareholders. It monitors the financial position of the Company and the performance of the Directors, managers and Senior Management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations to protect the lawful rights of the Company and the shareholders. The Supervisory Committee comprises three shareholder representatives, as shareholder and supervisor Li Jilu resigned as shareholder and supervisor in October 2017, and two staff representatives. The shareholder representatives shall be elected and removed at a general meeting and the staff representatives shall be elected and removed democratically by the staff of the Company.

Details of the work of the Supervisory Committee during the reporting period are set forth in part VII of this section.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVI) Company Secretary

During the year, the company secretary confirmed that he has received relevant professional training for not less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

(XVII) Communications with Shareholders

The Company considers effective communication with Shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Principal means of communication with Shareholders of the Company are as follows:

Information disclosure on the Company's website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. The Company maintains its website at www.chenmingpaper.com where important information about the Group's activities and corporate matters such as annual reports and interim reports to Shareholders, announcements, business development and operations, corporate governance practices and other information are available for review by Shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

General meetings

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Various resolutions are proposed on each substantially separate issue at the general meetings. Save for the annual general meeting held on 21 April 2017 by the Company, four extraordinary general meetings and four class meetings were convened in 2017. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2016 Annual General Meeting	Yi Tongyuan, Li Feng and Yang Guihua
2017 First extraordinary general meeting	Yi Tongyuan
2017 Second extraordinary general meeting	Yi Tongyuan
2017 Third extraordinary general meeting	Yi Tongyuan
2017 Fourth extraordinary general meeting	Chen Hongguo
2017 First domestic and overseas listed share class meeting	Yi Tongyuan
2017 Second domestic and overseas listed share class meeting	Yi Tongyuan

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

General meetings (*Cont'd*)

The Company's external auditor also attended the Annual General Meeting.

Code E.1.2 of the code provisions – This code provision requires the chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the Annual General Meeting.

Mr. Chen Hongguo, the chairman of the Company and its strategy committee, Ms. Pan Ailing, the chairman of the audit committee, and Ms. Wang Fengrong, the chairman of the nomination committee, were absent from the annual general meeting due to business commitments.

Code A.6.7 of the code provisions – This code provision requires independent non-executive Directors and other non-executive Directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Ms. Zhang Hong, Ms. Pan Ailing, Ms. Liang Fu, Mr. Huang Lei and Ms. Wang Fengrong were absent from the 2016 annual general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2017 first extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms Liang Fu and Mr. Huang Lei were absent from the 2017 second extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms Liang Fu and Mr. Huang Lei were absent from the 2017 third extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms Liang Fu and Mr. Huang Lei were absent from the 2017 fourth extraordinary general meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms Liang Fu and Mr. Huang Lei were absent from the 2017 First domestic and overseas listed share class meeting due to business commitments.

Ms. Zhang Hong, Ms. Yang Guihua, Ms. Pan Ailing, Ms. Wang Fengrong, Ms. Liang Fu and Mr. Huang Lei were absent from the 2017 Second domestic and overseas listed share class meeting due to business commitments.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

Voting by poll

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day.

Shareholders' right

1. *Procedures for convening an extraordinary general meeting by Shareholder*

Pursuant to Article 90 of the Articles of Association of the Company, Shareholder(s) alone or in aggregate holding 10% or more of the Company's shares shall be entitled to request the Board to convene extraordinary general meetings, provided that such request shall be made in writing. The Board shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving such proposal of the same. In the event that the Board agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after the passing of the relevant resolution of the Board. Any changes in the original request made in the notice shall require prior approval of Shareholders concerned.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such proposal, Shareholder(s) alone or in aggregate holding 10% or more of the Company's Shares shall be entitled to propose to the Supervisory Committee the convening of extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after receiving such request. Any changes in the original request made in the notice shall require prior approval of Shareholders concerned.

Failure of the Supervisory Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and Shareholder(s) alone or in aggregate holding 10% or more of the Company's shares for ninety consecutive days or more shall be entitled to convene and preside over the meeting on a unilateral basis.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

Shareholders' right (*Cont'd*)

1. *Procedures for convening an extraordinary general meeting by Shareholder (Cont'd)*

Pursuant to Article 91 of the Articles of Association of the Company, if Shareholders determine to convene a general meeting on their own, they shall give a written notice to the Board and file the same with the local office of CSRC at the place where the Company is located and the stock exchange for records. The shareholding percentage of shareholders who convened shall not be lower than 10% prior to the announcement of resolutions of the general meeting.

Shareholders who convened shall submit relevant certifications to the local office of CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of general meeting and the announcement of resolutions of the general meeting.

The Board and its secretary shall cooperate with respect to matters relating to general meetings convened by Shareholders on their own. The Board shall provide Shareholder registers as of the date of shareholding register. If a general meeting is convened by Shareholders on their own, all necessary expenses incurred shall be borne by the Company.

2. *Procedures for sending shareholders' enquiries to the Board*

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary/Secretary to the Board whose contact details are as follows:

<u>Company Secretary</u>	<u>Secretary to the Board (acting)</u>
Poon Siu Cheong Address: 22nd Floor, World Wide House, Central, Hong Kong Email Address: kentpoon_1009@yahoo.com.hk Telephone: (852)-2501 0088 Facsimile: (852)-2501 0028	Chen Hongguo Address: No. 2199 East Nongsheng Road, Shouguang City, Shandong Province Email Address: chenmmingpaper@163.com Telephone: (86)-0536- 2158008 Facsimile: (86)-0536-2158977

The Company secretary and the secretary to the Board shall forward shareholders' enquiries and concerns to the Board and/or relevant Board Committees of the Company, where appropriate, to answer shareholders' questions.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

Shareholders' right (*Cont'd*)

3. *Procedures for putting forward proposals of Shareholders at general meetings*

Pursuant to Article 102 of the Articles of Association of the Company, shareholders individually or jointly holding over 3% of the total shares of the Company are entitled to propose motions to the Company.

Shareholders individually or jointly holding over 3% of the total shares of the Company may submit extraordinary motions to the Board or the secretary to the Board ten working days before the convening of the General Meeting. The Board or the secretary to the Board shall issue supplementary notice of the General Meeting to announce the extraordinary motions within two working days after receiving the proposed motions.

Save for provided above, the Board or Secretary to the Board shall not amend proposals stated in the notice of general meeting or add new proposals therein following the notice of general meeting has been issued.

No voting or resolution shall be effected or adopted at the general meeting for proposals that have not been stated in the notice of general meeting or that do not comply with provisions of the Articles of Association. Extraordinary general meeting shall not resolve issues that are not contained in the notice.

Relationships with investors

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are received and visited at appropriate times to explain the Group's business. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases, great care is taken to ensure that no price-sensitive information is disclosed selectively.

(XVIII) Internal Control

For details of internal control of the Company, please refer to IX. Internal Control hereunder.

(XIX) Articles of Association

On 29 December 2017, the Company amended the Articles of Association. The amendments were primarily relating to the number of Directors, the collection of shareholders' voting rights and other matters. Memorandum of Association and the amended version of the new Articles of Association of the Company are available on websites of the Company and Stock Exchange.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XX) Board Diversity

On 21 August 2013, the Company formulated policies to diversify Board members and amended the implementing rules of the nomination committee. Pursuant to the new policies, the nomination committee shall regularly review the Board diversity policy to improve efficiency and ensure interest thereof.

Such policies are summarised as follows:

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, backgrounds, genders and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, and in the context of the talents, skills and experience of the Board as a whole.

The Nomination Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation those described above, in order to maintain an appropriate range and balance of talents, skills, experience and backgrounds on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The composition of the Board of the Company is basically diversified. For details, please refer to (III) Composition of the Board under section XI.

XII Corporate bonds

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

Yes

I. Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate	Payment method
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (phase I)	17 Chenming Bond 01	112570	21 August 2017	21 August 2022	120,000	6.50%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
2012 corporate bonds of Shandong Chenming Paper Holdings Limited	12 Chenming Bond	112144	26 December 2012	26 December 2017	380,000	5.65%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
Stock exchange on which corporate bonds are listed or transferred		Shenzhen Stock Exchange					
Investor eligibility arrangement		Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.					
Interest payment of corporate bonds during the reporting period		The payment of interest on and redemption of 12 Chenming Bond were completed on 26 December 2017. For details, please refer to the Announcement on Redemption, Dividend Payment and Delisting of "12 Chenming Bond" for 2017 published by the Company on 20 December 2017.					

II. Information on bond custodian and credit rating agency

Bond custodian of "12 Chenming Bond":

Name	UBS Securities Co., Ltd.	Office address	12/F and 15/F, Winland International Finance Centre, 7 Financial Street, Xicheng District, Beijing	Contact person	Chen Yang	Telephone of contact person	010-5832 8888
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Bond custodian of "17 Chenming Bond 01":

Name	GF Securities Co., Ltd.	Office address	38th Floor, Metro Plaza, No.183 Tianhe North Road, Guangzhou	Contact person	Xu Duwei	Telephone of contact person	020-87555888
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Credit rating agency(ies) which conducted rating on corporate bonds during the reporting period:

Name	China Chengxin Securities Valuation Company Limited	Office address	8/F, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai
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XII Corporate bonds

III. Use of proceeds from corporate bonds

Use of proceeds from corporate bonds and its implementation

The use of proceeds from issuance of corporate bonds has strictly completed relevant application and approval procedures. As at the end of the reporting period, the proceeds from 12 Chenming Bond and 17 Chenming Bond 01 were fully used.

Balance as at the end of the year (RMB'0,000)
Operation of special account for proceeds

0

Special account for proceeds is used for the deposit of special capital from bonds.

Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement?

Yes

IV. Credit rating of corporate bonds

The credit rating of 12 Chenming Bond as granted by China Chengxin Securities Valuation Company Limited remained at AA+, and the credit rating for the Company was AA+ (stable outlook). The 2012 corporate bond updated rating report (2017) was published on CNINFO on 19 April 2017. The credit rating of 17 Chenming Bond 01 as granted by China Chengxin Securities Valuation Company Limited was AA+, and the credit rating for the Company was AA+ (stable outlook). The credit rating report in respect of the public issuance of the corporate bonds to qualified investors by the Company in 2017 (phase I) was published on CNINFO on 15 August 2017.

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

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

VI. Convening of meeting for bondholders during the reporting period

Not applicable.

VII. Performance of bond custodian during the reporting period

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

XII Corporate bonds

VIII. Major accounting data and financial indicators of the Company over the past two years as at the end of the reporting period

Unit: RMB'0,000

Item	2017	2016	Year-on-year increase/decrease in percentage
EBITDA	682,958.92	598,014.61	14.20%
Current ratio	86.32%	76.57%	9.75%
Gearing ratio	71.34%	72.58%	-1.24%
Quick ratio	75.80%	66.16%	9.64%
Proportion of EBITDA to total debts	9.06%	10.01%	-0.95%
Interest coverage ratio	2.83	2.19	29.22%
Cash interest coverage ratio	0.01	1	-99.00%
EBITDA interest coverage ratio	3.31	3.67	-9.81%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

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

Applicable Not applicable

Explanation: The cash interest protection ratio was 0.01, a decrease of 99.00% over the same period of last year, which was mainly due to the increase in the company's financial leasing business, resulting in a smaller net cash flow from operating activities.

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

Item	Amount of interest payment
Corporate bonds	4,014,700,000.00
Medium-term notes	1,154,010,000.00
Super & short-term commercial papers	9,792,371,780.78
Short-term commercial papers	1,557,675,205.51
Total	16,518,756,986.29

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

During the reporting period, the Company obtained bank credit of RMB75,600 million, of which RMB47,700 million was utilised with RMB27,900 million outstanding. The Company repaid bank loans of RMB36,461 million.

XII Corporate bonds

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

Nil

XII. Matters of significance during the reporting period

Summary of significant matters	Date of disclosure	Search index of interim report disclosure website
Accumulated new borrowings for the year exceeded twenty percent of the net assets at the end of the previous year	9 May 2017	http://www.cninfo.com.cn , announcement no.: 2017-050
The announcement in relation to the accumulated new borrowings for the year	8 July 2017	http://www.cninfo.com.cn , announcement no.: 2017-073
The interim report issued by UBS Securities Co., Ltd. in relation to the custodianship of Corporate Bonds for Shandong Chenming Paper Holdings Limited for 2012	12 May 2017	http://www.cninfo.com.cn
The interim report issued by UBS Securities Co., Ltd. in relation to the custodianship of Corporate Bonds for Shandong Chenming Paper Holdings Limited for 2012	24 June 2017	http://www.cninfo.com.cn
The interim report issued by UBS Securities Co., Ltd. in relation to the custodianship of Corporate Bonds for Shandong Chenming Paper Holdings Limited for 2012	8 July 2017	http://www.cninfo.com.cn
The interim report issued by GF Securities Co., Ltd. in relation to the custodianship of the public issue of corporate bonds of the Company in 2017	8 September 2018	http://www.cninfo.com.cn

XIII. Is there any guarantor for corporate bonds?

Yes No

XIII Financial Report

I. Auditors' Report

Type of auditors' opinion	Standard and unqualified opinions
The date of the audit report signed	27 March 2018
Name of the auditor	Ruihua Certified Public Accountants (Special General Partnership)
Reference number of the auditors' report	Rui Hua Shen Zi [2018] No. 37030004
Name of certified public accountants	Zhao Yanmei and Wang Zongpei

Text of the auditors' report

To shareholders of Shandong Chenming Paper Holdings Limited:

(I) Auditors' opinions

We have audited the financial statements of Shandong Chenming Paper Holdings Limited (hereinafter as "Chenming Paper Company"), which comprise the consolidated and company balance sheets as at 31 December 2017, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2017 and notes to the relevant financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Chenming Paper Company as at 31 December 2017 and of its consolidated and company operating results and cash flows for 2017.

(II) Basis of opinions

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the responsibilities of certified public accountants for the audit of the financial statements section of the auditors' report. We are independent of Chenming Paper Company in accordance with the ethical codes of Chinese certified public accountants, and we have fulfilled our other ethical responsibilities in accordance with the codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. The key audit matter we identified is as follows:

1. Consumable biological assets measured at fair value

(1) Details

For detailed disclosures of relevant information, please see notes 4.11 and 6.7 to the financial statements.

As at 31 December 2017, the balance of consumable biological assets reflected in the notes to the financial statements of Chenming Paper Company amounted to RMB1,756,376,000, of which the balance of consumable biological assets measured at fair value amounted to RMB1,212,770,400.

Consumable biological assets of Chenming Paper Company without a stock are stated at cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair value shall be recognised as profit or loss for the current period. As there is no active market reference price for the consumable biological assets of Chenming Paper Company, the Company adopted valuation techniques and recognised the fair value of the consumable biological assets which have formed a stock (the "Biological Assets").

As the consumable biological assets measured at fair value belong to the special assets of Chenming Paper Company, changes in such fair value will significantly impact the financial statements. Valuation for the consumable biological assets is complicated and requires the management to make significant judgments, therefore, we have regarded the measurement of consumable biological assets as a key audit matter.

(2) Application for auditing

When addressing the fair value measurement of the Biological Assets, the key auditing procedures we implemented mainly include:

- (1) we assessed the design and implementation of internal control of Chenming Paper Company relating to the Biological Assets;
- (2) we comprehended and evaluated the definition and judgment of the management relating to stock;
- (3) we evaluated the independence, objectivity, experience and quality of the external valuer engaged by the management;
- (4) comprehended and evaluated the methods of valuation for the Biological Assets and discussed with the valuation experts regarding the methods of valuation and their practical applications;
- (5) considered and evaluated the valuation parameters and the discount rate used in the valuation.

2. Measurement of lease receivables

(1) Details

For detailed disclosures of relevant information, please see notes 4.27, 6.8, 6.9 and 6.11 to the financial statements.

As at 31 December 2017, the carrying amount of lease receivables in the notes to the consolidated financial statements of Chenming Paper Company amounted to approximately RMB26,921,056,300 in aggregate, accounting for approximately 25.49% of total consolidated assets, which include lease receivables due within one year, long-term receivables due within one year and long-term receivables. Lease receivables are mainly due to the financial leasing-related business carried out in the financial business segment of Chenming Paper Company which belongs to the riskier financial assets of Chenming Paper Company.

The management of Chenming Paper Company judges whether or not to make bad debt provision of lease receivables based on the assessment of the recoverability of lease receivables and estimates the provision amount for impairment. The recognition of the lease receivables, changes in unsecured balance and provision for bad debt involve management's judgment, actual outcome may differ from expectations.

We are concerned about the foregoing matters because the carrying value of lease receivables above is significant for the consolidated financial statements of Chenming Paper Company, and the measurement of lease receivables involve significant judgment, therefore, we have regarded the measurement of lease receivables as a key audit matter.

(2) Application for auditing

When addressing the fair value measurement of lease receivables, the key auditing procedures we implemented mainly include:

- (1) we have identified, evaluated and tested the internal control related to the financial leasing business in respect of business process from the inspection of financial status of customers to the signing of financial leasing contracts and the assessment of the recoverability of the lease receivables, including aging analysis and overdue analysis of lease receivables and periodic assessment of the recoverability of the balance of lease receivables;
- (2) we reviewed financial leasing contracts and related information on early investigation of customers, conducted interviews with management to understand and evaluate the operations of financial leasing business and the policy on revenue recognition;
- (3) we examined the risks and rewards arising from the ownership of the leased properties in the financial leasing contracts, for example, examined other rights of the leased properties;
- (4) we examined and estimated the entry value and the term of amortisation of unrecognised financing income; and examined whether the payment status of the lessees is consistent with the contractual payment terms;

- (5) we have obtained the documents on the management's assessment of the recoverability of the lease receivables, in particular the amounts of provision for impairment categorised by the management as individually made or made by credit risk characteristics; verified the reasonableness of management judgement through evidence obtained from procedures such as investigations on the background, business status and cash flow of customers, interviewed with customers and reviewed on historical transactions and repayments;
- (6) we determined the likelihood of impairment and the accuracy of bad debt provision in accordance with the Company's accounting policy by checking the follow-up guarantee procedures of the customers, the financial strength of the guarantor, and the inventory and value determination of the collaterals;
- (7) we sought external confirmations for lease receivables with balances of significant amount and, in certain cases, with balances of smaller amount at the end of the year.

3. Recognition of revenue from machine-made paper

(1) Details

For detailed disclosures of relevant information, please see notes 4.24 and 6.45 to the financial statements.

In 2017, Chenming Paper Company recorded revenue of RMB29,881,130,600, of which RMB26,280,449,300 was attributed to revenue of machine-made paper, accounting for 88.74% of the revenue.

Revenue of machine-made paper is recognised when Chenming Paper Company transferred to the customers the risks and rewards of ownership of the goods. Differentiated accounting methods were applied when addressing the differences in business models of domestic and overseas operations: in terms of domestic sales of machine-made paper, revenue is recognised when goods are delivered to the customers and such deliveries are confirmed; while in terms of overseas sales of machine-made paper, revenue is recognised on the day when goods are loaded on board and declared.

Revenue is one of the key performance indicators of Chenming Paper Company, and the revenue from machine-made paper accounted for a relatively large proportion of the total revenue due to enormous sales, there may be potential misstatement in relation to whether revenue recognition is accounted for in the appropriate period of the financial statements, therefore, we identified recognition of revenue from machine-made paper as a key audit matter.

(2) Application for auditing

When addressing the fair value measurement of machine-made paper, the key auditing procedures we implemented mainly include:

- (1) we identified and evaluated the effectiveness of the design and operation of key internal controls conducted by the management related to revenue recognition;
- (2) we conducted sampling inspections on sales contracts, identified contract terms and conditions related to the transfer of risks and rewards of the ownership of the goods, assessed whether the timing of recognition of sales revenue from Chenming Paper Company meets the requirements of the Accounting Standards for Business Enterprises;

XIII Financial Report

- (3) we conducted sampling inspections on transactions recorded during the year and verified with sales invoices, sales contracts, letters of credit, letters of guarantee, declaration forms, customers' confirmation of receipt and delivery orders, etc; evaluated whether the relevant revenue recognition meets the accounting policy on revenue recognition of Chenming Paper Company;
- (4) we analysed revenue and gross profit by taking into account product types and identified abnormal fluctuations in the amount of revenue in the current period;
- (5) we collected samples from sales revenue recorded around the balance sheet date for cut-off tests; verified delivery orders and other supporting documents to assess whether sales revenue is recorded in the appropriate accounting period; inspected the occurrence of on-the-spot recognition of sales at the end of the inspection period and inspected goods returns after the inspection period to determine the accuracy of revenue recognition during the period.

(IV) Other information

Chenming Paper Company's management is responsible for other information. Other information includes the information covered in the annual report, but does not include the financial statements and our audit report.

Our audit opinions published in the financial statements do not cover other information and we do not publish any form of assurance conclusion on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information, during which we consider whether there is significant inconsistency or other material misstatement of other information with the financial statements or what we have learned during the audit.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

(V) Management and management responsibility for financial statements

The management of Chenming Paper Company (hereinafter referred to as "the management") is responsible for the preparation of financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises to enable them to achieve fair reflection, and to achieve the design, implementation and maintenance of necessary internal controls so that the financial statements are free of material misstatements due to fraud or errors.

In the preparation of the financial statements, the management is responsible for assessing the continuing operations capabilities of Chenming Paper Company, disclosing issues related to going concern (if applicable), and applying the going concern assumption unless management plans to liquidate Chenming Paper Company, terminate operations or have no other realistic options

The management is responsible for supervising the financial reporting process of Chenming Paper Company.

(VI) Auditor's responsibility for auditing financial statements

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to fraud or errors and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards can always discover a major misstatement when it exists. Misstatements are generally considered to be material if it is reasonably expected that misstatements, individually or in aggregate, may affect the economic decision made by users of financial statements based on the financial statements.

XIII Financial Report

In the process of conducting audit work in accordance with auditing standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

- I. To identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence, together perform as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.
- II. To understand audit-related internal controls to design appropriate audit procedures.
- III. To evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures.
- IV. To conclude on the appropriateness of management's use of the continuing operation assumption. At the same time, according to the audit evidence obtained, it may lead to conclusions as to whether there are significant uncertainties in matters or circumstances that have significant doubts about the ability of Chenming Paper Company to continue its operations. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish modified audit report. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Chenming Paper Company to not continue its operations.
- V. Evaluate the overall presentation, structure, and content (including disclosures) of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and matters.
- VI. To obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chenming Paper Company to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audits. We take full responsibility for the audit opinion.

We communicate with the management on planned audit scope, time arrangements and major audit findings, including communication of the internal control deficiencies that we identified during the audit.

We also provide statements to the management on compliance with ethical requirements related to independence, and communicate with the management on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures.

From the matters we communicated with the management, we determine which matters are most important for the audit of the financial statements for the current period and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of disclosing something in the audit report will outweigh the benefits to the public interest, we determine that the matter should not be reported in the audit report

Ruihua Certified Public Accountants
(Special General Partnership)
Beijing· China

Chinese Certified Public Accountant (Project Partner):
Chinese Certified Public Accountant:

27 March 2018

XIII Financial Report

II. Financial Statements

Unless otherwise stated, the unit in the financial statements of the financial report is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2017

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	14,443,492,461.43	10,109,930,319.49
Financial assets measured at fair value through profit or loss	94,000,000.00	
Bills receivable	4,220,231,853.56	1,590,460,875.23
Accounts receivable	3,665,865,577.03	3,974,065,104.15
Prepayments	1,962,151,473.35	1,511,362,674.64
Other receivables	538,734,656.55	1,614,214,645.48
Inventories	6,022,805,491.17	4,862,668,746.90
Non-current assets due within one year	6,901,695,875.94	5,487,376,588.22
Other current assets	11,568,757,330.26	6,616,744,831.28
Total current assets	49,417,734,719.29	35,766,823,785.39
NON-CURRENT ASSETS:		
Available-for-sale financial assets	2,453,000,000.00	1,945,000,000.00
Long-term receivables	9,400,862,089.18	8,844,262,173.65
Long-term equity investments	391,868,827.45	67,251,992.88
Investment properties	4,809,535,109.82	14,258,675.83
Fixed assets	28,227,509,503.05	28,811,555,365.39
Construction in progress	7,668,669,413.87	4,115,194,870.23
Construction materials	15,275,630.45	18,847,584.79
Intangible assets	2,059,221,379.09	1,540,959,330.74
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	139,122,569.45	157,772,100.69
Deferred income tax assets	522,288,850.40	497,457,826.70
Other non-current assets	499,724,197.70	485,687,038.68
Total non-current assets	56,207,361,357.63	46,518,530,746.75
Total assets	105,625,096,076.92	82,285,354,532.14

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Unit: RMB

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	35,096,574,873.03	27,875,506,988.53
Bills payable	1,278,395,090.71	515,301,703.08
Accounts payable	4,013,936,527.74	3,724,266,382.06
Advance receipts	243,182,891.22	377,135,566.33
Staff remuneration payables	185,130,892.10	159,968,262.82
Taxes payable	496,626,014.68	236,927,459.78
Interest payable	85,480,380.32	30,731,253.71
Other payables	1,426,629,545.41	948,919,195.80
Non-current liabilities due within one year	3,625,430,347.40	6,237,021,557.17
Other current liabilities	10,797,248,631.76	6,602,863,069.45
Total current liabilities	57,248,635,194.37	46,708,641,438.73
NON-CURRENT LIABILITIES:		
Long-term borrowings	7,646,122,995.91	6,935,598,781.23
Bonds payable	2,196,261,279.57	
Long-term payables	5,550,881,435.64	3,951,368,854.00
Special payables	681,039,716.66	681,039,716.66
Provisions	325,259,082.28	
Deferred income	1,452,717,833.55	1,443,846,526.33
Other non-current liabilities	250,000,000.00	
Total non-current liabilities	18,102,282,343.61	13,011,853,878.22
TOTAL LIABILITIES	75,350,917,537.98	59,720,495,316.95
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	10,048,300,000.00	7,060,300,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	5,570,800,000.00	2,582,800,000.00
Capital reserves	6,149,257,784.90	6,149,257,784.90
Other comprehensive income	-354,165,127.80	-805,245,771.89
Surplus reserves	1,132,116,106.40	1,132,116,106.40
Retained profit	8,866,614,844.40	6,745,974,781.02
Total equity attributable to equity holders of the company	27,778,529,074.90	22,218,808,367.43
Minority interest	2,495,649,464.04	346,050,847.76
Total owners' equity	30,274,178,538.94	22,564,859,215.19
TOTAL LIABILITIES AND OWNERS' EQUITY	105,625,096,076.92	82,285,354,532.14

Legal Representative:
Chen Hongguo

Financial controller:
Hu Jinbao

Head of the financial department:
Zhang Bo

XIII Financial Report

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	9,580,548,200.88	7,934,163,265.76
Financial assets measured at fair value through profit or loss	94,000,000.00	
Bills receivable	787,095,075.51	112,943,069.85
Accounts receivable	8,188,750.45	84,089,911.81
Prepayments	742,107,273.09	1,003,699,885.05
Other receivables	22,351,203,484.83	22,848,685,985.74
Inventories	751,426,520.51	663,006,714.42
Non-current assets due within one year		900,000,000.00
Other current assets	2,488,977.72	
Total current assets	34,317,058,282.99	33,546,588,832.63
NON-CURRENT ASSETS:		
Available-for-sale financial assets	2,453,000,000.00	1,909,000,000.00
Long-term receivables	456,925,607.06	
Long-term equity investments	18,674,034,243.49	14,558,097,658.49
Investment properties		14,258,675.83
Fixed assets	2,364,990,246.94	3,343,366,320.45
Construction in progress	973,375,557.42	52,757,799.47
Construction materials		71,973.35
Intangible assets	470,379,203.58	300,218,996.05
Deferred income tax assets	186,935,887.68	164,139,190.27
Other non-current assets	54,800,000.00	67,400,000.00
Total non-current assets	25,634,440,746.17	20,409,310,613.91
TOTAL ASSETS	59,951,499,029.16	53,955,899,446.54

XIII Financial Report

Unit: RMB

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	7,522,637,247.14	8,203,392,554.58
Bills payable	6,375,070,000.00	3,057,000,000.00
Accounts payable	570,706,495.21	654,411,787.56
Advance receipts	956,040,917.07	537,139,483.60
Staff remuneration payables	47,546,116.66	58,599,576.37
Taxes payable	116,173,781.96	43,087,056.70
Interest payable	28,428,028.58	30,731,253.71
Other payables	2,162,553,106.46	3,689,371,275.46
Non-current liabilities due within one year	1,318,429,260.12	5,647,952,554.05
Other current liabilities	10,797,248,631.76	6,602,863,069.45
Total current liabilities	29,894,833,584.96	28,524,548,611.48
NON-CURRENT LIABILITIES:		
Long-term borrowings	908,182,122.65	1,521,611,382.77
Bonds payable	1,198,305,304.75	908,755.99
Long-term payables	4,605,691,332.13	3,005,178,750.49
Provisions	325,259,082.28	
Deferred income	50,753,189.60	56,572,797.75
Other non-current liabilities	250,000,000.00	
Total non-current liabilities	7,338,191,031.41	4,584,271,687.00
Total liabilities	37,233,024,616.37	33,108,820,298.48
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	10,048,300,000.00	7,060,300,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	5,570,800,000.00	2,582,800,000.00
Capital reserves	5,938,960,168.19	5,938,960,168.19
Surplus reserves	1,119,926,524.49	1,119,926,524.49
Retained profit	3,674,882,253.11	4,791,486,988.38
TOTAL OWNERS' EQUITY	22,718,474,412.79	20,847,079,148.06
TOTAL LIABILITIES AND OWNERS' EQUITY	59,951,499,029.16	53,955,899,446.54

XIII Financial Report

3. Consolidated Income Statement

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
I. Total revenue	29,851,743,848.13	22,907,118,241.84
Including: Revenue	29,851,743,848.13	22,907,118,241.84
II. Total operating costs	25,800,053,864.52	20,878,998,805.65
Including: Operating costs	19,729,190,475.09	15,787,340,418.80
Taxes and surcharges	219,074,379.63	251,439,236.50
Sales and distribution expenses	1,304,465,552.27	1,166,484,567.20
General and administrative expenses	1,909,369,899.86	1,441,458,586.06
Finance expenses	2,496,592,415.87	1,818,564,890.78
Loss on impairment of assets	141,361,141.80	413,711,106.31
Plus: Gain on change in fair value (“-” denotes loss)	72,999,957.67	-20,084,425.90
Investment income (“-” denotes loss)	161,009,000.23	84,369,949.52
Including: Investment income from associates and joint ventures	18,506,834.57	-3,240,263.50
Foreign exchange gains (“-” denotes losses)		
Gain on disposal of assets (“-” denotes loss)	-2,757,178.42	-1,536,454.18
Other income	135,530,257.77	
III. Operating profit (“-” denotes loss)	4,418,472,020.86	2,090,868,505.63
Plus: Non-operating income	445,266,368.30	495,395,587.51
Less: Non-operating expenses	327,259,815.63	3,097,753.53
IV. Total profit (“-” denotes total loss)	4,536,478,573.53	2,583,166,339.61
Less: Income tax expenses	777,515,726.86	625,968,563.76

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Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
V. Net profit (“-” denotes net loss)	3,758,962,846.67	1,957,197,775.85
(I) Net profit from continuing operations (“-” denotes net loss)	3,758,962,846.67	1,957,197,775.85
(II) Net profit from discontinued operations (“-” denotes net loss)		
Net profit attributable to shareholders of the Company	3,769,325,450.93	1,998,578,788.75
Profit or loss of minority interest	-10,362,604.26	-41,381,012.90
VI. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to shareholders of the Company	451,080,644.09	-460,230,907.63
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	451,080,644.09	-460,230,907.63
Exchange differences on translation of foreign operations	451,080,644.09	-460,230,907.63
Other comprehensive income attributable to minority interest, net of tax		
VII. Total comprehensive income	4,210,043,490.76	1,496,966,868.22
Total comprehensive income attributable to shareholders of the Company	4,220,406,095.02	1,538,347,881.12
Total comprehensive income attributable to minority interest	-10,362,604.26	-41,381,012.90
VIII. Earnings per share:		
(I) Basic earnings per share	1.70	0.99
(II) Diluted earnings per share	1.70	0.99

Legal Representative:
Chen Hongguo

Financial controller:
Hu Jinbao

Head of the financial department:
Zhang Bo

XIII Financial Report

4. Income statement of the Company

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
I. Revenue	7,200,923,503.96	7,244,440,954.56
Less: Operating costs	4,991,353,566.95	5,754,160,315.51
Taxes and surcharges	70,868,721.40	35,657,866.56
Selling and distribution expenses	246,355,160.28	265,529,373.13
General and administrative expenses	615,445,501.19	575,686,201.40
Finance expenses	833,482,860.73	643,728,400.29
Loss on impairment of assets	19,570,118.05	-11,742,221.32
Plus: Gain on change in fair value (“-” denotes loss)	94,000,000.00	
Investment income (“-” denotes loss)	138,737,944.94	229,752,961.82
Including: Investment income from associates and joint ventures	-3,265,824.03	143,952.00
Gain on disposal of assets (“-” denotes loss)	-2,279,308.98	-2,383,135.72
Other income	15,298,245.10	
II. Operating profit (“-” denotes loss)	669,604,456.42	208,790,845.09
Plus: Non-operating income	165,438,580.73	112,367,395.82
Less: Non-operating expenses	325,759,082.28	890,997.90
III. Total profit (“-” denotes total loss)	509,283,954.87	320,267,243.01
Less: Income tax expenses	-22,796,697.41	-20,108,731.71
IV. Net profit (“-” denotes net loss)	532,080,652.28	340,375,974.72
(I) Net profit from continuing operations (“-” denotes net loss)	532,080,652.28	340,375,974.72
(II) Net profit from discontinued operations (“-” denotes net loss)		
V. Net other comprehensive income after tax		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
VI. Total comprehensive income	532,080,652.28	340,375,974.72

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5. Consolidated cash flow statement

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	24,349,119,464.84	22,452,690,922.41
Tax rebates received	8,465,388.45	9,863,432.16
Cash received relating to other operating activities	828,266,108.48	1,177,773,434.44
Subtotal of cash inflows from operating activities	25,185,850,961.77	23,640,327,789.01
Cash paid for goods and services	14,516,886,986.15	15,711,107,188.05
Cash paid to and for employees	1,022,490,275.52	1,094,003,908.09
Payments of taxes and surcharges	1,631,366,603.20	1,452,433,419.20
Cash paid relating to other operating activities	7,991,341,053.97	3,229,734,003.83
Subtotal of cash outflows from operating activities	25,162,084,918.84	21,487,278,519.17
Net cash flows from operating activities	23,766,042.93	2,153,049,269.84
II. Cash flows from investing activities		
Cash received from investments		20,000,519.26
Cash received from investment income	16,861,111.11	98,684,481.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,165,782.79	4,478,976.44
Net cash received from disposal of subsidiaries and other business units		1,000,000.00
Cash received relating to other investing activities	999,341,073.00	535,936,200.00
Subtotal of cash inflows from investing activities	1,018,367,966.90	660,100,177.22
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	2,252,963,203.35	2,477,554,352.96
Cash paid on investments	813,511,220.00	1,850,000,000.00
Net cash paid for acquiring subsidiaries and other business units	1,582,745,899.31	
Subtotal of cash outflows from investing activities	4,649,220,322.66	4,327,554,352.96
Net cash flows from investing activities	-3,630,852,355.76	-3,667,454,175.74

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Item	Amount for the reporting period	Amount for the prior period
III. Cash flows from financing activities:		
Cash received from investments	40,000,000.00	
Including: cash received from by subsidiaries from minority investment	40,000,000.00	
Cash received from borrowings	44,462,208,111.60	38,340,144,109.70
Cash received relating to other financing activities	22,416,411,567.84	21,326,935,500.86
Subtotal of cash inflows from financing activities	66,918,619,679.44	59,667,079,610.56
Cash repayments of amounts borrowed	36,461,483,259.93	36,965,476,126.70
Cash paid for dividend and profit distribution or interest payment	2,998,835,276.61	2,924,565,741.98
Cash paid relating to other financing activities	22,981,164,342.75	18,147,472,131.53
Subtotal of cash outflows from financing activities	62,441,482,879.29	58,037,514,000.21
Net cash flows from financing activities	4,477,136,800.15	1,629,565,610.35
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-45,503,158.48	-23,407,152.59
V. Net increase in cash and cash equivalents	824,547,328.84	91,753,551.86
Plus: Balance of cash and cash equivalents as at the beginning of the period	1,979,861,045.62	1,888,107,493.76
VI. Balance of cash and cash equivalents as at the end of the period	2,804,408,374.46	1,979,861,045.62

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6. Cash flow statement of the Company

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	3,463,130,926.30	8,327,441,977.80
Cash received relating to other operating activities	1,689,891,672.88	1,018,890,721.29
Subtotal of cash inflows from operating activities	5,153,022,599.18	9,346,332,699.09
Cash paid for goods and services	2,236,436,321.89	2,179,876,627.93
Cash paid to and for employees	391,883,575.09	260,230,463.91
Payments of taxes and surcharges	357,296,733.15	320,755,030.84
Cash paid relating to other operating activities	1,054,760,413.57	933,164,769.74
Subtotal of cash outflows from operating activities	4,040,377,043.70	3,694,026,892.42
Net cash flows from operating activities	1,112,645,555.48	5,652,305,806.67
II. Cash flows from investing activities:		
Cash received from investments		20,000,519.26
Cash received from investment income	16,861,111.11	448,684,481.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,686,062.41	4,356,816.44
Net cash received from disposal of subsidiaries and other business units		1,000,000.00
Cash received relating to other investing activities	900,000,000.00	
Subtotal of cash inflows from investing activities	918,547,173.52	474,041,817.22
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	95,795,315.34	42,989,916.52
Cash paid on investments	4,823,511,220.00	3,090,000,000.00
Subtotal of cash outflows from investing activities	4,919,306,535.34	3,132,989,916.52
Net cash flows from investing activities	-4,000,759,361.82	-2,658,948,099.30

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Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
III. Cash flows from financing activities:		
Cash received from borrowings	26,018,893,778.41	14,218,918,082.13
Cash received relating to other financing activities	22,716,411,567.84	17,486,500,000.00
Subtotal of cash inflows from financing activities	48,735,305,346.25	31,705,418,082.13
Cash repayments of amounts borrowed	22,130,699,777.14	14,723,402,085.03
Cash paid for dividend and profit distribution or interest payment	3,596,708,489.03	1,215,953,029.42
Cash paid relating to other financing activities	19,674,703,816.85	18,210,806,209.95
Subtotal of cash outflows from financing activities	45,402,112,083.02	34,150,161,324.40
Net cash flows from financing activities	3,333,193,263.23	-2,444,743,242.27
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-7,395,813.66	-15,474,775.43
V. Net increase in cash and cash equivalents	437,683,643.23	533,139,689.67
Plus: Balance of cash and cash equivalents as at the beginning of the period	582,578,426.62	49,438,736.95
VI. Balance of cash and cash equivalents as at the end of the period	1,020,262,069.85	582,578,426.62

7. Consolidated statement of changes in owners' equity Amount for the reporting period

Unit: RMB

Item	For the reporting period										Total owner's equity	
	Equity attributable to owners of the Company											
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Less treasury shares	Other comprehensive income	Surplus reserves	General risk provisions	Retained profit	Minority interest	
I. Balance as at the end of the prior year	1,936,405,467.00	4,477,500,000.00	2,993,000,000.00		6,149,257,794.90	-805,245,771.89	805,245,771.89	1,132,116,106.40		6,745,974,791.02	946,650,897.76	22,564,859,215.19
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	2,993,000,000.00		6,149,257,794.90	-805,245,771.89	805,245,771.89	1,132,116,106.40		6,745,974,791.02	946,650,897.76	22,564,859,215.19
III. Changes in the period ("+" denotes increase)												
(I) Total comprehensive income			2,993,000,000.00			451,000,644.09				2,120,640,063.38	2,149,595,616.28	7,709,919,323.75
(II) Capital paid in and reduced by owners						451,000,644.09				3,769,325,450.93	-10,392,694.26	4,210,043,480.76
2. Ordinary shares paid by shareholders			2,993,000,000.00							2,159,961,220.54	5,147,961,220.54	5,147,961,220.54
4. Capital paid by holders of other equity instruments			2,993,000,000.00								2,159,961,220.54	2,159,961,220.54
(III) Profit distribution										-1,846,865,397.55		2,993,000,000.00
3. Distribution to owners (or shareholders)										-1,846,865,397.55		-1,846,865,397.55
(IV) Transfer within owners' equity												
(V) Special reserves												
(VI) Others												
IV. Balance as at the end of the period	1,936,405,467.00	4,477,500,000.00	5,570,800,000.00		6,149,257,794.90	-354,165,127.80	354,165,127.80	1,132,116,106.40		8,866,614,844.40	2,495,649,464.04	30,274,78,538.94

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Amount for the prior period

Unit: RMB

Item	For the prior period										Total owner's equity	
	Equity attributable to owners of the Company											
	Other equity instruments			Less: comprehensive income			General risk provisions			Retained profit	Minority interest	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves			
I. Balance as at the end of the prior year	1,836,405,467.00	4,477,500,000.00	2,582,800,000.00		6,149,382,768.1		-345,014,884.26		1,132,116,106.40	5,481,457,632.37	387,451,868.66	17,242,434,478.96
II. Balance as at the beginning of the year	1,836,405,467.00	4,477,500,000.00	2,582,800,000.00		6,149,382,768.1		-345,014,884.26		1,132,116,106.40	5,481,457,632.37	387,451,868.66	17,242,434,478.96
III. Changes in the period ("+" denotes increase)												
(I) Total comprehensive income					119,538.09		-460,230,307.63			1,284,517,148.65	-41,381,012.90	5,240,524,736.21
(II) Capital paid in and reduced by owners							-460,230,307.63			1,996,578,788.75	-41,381,012.90	1,496,966,868.22
2. Capital paid by holders of other equity instruments					119,538.09							4,477,619,588.09
4. Others												4,477,500,000.00
(III) Profit distribution												119,538.09
3. Distribution to owners (or shareholders)										-734,061,640.10		-734,061,640.10
(IV) Transfer within owners' equity												
(V) Special reserves												
(VI) Others												
IV. Balance as at the end of the period	1,836,405,467.00	4,477,500,000.00	2,582,800,000.00		6,149,257,784.90		-805,245,771.88		1,132,116,106.40	6,745,974,781.02	346,050,647.76	22,564,658,215.19

8. Statement of changes in equity of owners of the Company Amount for the reporting period

Unit: RMB

Item	Other equity instruments						For the reporting period				Total owner's equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	
I. Balance as at the end of the prior year	1,936,405,467.00	4,477,500,000.00	2,592,200,000.00		5,938,960,168.19				1,119,926,524.49	4,791,486,988.38	20,847,079,148.06
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	2,592,200,000.00		5,938,960,168.19				1,119,926,524.49	4,791,486,988.38	20,847,079,148.06
III. Changes in the period ("-" denotes decrease)											
(I) Total comprehensive income			2,988,000,000.00							-1,116,604,735.27	1,871,395,264.73
(II) Capital paid in and reduced by owners			2,988,000,000.00							532,080,652.28	532,080,652.28
2. Capital paid by holders of other equity instruments			2,988,000,000.00								2,988,000,000.00
(III) Profit distribution											
1. Transfer to surplus reserves											2,988,000,000.00
2. Distribution to owners (for shareholders)										-1,646,665,387.55	-1,646,665,387.55
(IV) Transfer within owners' equity											
(V) Special reserves											
(VI) Others											
IV. Balance as at the end of the period	1,936,405,467.00	4,477,500,000.00	5,570,000,000.00		5,938,960,168.19				1,119,926,524.49	3,674,882,253.11	22,718,474,412.79

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Amount for the prior period

Unit: RMB

Item	Other equity instruments				For the prior period			Total owner's equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	
I. Balance as at the end of the prior year	1,936,405,467.00		2,582,800,000.00		5,938,640,660.10			16,768,145,335.35
II. Balance as at the beginning of the year	1,936,405,467.00		2,582,800,000.00		5,938,640,660.10			16,768,145,335.35
III. Changes in the period ("-" denotes decrease)								
(I) Total comprehensive income		4,477,500,000.00			119,508.09			4,083,933,842.71
(II) Capital paid in and reduced by owners		4,477,500,000.00			119,508.09			340,375,974.72
2. Distribution to owners (for shareholders)		4,477,500,000.00						4,477,619,508.09
4. Others					119,508.09			4,477,500,000.00
(III) Profit distribution								119,508.09
2. Distribution to owners (for shareholders)								-734,061,640.10
(IV) Transfer within owners' equity								-734,061,640.10
(V) Special reserves								-734,061,640.10
(VI) Others								
IV. Balance as at the end of the period	1,936,405,467.00	4,477,500,000.00	2,582,800,000.00		5,938,960,168.19		4,791,486,988.38	20,647,079,148.06

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III. General Information of the Company

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

The Company and its subsidiaries are principally engaged in processing and sale of paper products (including machine made paper and paper board), paper making raw materials and machinery; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products; and manufacturing and sale of laminated boards and fortified wooden floorboards, marine engineering project investment, hotel service, equipment financial and operating leasing, etc.

The financial statements were considered and approved by the board of directors of the Company (the “Board”) on 27 March 2018. According to the Articles of Association, these financial statements will be submitted to the general meeting for its approval.

Subsidiaries of the Company included in the scope of consolidation in 2017 totalled 63. For details, please refer to Note VIII “Equity in other entities”. The scope of consolidation of the Company during the year had 11 more companies included and two companies excluded compared to the prior year. For details, please refer to Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

The Company’s financial statements are prepared on a going concern and based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises-Basic Standards promulgated by the Ministry of Finance (Order of Ministry of Finance No. 33, as amended by Order of Ministry of Finance No. 76) and 42 specific accounting standards as promulgated and amended on and after 15 February 2006, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “ASBEs”), and the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” (revised in 2014) of China Securities Regulatory Commission.

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

The Company has been implementing the ASBEs since 1 January 2007.

In addition to preparing and issuing financial statements in accordance with the new accounting standards, the Company, as an H-share listed company, also has to provide financial statements for the public in accordance with the Hong Kong Financial Reporting Standards. Pursuant to the relevant requirements under Rule 1 of “Accounting Standards for Business Enterprises Interpretation No. 1”, with respect to the transactions or matters which do not have any difference in terms of standards between the new accounting standards and the Hong Kong Financial Reporting Standards, the Company shall make retrospective adjustments in accordance with Rules 5 to 19 of “Accounting Standards for Business Enterprises No. 38 – First-time Implementation of Accounting Standards for Business Enterprises” (“Standard No. 38”) and other relevant requirements. The Company shall also make retrospective adjustments to the financial statements for the comparable years in respect of the changes in accounting policies due to the implementation of new accounting standards for the transactions and matters other than those attributable to Rules 5 to 19 of Standard No. 38 with reference to the relevant available information based on the financial statements prepared by the Company according to the Hong Kong Financial Reporting Standards.

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IV. Basis of Preparation of the Financial Statements (Cont'd)

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Whether the Company needs to comply with the disclosure requirements for specific industries

No

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in processing and sale of paper products (including machine made paper and paper board), paper making raw materials and machinery. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition based on their actual production and operation characteristics pursuant to the requirements under the relevant accounting standards for business enterprises. For details, please refer to this Note IV. 24 "Revenue". For the critical accounting judgments and estimates made by the management, please refer to Note IV. 30 "Critical accounting judgments and estimates".

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

The financial statements have been prepared by the Company in conformity with the ASBEs, which truly and fully reflect the financial position of the Company as at 31 December 2017 and relevant information such as the operating results and cash flows for 2017. In addition, the financial statements of the Company also comply with, in all material respects, the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

2. Accounting period

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

3. Operating cycle

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

Our subsidiaries, including Zhanjiang Chenming Arboriculture Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd., Huanggang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd., were engaged in arboriculture cultivating, plantation and sale. Their ordinary operating cycle lasts for over 1 year.

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

4. Functional currency

The Company and its domestic subsidiaries recognise RMB as their functional currency according to the primary economic environment in which they operate. The functional currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Overseas subsidiaries of the Company recognise U.S. dollar ("USD" or "US\$"), Japanese yen ("JPY"), Euro ("EUR") and South Korean Won ("KRW") as their respective functional currency according to the general economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

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

Business combinations refer to the transactions or events in which two or more separate enterprises merged as a single reporting entity. Business combinations are divided into business combinations under common control and not under common control.

(1) Business combinations 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 the absorbing party effectively obtains control of the party being absorbed.

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

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

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

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

(2) Business combination not under common control

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

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. Transaction cost attributable to equity or debt securities issued by the acquirer as consideration is included in the initial costs. Contingent consideration involved is charged to the combination cost at its fair value on the acquisition date, in the event that adjustment on the contingent consideration is required as a result of new or additional evidence in relation to circumstances existed on the acquisition date emerges within 12 months from the acquisition date, the combination goodwill shall also be adjusted. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

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

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

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

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

For combination of business not under common control achieved by several transactions, these several transactions will be judged whether they belong to “transactions in a basket” in accordance with the judgement standards on “transactions in a basket” as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Rule of 51 to “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”(see Note IV. 5 (2)). If they belong to “transactions in a basket”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note IV. 13 “Long-term equity investments”, and if they do not belong to “transactions in a basket”, they are accounted for in separate financial statements and consolidated financial reports:

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

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

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

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

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

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

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

(2) Basis for preparation of the consolidated financial statements

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

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

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

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

6. Preparation of consolidated financial statements

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

The shareholders' equity and the portion of the profit or loss for the period of the subsidiaries that are not attributable to the Company are presented under shareholders' equity and net profit in the consolidated financial statements as minority interests and net profit of minority interest respectively. 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 "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i.e. to be transferred to investment income, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". See Note IV. 13 "Long-term equity investments" or Note IV. 9 "Financial instruments" for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to "transactions in a basket". Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of another transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in "partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary" (see Note IV. 13 (2) ④) separately, and "the control over a subsidiary is lost due to partial disposal of equity investment or other reasons" (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the different between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

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

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

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

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

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

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

8. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Company which are readily convertible into known amount 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 the functional currency at the prevailing spot exchange rate on the date of exchange, i.e. the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter, while the foreign currency exchange operations and transactions in connection with foreign currency exchange shall be translated into the functional currency at the exchange rate actually adopted.

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

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

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

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

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

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

(3) Basis for translation of foreign currency financial statements

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

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

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

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

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

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

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

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

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

10. Financial instruments

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

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

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

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

10. Financial instruments (Cont'd)

(2) Classification, recognition and measurement of financial assets

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

① Loans and receivables

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

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

② Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. The gain or loss on change in fair value are recognised as other comprehensive income, except for impairment loss and exchange differences arising from foreign monetary financial assets and amortised cost which are accounted for through profit or loss for the current period. The financial assets will be transferred out of the financial assets on derecognition and accounted for through profit or loss for the current period. However, for equity investment of which the Company does not have control, joint control or significant influence, not quoted in an active market and the fair value of which cannot be measured reliably, their fair values are subsequently measured at cost.

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

(3) Impairment of financial assets

The Company reviews the carrying amount of financial assets on each balance sheet date and provides for impairment where there is objective evidence that financial assets are impaired.

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

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

10. Financial instruments (Cont'd)

(3) Impairment of financial assets (Cont'd)

① Impairment of loans and receivables

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

② Impairment of available-for-sale financial assets

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

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

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

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

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

10. Financial instruments (Cont'd)

(4) Recognition and measurement of transfers of financial asset

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

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

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

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

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

(5) Classification and measurement of financial liabilities

Financial liabilities are classified at initial recognition: financial liabilities recognised at fair value with changes carried through profit or loss and other financial liabilities. For financial liabilities measured at fair value with changes recognised in profit or loss of the current period, relevant transaction costs are directly recognised in profit or loss for the period. The amount is recognised initially at fair value and the subsequent changes in fair value will be recognised in profit or loss for the period. For other financial liabilities, relevant transaction costs are included in the amount initially recognised and subsequently measured at amortised cost using the effective interest method, and relevant gain or loss arising from derecognition or amortisation are included in current profit or loss.

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

10. Financial instruments (Cont'd)

(6) Derecognition of financial liabilities

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

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

(7) Offset of Financial Assets and Financial Liabilities

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

(8) Equity instruments

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

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

11. Accounts receivable

Accounts receivable include accounts receivable, other receivables, long-term receivables, etc. For the recognition and measurement of long-term receivables, please refer to Note IV. 27.

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

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

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

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision

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

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

For accounts receivable that is individually significant, the Company assesses such accounts receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognised are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

- ② Determination and method for making bad debt provision for accounts receivable collectively assessed for impairment based on credit risk characteristics

A. Basis for determining a group sharing similar credit risk characteristics

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

Groups are determined based on the following basis:

<u>Groups</u>	<u>Basis for determining the groups</u>
Specific fund groups	A group which is classified as a category on the basis of accounts receivable related to authority units and related parties
Ageing groups	A group which is classified as a category on the basis of credit risk characteristics such as ageing

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

11. Accounts receivable (Cont'd)

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

- ② Determination and method for making bad debt provision for accounts receivable collectively assessed for impairment based on credit risk characteristics (Cont'd)

B. Method for making bad debt provision according to credit risk characteristics

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

Method for making bad debt provision for different groups:

Groups	Method for making provision
Specific fund groups	No bad debt provision provided
Ageing groups	Ageing analysis

Use of ageing analysis for making bad debt provision in groups:

Ageing	Ratio of accounts receivable provision (%)	Ratio of other accounts receivable provision (%)
Within 1 year (including 1 year, same applies to the below)	5	5
1-2 years	10	10
2-3 years	20	20
Over 3 years	100	100

- ③ Accounts receivable individually insignificant but assessed individually for impairment

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

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

11. Accounts receivable (Cont'd)

(3) Reversal of provision for bad debts

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

12. Inventories

Whether the Company needs to comply with the disclosure requirements for specific industries

No

(1) Classification of inventories

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

(2) Pricing of inventories received and dispatched

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

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

Consumable biological assets refer to biological assets held-for-sale which include growing timber. Consumable biological assets without a stock are stated at cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair values shall be recognised as profit or loss in the current period. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to canopy closure, including borrowing costs eligible for capitalisation. Subsequent expenses such as maintenance cost incurred after canopy closure shall be included in profit or loss for the current period.

The cost of consumable biological assets shall, at the time of harvest or disposal, be carried forward at carrying amount using the batch averaging method.

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

12. Inventories (Cont'd)

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

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

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

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

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

(5) Low-value consumables and packaging materials are amortised when issued for use.

13. Assets and disposal groups held for sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange of commercial substance, the same below) rather than through continuous use, and when all of the following conditions are met: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale in its present condition; the Company has made a resolution in respect of a disposal plan and obtained a firm purchase commitment from a buyer; and the sale is probable to be completed within one year. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Where goodwill acquired in a business combination has been allocated to the asset group or groups to which a disposal group belongs in accordance with the Accounting Standard for Business Enterprises No. 8 - Impairment of Assets, the disposal group shall include the goodwill allocated to it.

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

13. Assets and disposal groups held for sale (*Cont'd*)

When the Company measures initially or remeasures the non-current assets and disposal group classified as held for sale on the balance sheet date, its carrying amount is written down to its fair value less selling costs if its carrying amount is higher than its fair value less costs to sell. The reduced amount is recognised as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the held-for-sale assets. With regard to the disposal group, the asset impairment loss recognised is offset by the carrying amount of the goodwill in the disposal group first, and then by the carrying amount of each of the non-current assets in the disposal group which are applicable to the measure requirements under the Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held For Sale, Disposal Groups and Discontinued Operations (hereinafter referred to as "Held-For-Sale Standard") pro rata. If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale disposal group less its costs to sell increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset which is applicable to the measurement requirements of the Held-For-Sale Standard after the non-current asset is classified as held for sale. The reversed amount is credited to current profit or loss, and the carrying amount of each non-current asset (other than goodwill) which is applicable to the measurement requirements of the Held-For-Sale Standard is increased pro rata according to the percentage of each non-current asset's carrying amount. Neither the carrying amount of goodwill which has been offset nor the asset impairment loss recognised before the non-current asset to which the measurement requirements of the Held-For-Sale Standard is applicable is classified as held for sale can be reversed.

No depreciation or amortisation is provided for a non-current asset in the non-current assets or disposal groups held for sale. Interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognised.

When a non-current asset or a disposal group does not meet the condition to be classified as held for sale, the Company ceases to classify it as held for sale or removes the non-current asset from the disposal group held for sale, and measures it at the lower of: (1) the carrying amount before it was classified as held for sale, adjusted for any depreciation (or amortisation) or impairment that would have been recognised had it not been classified as held for sale, and (2) its recoverable amount.

14. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Company is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note IV. 9 "Financial instruments".

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

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

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

(1) Determination of investment cost

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

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

Agent fees incurred by the absorbing party or acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred.

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

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

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

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognised based on the purchase cost actually paid by the Company, the fair value of equity securities issued by the Company, the agreed value of investment contract or agreement, the fair value or original carrying amount of the non-monetary asset exchange transaction which the asset will be transferred out of the Company, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost. For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the relevant cost for long-term equity investment shall be the aggregate of fair value of previously held equity investment and additional investment cost determined according to “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”.

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

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. In addition, long-term equity investments with control on the investee are accounted for using cost method and record in the Company’s financial statements.

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

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

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

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

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

14. Long-term equity investments *(Cont'd)*

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

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

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

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

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

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

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

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

③ Acquisition of minority interest

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

④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a loss in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note IV. 5. (2) "Preparation Method of the Consolidated Financial Statements".

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognised through profit or loss in the current period.

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

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

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

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

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

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

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

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

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

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

15. Investment Property

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

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

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

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

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

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

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

16. Fixed assets

(1) Conditions for recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. A fixed asset shall be initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use.

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

16. Fixed assets (Cont'd)

(2) Depreciation method

Category	Depreciation method	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	Straight-line method	20-40	5-10	2.25-4.75
Machinery and equipment	Straight-line method	8-20	5-10	4.50-11.88
Transportation equipment	Straight-line method	5-8	5-10	11.25-19.00
Electronic equipment and others	Straight-line method	5	5-10	18.00-19.00

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

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

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

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

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

(5) Explanation on other matters

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

Fixed assets are derecognised when there is no economic benefit arising from disposal or expected use or disposal of fixed assets. When a fixed asset is sold, transferred, retired or damaged, the Company shall recognise the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

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

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

17. Construction in progress

Whether the Company needs to comply with the disclosure requirements for specific industries

No

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

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note IV. 20 "Impairment of long-term 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 Company shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

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

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

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

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

19. Intangible assets

(1) Intangible assets

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

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

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

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

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

(2) Research and development expenditure

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

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

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

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

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

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

19. Intangible assets

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

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

20. Impairment of long-term asset

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

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

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

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

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

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

22. Employee benefits

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

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

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

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

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

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

23. Provisions

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

At the balance sheet date, provisions 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 provisions 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 provisions.

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

24. Preference shares, perpetual bonds and other financial instruments

(1) Classification of perpetual bonds and preference shares

Perpetual bonds, preference shares and other financial instruments issued by the Company are classified as equity instruments when all of the following conditions are satisfied:

- ① The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
- ② If the financial instrument will or may be settled in the entity's own equity instruments, it is a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Company exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

Other than financial instruments classified as equity instruments according to the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

The financial instruments issued by the Company which are compound financial instruments are recognised as a liability based on the fair value of the liability component, and the amount net of the fair value of the liability component from the actual amount received is recognised as "other equity instruments". Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of gross proceeds.

(2) Accounting treatment of perpetual bonds and preference shares

For financial instruments classified as financial liabilities (such as perpetual bonds and preference shares), except borrowing costs qualifying for capitalisation (please refer to this Note IV. 17 "Borrowing costs"), its related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are credited to profit or loss for the current period.

For financial instruments classified as equity instruments (such as perpetual bonds and preference shares), its issue (including refinancing), repurchase, sale or cancellation are treated by the Company as changes in equity, with related transaction costs deducted from equity. The Company's distribution to holders of equity instruments are treated as a distribution of profits.

Changes in the fair value of equity instruments are not recognised by the Company.

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

25. Revenue

Whether the Company needs to comply with the disclosure requirements for specific industries

No

(1) Revenue from sales of goods

Revenue is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs. 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 Company; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

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

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

(3) Revenue from rendering of services

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

(4) Interest income

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

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

26. Government grants

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

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

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

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

V. Significant Accounting Policies and Accounting Estimates (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 Company recognises the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

27. Deferred income tax assets/deferred income tax liabilities

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

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

28. Lease

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

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

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

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

28. Lease (Cont'd)

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

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

(3) Financing lease business with the Company recorded as lessee

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

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

(4) Financing lease business with the Company recorded as lessor

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

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

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

28. Lease (Cont'd)

(5) The debts arising from the financing lease business was provided for in the following manners:

① Individual assessment of impairment

When assessing the probability of recovery of lease receivables from a customer, the ability and willingness to pay lease payments, and the payment record of the customer, profitability of the lease projects, and guarantees for leased assets will be analysed. If there are evidences indicating that the customer is unable to repay and its willingness to repay is not strong, and the principal and interest are still not recoverable, or only a very small portion can be recovered, after taking all possible measures or all necessary legal procedures, the receivables are subject to individual impairment assessment, and the difference between the present value of the future cash flows expected to be derived from the receivables and the carrying amount shall be accounted for as provision for bad debts and recognised in profit or loss.

② Collective assessment of impairment based on credit risk characteristics

At the end of the period, each individual leasing contract is classified based on the amount past due and recovery, and the major basis for classification and provision for impairment are as follows:

Category	Basis for classification	Proportion of provision (%)
Normal	Not yet past due	0.30
Past due	90 days past due	5.00
	90 days - 1 year past due (inclusive)	10.00
	1-3 years past due (inclusive)	30.00
	3- 5 years past due (inclusive)	50.00
	Over 5 years past due	100.00

③ No bad debt provision will be made for lease receivables from related parties unless there is objective evidence that the Company is unable to recover the lease receivables from related parties.

If there is objective evidence that the lease receivables from related parties are recovered and can be linked objectively to an event occurring after the write-down, the impairment losses recognised will be reversed and accounted for in profit or loss. The carrying amount reversed shall not exceed the assumed amortised costs on the date of reversal of the lease receivables had no impairment provision been made.

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

29. Other significant accounting policies and accounting estimates

(1) Discontinued operations

A discontinued operation is a separately identified component of the Group that either has been disposed of or is classified as held for sale, and meets one of the following conditions: ① represents a separate major line of business or geographical area of operations; ② is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and ③ is a subsidiary acquired exclusively with a view to resale.

For the accounting treatment of discontinued operations, please refer to the relevant descriptions in Note IV. 12 "Assets and disposal groups held for sale".

(2) Repurchase of shares

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

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

30. Changes in significant accounting policies and estimates

(1) Changes in accounting policies

Changes in accounting policies resulting from the implementation of the new Accounting Standards for Business Enterprises

On 28 April 2017, the Ministry of Finance issued the Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations in Cai Kuai [2017] No. 13, which came into effect on 28 May 2017. On 10 May 2017, the Ministry of Finance issued the Accounting Standard for Business Enterprises No. 16 - Government Grants (Revised in 2017) in Cai Kuai [2017] No. 15, which came into effect on 12 June 2017. As approved at the 19th extraordinary meeting of the eighth session of the Board of the Company on 29 December 2017, the Company commenced the implementation of the above two accounting standards in accordance with the requirements of the Ministry of Finance.

The Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations regulates the classification, measurement and presentation of non-current assets or disposal groups held-for-sale, and the presentation of discontinued operations. Corresponding adjustments were made in these financial statements in relation to the disclosures of discontinued operations on the date of implementation (i.e. 28 May 2017) in the financial statements of comparable years and notes in accordance with the standard.

Before the implementation of the Accounting Standard for Business Enterprises No. 16 - Government Grants (Revised in 2017), the government grants received by the Company were included in the non-operating income. The government grants related to assets are recognised as deferred income and amortised in profit or loss within the useful life of the assets. After the implementation of the Accounting Standard for Business Enterprises No.16 - Government Grants (Revised by 2017), government grants received after 1 January 2017 and related to daily operations are recognised in other income; and government grants unrelated to daily operations are recognised in non-operating income and expenses.

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

30. Changes in significant accounting policies and estimates (Cont'd)

(2) Changes in accounting estimates

Details, causes, and applicable point in time of changes in Accounting estimates	Approval procedures	Names of affected items in the statements	Affected amount																	
<p>Starting from 29 December 2017, the bad debt provision for debts arising from the financial leasing business of the subsidiaries of the Company shall be changed from a provision of 5% - 10% to a provision based on the following:</p> <p>① Individual provision for impairment</p> <p>When assessing the probability of recovery of lease receivables from a customer, the ability and willingness to pay lease payments, and the payment record of the customer, profitability of the lease projects, and guarantees for leased assets will be analysed. If there are evidences indicating that the customer is unable to repay and its willingness to repay is not strong, and the principal and interest are still not recoverable, or only a very small portion can be recovered, after taking all possible measures or all necessary legal procedures, the receivables are subject to individual impairment assessment, and the difference amount between the present value of the future cash flows expected to be derived from the receivables and the carrying amount shall be accounted for as provision for bad debts and recognised in profit or loss.</p> <p>② Collective assessment of impairment based on credit risk characteristics</p> <p>At the end of the period, each individual leasing contract is classified based on the amount past due and recovery, and the major basis for classification and provision for impairment are as follows:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Basis for classification</th> <th>Proportion of provision (%)</th> </tr> </thead> <tbody> <tr> <td>Normal</td> <td>Not yet past due</td> <td>0.30</td> </tr> <tr> <td rowspan="5">Past due</td> <td>90 days past due</td> <td>5.00</td> </tr> <tr> <td>90 days - 1 year past due (inclusive)</td> <td>10.00</td> </tr> <tr> <td>1-3 years past due (inclusive)</td> <td>30.00</td> </tr> <tr> <td>3- 5 years past due (inclusive)</td> <td>50.00</td> </tr> <tr> <td>Over 5 years past due</td> <td>100.00</td> </tr> </tbody> </table> <p>③ No bad debt provision will be made for lease receivables from related parties unless there is objective evidence that the Company is unable to recover the lease receivables from related parties.</p> <p>If there is objective evidence that the lease receivables from related parties are recovered and can be linked objectively to an event occurring after the write-down, the impairment losses recognised will be reversed and accounted for in profit or loss. The carrying amount reversed shall not exceed the assumed amortised costs on the date of reversal of the lease receivables had no impairment provision been made.</p>	Category	Basis for classification	Proportion of provision (%)	Normal	Not yet past due	0.30	Past due	90 days past due	5.00	90 days - 1 year past due (inclusive)	10.00	1-3 years past due (inclusive)	30.00	3- 5 years past due (inclusive)	50.00	Over 5 years past due	100.00	<p>Approved at the 19th extraordinary meeting of the eighth session of the Board of the Company on 29 December 2017</p>	<p>Long-term receivables</p> <p>Loss on impairment of assets</p> <p>Non-current assets due within one year</p> <p>Other current assets</p>	<p>decreased by 6,177,445.94</p> <p>increased by 132,800,396.14</p> <p>increased by 45,914,608.78</p> <p>decreased by 172,537,558.98</p>
Category	Basis for classification	Proportion of provision (%)																		
Normal	Not yet past due	0.30																		
Past due	90 days past due	5.00																		
	90 days - 1 year past due (inclusive)	10.00																		
	1-3 years past due (inclusive)	30.00																		
	3- 5 years past due (inclusive)	50.00																		
	Over 5 years past due	100.00																		

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

31. Critical accounting judgements and estimates

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

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

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

(1) Classification of leases

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

(2) Provision for bad debts

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

(3) Allowance for inventories

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

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

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

(4) Fair value of consumable biological assets

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

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

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

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

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

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

When the carrying amount of an asset or asset groups is higher than the recoverable amount, being the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment. Where the fair value of an asset or an asset group does not have involved a sale agreement and an active market, the Company shall engage an expert to determine its fair value in a valuation.

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

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

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

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

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

(7) Depreciation and amortisation

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

(8) Deferred income tax assets

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

(9) Income tax

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

VI. Taxation

1. Main tax types and tax rates

Tax type	Tax rate and base
Value added tax	17% for general, 11% for sales of gas and water and 6% for the service industry. Value-added tax is computed on the difference after deduction of input value-added tax
Urban maintenance and construction tax	7% of actual payment of turnover tax
Enterprise income tax	25% of taxable income; for the companies which are subject to preferential policies, please refer to Note VI. 2(1); the overseas companies shall pay taxes at the tax rate pursuant to the requirements of the countries or regions where the companies are located
Educational surcharges	3% of actual payment of turnover tax
Local educational surcharges	2% of actual payment of turnover tax

VI. Taxation (Cont'd)

2. Tax incentives

(1) Enterprise Income Tax

On 10 December 2015, the Company received a high and new technology enterprise certificate with a certification number of GR201537000611. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Company is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2015 to 2017.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201537000228 on 10 December 2015. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2015 to 2017.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201544000146 on 30 September 2015. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2015 to 2017.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201622000039 on 1 November 2016. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2015 to 2017.

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201636000018 on 15 November 2016. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jiangxi Chenming is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

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 Development Co., Ltd., Yangjiang Chenming Arboriculture Development Co., Ltd., Nanchang Chenming Arboriculture Development Co., Ltd., Huanggang Chenming Arboriculture Development Co., Ltd. and Chenming Arboriculture Co., Ltd. are engaged in arboriculture cultivating and thus exempt from corporate income tax.

Pursuant to the "Revenue Bill 2008" passed by The Legislative Council of the Hong Kong Special Administrative Region on 26 June 2008, Chenming (HK) Limited, a subsidiary of Chenming Paper, has been subject to a corporate income tax rate of 16.5% commencing 2008, and the applicable tax rate for 2016 was 16.5%.

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

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VI. Taxation *(Cont'd)*

2. Tax incentives *(Cont'd)*

(2) Value-added Tax ("VAT") incentives

Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Zhanjiang Chenming New-style Wall Materials Co., Ltd., a subsidiary of the Company, produces bricks and blocks using waste residues and is therefore subject to a preferential policy of an immediate VAT refund of 70% in 2017.

Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products that apply integrated use of resources and is therefore subject to a preferential policy of an immediate VAT refund of 70%.

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VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,344,438.45	1,920,226.94
Bank deposit	2,802,063,936.01	1,977,940,818.68
Other monetary funds	11,639,084,086.97	8,130,069,273.87
Total	14,443,492,461.43	10,109,930,319.49
Of which: Total deposits in overseas banks	508,707,081.55	142,776,755.56

- Note: ① Other monetary funds of RMB4,822,551,296.94 (31 December 2016: RMB2,451,941,798.13) were the guarantee deposit for the application for bank acceptance with the banks by the Group.
- ② Other monetary funds of RMB1,333,152,563.36 (31 December 2016: RMB1,017,170,039.57) were the guarantee deposit for the application for letter of credit with the banks by the Group.
- ③ Other monetary funds of RMB4,939,992,248.75 (31 December 2016: RMB4,022,026,785.92) were the guarantee deposit for the application for guarantees with the banks by the Group.
- ④ Other monetary funds of RMB90,037,977.92 (31 December 2016: RMB372,430,650.26) were the guarantee deposit for the application for loans with the banks by the Group.
- ⑤ Other monetary funds of RMB453,350,000.00 (31 December 2016: RMB266,500,000.00) were the Group's statutory reserve deposit at the banks.

2. Financial assets measured at fair value through profit or loss

Unit: RMB

Item	Closing balance	Opening balance
Financial assets designated at fair value through profit or loss	94,000,000.00	
Of which: equity instruments	94,000,000.00	
Total	94,000,000.00	

Other explanation: The Company's available-for-sale financial assets include investments in Guangdong Dejun Investment Co., Ltd. for fixed returns. The Company also signed a three-year repurchase agreement for the equity interest with Shanghai Zhongneng Enterprise Development (Group) Co., Ltd., another shareholder of Guangdong Dejun Investment Co., Ltd., pursuant to which Shanghai Zhongneng Enterprise Development (Group) Co., Ltd or its designated third party will acquire 50% equity interests held by the Company in Guangdong Dejun Investment Co., Ltd. at an annual 4% premium.

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VII. Notes to items of the consolidated financial statements (Cont'd)

3. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	4,120,231,853.56	1,590,460,875.23
Commercial acceptance bills	100,000,000.00	
Total	4,220,231,853.56	1,590,460,875.23

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

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptance bills	2,108,159,820.71
Total	2,108,159,820.71

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

Unit: RMB

Item	Derecognised amount as at the end of the period	Recognised amount as at the end of the period
Bank acceptance bills	4,382,322,157.76	
Total	4,382,322,157.76	

(4) Other explanation

As at 31 December 2017, bills with the carrying amount of RMB972,379,999.17 (31 December 2016: RMB399,133,608.25) were pledged in exchange for short-term borrowings of RMB952,700,375.00. As at 31 December 2017, bills with the carrying amount of RMB443,772,390.78 were pledged and a letter of guarantee was issued therefor. As at 31 December 2017, bills with the carrying amount of RMB692,007,430.76 were pledged and a letter of credit was issued therefor.

As at 31 December 2017, the accumulated bank acceptance bills issued by the Group to banks amounted to RMB3,742,679,994.55 (2016: RMB2,690,129,296.16), with discount expenses incurred of RMB72,693,293.53 (2016: RMB35,548,679.42). As at 31 December 2017, outstanding discounted bills receivable amounted to RMB2,169,102,479.25 (2016: RMB1,489,320,047.19).

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VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Bad debts provision Amount	Provision percentage	Carrying amount	Amount	Percentage	Bad debts provision Amount	Provision percentage	Carrying amount
① Accounts receivable that are individually significant but assessed individually for impairment	37,864,672.83	0.94%	37,864,672.83	100.00%	0.00	38,728,887.83	0.90%	38,728,887.83	100.00%	0.00
② Accounts receivable that are collectively assessed for impairment based on credit risk characteristics	3,988,541,011.28	99.01%	322,675,434.25	8.61%	3,665,865,577.03	4,275,829,807.39	99.10%	301,764,703.24	7.06%	3,974,065,104.15
Specific fund portfolio	238,924,747.45				238,924,747.45	323,943,897.93	7.51%			323,943,897.93
Ageing portfolio	3,749,616,263.83		322,675,434.25	8.61%	3,426,940,829.58	3,951,885,909.46	91.59%	301,764,703.24	7.64%	3,650,121,206.22
③ Receivables that are individually insignificant but assessed individually for impairment	1,994,466.60	0.05%	1,994,466.60	100.00%	0.00	107,640.12	0.00%	107,640.12	100.00%	
Total	4,028,400,150.71	100.00%	362,534,573.68	9.00%	3,665,865,577.03	4,314,666,335.34	100.00%	340,601,231.19	7.89%	3,974,065,104.15

Accounts receivable that are individually significant but assessed individually for impairment as at the end of the period:

Applicable Not applicable

Unit: RMB

Receivable (by entity)	Closing balance			Reason for provision
	Accounts receivable	Bad debt provision	Provision percentage	
FOSHAN SHUNDE XINGCHEN PAPER CO., LTD.	26,236,528.70	26,236,528.70	100.00%	Overdue for a prolonged period and unlikely to be recovered
BEIJING HUAXIA CULTURE MEDIA CO., LTD.	8,207,950.42	8,207,950.42	100.00%	Overdue for a prolonged period and unlikely to be recovered
JIANGXI LONGMING ENTERPRISE CO., LTD.	1,763,987.74	1,763,987.74	100.00%	Overdue for a prolonged period and unlikely to be recovered
NANCHANG XINGBO PAPER CO., LTD.	1,656,205.97	1,656,205.97	100.00%	Overdue for a prolonged period and unlikely to be recovered
Total	37,864,672.83	37,864,672.83	—	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

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

Use of ageing analysis for making bad debt provision in groups:

Applicable Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance Bad debt provision	Provision percentage
Within 1 year			
Of which: within 6 months	3,347,145,457.02	160,307,272.87	4.76%
7-12 months	107,711,772.26	5,385,588.62	5.00%
Sub-total for within 1 year	3,454,857,229.28	165,692,861.49	4.80%
1-2 years	102,596,217.93	10,259,621.80	10.00%
2-3 years	56,799,832.06	11,359,966.40	20.00%
Over 3 years	135,362,984.56	135,362,984.56	100.00%
Total	3,749,616,263.83	322,675,434.25	

In the groups, accounts receivable with provision for bad debts based on percentage of balance:

Applicable Not applicable

In the groups, accounts receivable with provision for bad debts based on other methods:

Name of group	Accounts receivable	Closing balance Bad debt provision	Provision percentage (%)
Risk-free groups	238,924,747.45		
Total	238,924,747.45		

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

Bad debt provision for the year amounted to RMB28,392,351.76. The amount for bad debt provision recovered or reversed during the year was RMB3,928,066.12. There was no significant reversal of bad debt provision.

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VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

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

Unit: RMB

Item	Amount written off
Accounts receivable actually written-off	2,530,943.15

No significant accounts receivable was written-off during the year.

(4) Top five accounts receivable based on closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the year was RMB512,242,531.51, which accounted for 12.72% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB28,207,933.65.

5. Prepayments

(1) Presentation of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	1,766,616,133.82	90.03%	1,426,710,882.76	94.40%
1-2 years	195,535,339.53	9.97%	84,651,791.88	5.60%
Total	1,962,151,473.35	—	1,511,362,674.64	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

5. Prepayments (Cont'd)

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

Name of entity	Amount	Percentage (%)	Term	Reason for being unsettled
ZHANJIANG MINGLI TRADING CO., LTD.	153,346,606.97	7.82	Within 1 year	Prepayments for goods according to the agreed contract
SHANGHAI HONGSHENG PAPER CO., LTD	83,577,341.77	4.26	Within 1 year	Prepayments for goods according to the agreed contract
JIANGXI PROVINCE ZHONGLIAN ENERGY DEVELOPMENT CO., LTD., NANCHANG BRANCH COMPANY	67,687,036.37	3.45	Within 1 year	Prepayments for goods according to the agreed contract
ASIA SYMBOL (SHANDONG) PULP AND PAPER CO., LTD.	60,505,528.94	3.08	Within 1 year	Prepayments for goods according to the agreed contract
GUANGDONG LEPENG TRADING CO., LTD.	54,830,163.13	2.79	Within 1 year	Prepayments for goods according to the agreed contract
Total	419,946,677.18	21.40		

6. Other receivables

(1) Other receivables by category

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
① Other receivables that are individually significant but assessed individually for impairment	28,935,015.66	4.52%	28,935,015.66	100.00%	0.00	15,121,825.16	0.89%	15,121,825.16	100.00%	0.00
② Other receivables that are collectively assessed for impairment based on credit risk characteristics	604,070,216.38	94.32%	65,335,559.83	10.82%	538,734,656.55	1,683,132,593.75	98.86%	68,917,948.27	4.09%	1,614,214,645.48
Specific payment combinations	290,540,983.25	45.36	—	—	290,540,983.25	1,492,482,538.46	87.66	—	—	1,492,482,538.46
Aging combination	313,529,233.13	48.95	65,335,559.83	20.84	248,193,673.30	190,650,055.29	11.2	68,917,948.27	36.15	121,732,107.02
③ Other receivables that are individually insignificant but assessed individually for impairment	7,456,768.12	1.16%	7,456,768.12	100.00%	0.00	4,335,364.21	0.25%	4,335,364.21	100.00%	0.00
Total	640,482,000.16	100.00%	101,727,343.61	15.88%	538,734,656.55	1,702,589,783.12	100.00%	88,375,137.64	5.19%	1,614,214,645.48

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VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables (Cont'd)

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

Other receivables that are individually significant but assessed individually for impairment as at the end of the period:

Applicable Not applicable

Unit: RMB

Other receivables (by entity)	Other receivables	Closing balance		Reasons for provision
		Bad debt provision	Provision percentage	
ANDRITZ AG	3,143,660.15	3,143,660.15	100.00%	Unlikely to be recovered
VOITH GERMANY	2,615,790.98	2,615,790.98	100.00%	Unlikely to be recovered
METSO PAPER (CHINA) CO., LTD.	4,725,039.89	4,725,039.89	100.00%	Unlikely to be recovered
YIZHIJIA PAPERMAKING DEHYDRATION EQUIPMENT TRADING (SHANGHAI) CO., LTD.	1,345,757.83	1,345,757.83	100.00%	Unlikely to be recovered
HONG KONG DANBELL COMPANY	1,699,390.16	1,699,390.16	100.00%	Unlikely to be recovered
AHLSTROM FINLAND	2,820,742.72	2,820,742.72	100.00%	Unlikely to be recovered
GUANGDONG PETRO-TRADE DEVELOPMENT CORPORATION	1,396,048.80	1,396,048.80	100.00%	Unlikely to be recovered
QINGDAO SECOND AUTOMOTIVE AND TRANSPORTATION LOGISTICS BRANCH COMPANY	1,137,295.16	1,137,295.16	100.00%	Unlikely to be recovered
CHUAN HUA PRECISION CORPORATION OF TAIWAN	2,253,993.04	2,253,993.04	100.00%	Unlikely to be recovered
ZIBO KAIHONG ENERGY CO., LTD.	1,130,000.00	1,130,000.00	100.00%	Unlikely to be recovered
JIEERGU COMPANY	1,685,806.12	1,685,806.12	100.00%	Unlikely to be recovered
ZHENGZHOU SHUNFA COAL SALES CO., LTD.	2,871,239.32	2,871,239.32	100.00%	Unlikely to be recovered
SPECTRIS	2,110,251.49	2,110,251.49	100.00%	Unlikely to be recovered
Total	28,935,015.66	28,935,015.66	—	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables (Cont'd)

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

In the groups, other receivables with provision for bad debts based on ageing analysis:

Applicable Not applicable

Unit: RMB

Ageing	Other receivables	Closing balance Bad debt provision	Provision percentage
Within 1 year	225,867,252.07	11,293,362.61	5.00%
1 to 2 years	13,847,008.69	1,384,700.86	10.00%
2 to 3 years	26,446,845.02	5,289,369.01	20.00%
Over 3 years	47,368,127.35	47,368,127.35	100.00%
Total	313,529,233.13	65,335,559.83	—

In the groups, other receivables with provision for bad debts based on percentage of balance:

Applicable Not applicable

In the groups, other receivables with provision for bad debts based on other methods:

Applicable Not applicable

Other receivables individually insignificant but assessed individually for impairment as at the end of the year

Other receivables	Book balance	Bad debt provision	Provision percentage(%)	Reason for provision
Open credit	7,456,768.12	7,456,768.12	100.00	Overdue for over three years and unlikely to be recovered
Total	7,456,768.12	7,456,768.12	100.00	

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

Bad debt provision for the year amounted to RMB31,069,530.24. The amount for bad debt provision recovered or reversed during the year was RMB16,934,276.70. There was no significant reversal of bad debt provision.

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VII. Notes to items of the consolidated financial statements (Cont'd)

6. Other receivables (Cont'd)

(3) Particulars of other receivables actually written off during the reporting period

Unit: RMB

Item	Amount written off
Other receivables actually written off	783,047.57

No other receivables of significance was written off.

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

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivables	Closing balance of bad debt provision
GUANGDONG DEJUN INVESTMENT CO., LTD.	Investment income	128,291,400.00	Within 1 year	20.03%	6,414,570.00
SHANDONG GOLD GROUP FINANCE CO., LTD.	Loans	100,000,000.00	Within 1 year	15.61%	
XIASHAN CUSTOMS OF THE PRC GUANGDONG ZHONGTUO CONSTRUCTION CO., LTD.	Prepaid duties	24,159,513.44	Within 1 year	3.77%	
ESCROW ACCOUNT WITH JONES LANG	Open credit	15,200,000.00	1-2 years	2.37%	1,520,000.00
	Escrow fund	7,127,511.81	1-2 years	1.19%	
Total	—	274,778,425.25	—	42.98%	7,934,570.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

7. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry

No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Raw materials	2,431,905,097.56	8,138,005.87	2,423,767,091.69	1,791,864,383.60	8,138,005.87	1,783,726,377.73
Work-in-process products	115,619,584.50	1,835,271.09	113,784,313.41	67,947,038.81	1,835,271.09	66,111,767.72
Goods in stock	1,419,054,457.14		1,419,054,457.14	1,069,500,932.31		1,069,500,932.31
Developing products	309,823,674.86		309,823,674.86	309,815,674.86		309,815,674.86
Consumable biological assets	1,756,375,954.07		1,756,375,954.07	1,633,513,994.28		1,633,513,994.28
Total	6,032,778,768.13	9,973,276.96	6,022,805,491.17	4,872,642,023.86	9,973,276.96	4,862,668,746.90

Whether the Company needs to comply with the disclosure requirements set out in the Guidelines No. 4 of the Shenzhen Stock Exchange on the Disclosure about Growth Enterprise Market - the Energy Conservation and Environmental Protection Operation of Listed Companies

No

(2) Changes in consumable biological assets

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Increase in purchase	Increase in breeding	Decrease in fair value	Decrease in sales	
Consumable biological assets measured at cost	373,486,593.57	11,529,252.83	158,589,672.33			543,605,518.73
Consumable biological assets measured at fair value	1,260,027,400.71			21,000,042.33	26,256,923.04	1,212,770,435.34
Total	1,633,513,994.28	11,529,252.83	158,589,672.33	21,000,042.33	26,256,923.04	1,756,375,954.07

① The fair value was determined based on the valuation of Beijing Guo You Da Zheng Appraisal Co., Ltd.

② According to the cutting arrangement of the Company, the realised amount of the consumable biological assets to be cut after a year amount to approximately RMB1,452 million.

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VII. Notes to items of the consolidated financial statements (Cont'd)

7. Inventories (Cont'd)

(3) Impairment provision for inventories

Unit: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	8,138,005.87					8,138,005.87
Work in progress	1,835,271.09					1,835,271.09
Total	9,973,276.96					9,973,276.96

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	6,901,695,875.94	4,587,376,588.22
Entrusted loans due within one year		900,000,000.00
Total	6,901,695,875.94	5,487,376,588.22

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	946,555,831.51	905,435,684.67
Prepaid tax	3,703,141.50	90,837.12
Receivables under financial lease due within one year	10,618,498,357.25	5,711,218,309.49
Total	11,568,757,330.26	6,616,744,831.28

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VII. Notes to items of the consolidated financial statements (Cont'd)

10. Available-for-sale financial assets

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

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments:	2,454,450,000.00	1,450,000.00	2,453,000,000.00	1,946,450,000.00	1,450,000.00	1,945,000,000.00
At cost	2,454,450,000.00	1,450,000.00	2,453,000,000.00	1,946,450,000.00	1,450,000.00	1,945,000,000.00
Total	2,454,450,000.00	1,450,000.00	2,453,000,000.00	1,946,450,000.00	1,450,000.00	1,945,000,000.00

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

Unit: RMB

Investee	Book balance			Closing balance	Provision for impairment			Closing balance	Equity interest in the investee held by the Company	Cash dividends for the period
	Opening balance	Increase for the period	Decrease for the period		Opening balance	Increase for the period	Decrease for the period			
Qingzhou Chenming Denaturation Amylum Co., Ltd.	900,000.00			900,000.00	900,000.00			900,000.00	30.00%	
Shandong Paper Making & Printing Enterprises Corporation	200,000.00			200,000.00	200,000.00			200,000.00	2.00%	
Jinan Shangyou Commercial Company Limited	350,000.00			350,000.00	350,000.00			350,000.00	5.00%	
Zhejiang Guangyu Idall Print Co., Ltd.	2,000,000.00			2,000,000.00					9.96%	
Anhui Time Source Corporation	1,000,000.00			1,000,000.00					10.00%	400,000.00
Shandong Hongqiao Venture Capital Co., Ltd.	50,000,000.00			50,000,000.00					16.67%	
Lide Technology Co., Ltd.	36,000,000.00			36,000,000.00					3.00%	
Shanghai Hengzheng Venture Investment Center (Limited Partnership)	6,000,000.00	8,000,000.00		14,000,000.00					11.43%	
Guangdong Dejun Investment Co., Ltd.	1,850,000,000.00	500,000,000.00		2,350,000,000.00					50.00%	
Total	1,946,450,000.00	508,000,000.00		2,454,450,000.00	1,450,000.00			1,450,000.00	-	400,000.00

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

Unit: RMB

Type of available-for-sale assets	Available-for-sale equity instruments
Opening balance of provision for impairment	1,450,000.00
Provision made during the current period	0.00
Decrease for the current period	0.00
Closing balance of provision for impairment	1,450,000.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

11. Long-term receivables

(1) Particulars of Long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance		Range of discount rate
		Provision for bad debts	Carrying amount		Provision for bad debts	Carrying amount	
Finance leasing payments	17,824,233,394.52	109,695,662.35	17,714,537,732.17	13,842,311,559.28	113,743,981.96	13,728,567,577.32	4.73-6.42
Including:							
unrealised financing income	1,411,979,767.05		1,411,979,767.05	296,928,815.45		296,928,815.45	
Less: non-current assets due within one year	6,921,710,823.32	20,014,947.38	6,901,695,875.94	4,624,371,560.71	36,994,972.49	4,587,376,588.22	
Total	9,490,542,804.15	89,680,714.97	9,400,862,089.18	8,921,011,183.12	76,749,009.47	8,844,262,173.65	—

12. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Increase/decrease for the period				Provision for impairment	Others	Closing balance	Closing balance of provision
				Profit/loss of investment recognised under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared				
I. Joint venture											
Shouguang Chenming Huisen New Building Materials Co., Ltd.	3,338,480.03			-251,183.31					3,087,296.72		
Weifang Sime Darby West Port Co., Ltd.		106,110,000.00		-1,325,077.59					104,784,922.41		
Subtotal	3,338,480.03	106,110,000.00		-1,576,260.90					107,872,219.13		
II. Associate											
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	3,063,072.03			-1,309,020.57					1,754,051.46		
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	51,280,148.98			638,284.43					51,918,433.41		
Ningbo Kaichen Huamei Equity investment Fund Partnership (Limited Partnership)		200,000,000.00		-1,018,826.99					198,981,173.01		
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	3,596,725.38			22,818,331.24					26,415,056.62		
Jiangxi Chenming Port Co., Ltd.	5,973,566.46			-1,045,672.64					4,927,893.82		
Subtotal	63,913,512.85	200,000,000.00		20,083,095.47					283,996,608.32		
Total	67,251,992.88	306,110,000.00		18,506,834.57					391,868,827.45		

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VII. Notes to items of the consolidated financial statements (Cont'd)

13. Investment properties

(1) Investment properties under the cost method

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Total
I. Original carrying amount		
1. Opening balance	38,291,395.70	38,291,395.70
2. Increase for the period	4,847,572,022.07	4,847,572,022.07
(1) Increase in business combinations	4,847,572,022.07	4,847,572,022.07
3. Decrease for the period	38,291,395.70	38,291,395.70
(1) Disposal	38,291,395.70	38,291,395.70
4. Closing balance	4,847,572,022.07	4,847,572,022.07
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	24,032,719.87	24,032,719.87
2. Increase for the period	38,906,040.27	38,906,040.27
(1) Provision or amortisation	38,906,040.27	38,906,040.27
3. Decrease for the period	24,901,847.89	24,901,847.89
(1) Disposal	24,901,847.89	24,901,847.89
4. Closing balance	38,036,912.25	38,036,912.25
IV. Carrying amount		
1. Closing carrying amount	4,809,535,109.82	4,809,535,109.82
2. Opening carrying amount	14,258,675.83	14,258,675.83

Note: As at 31 December 2017, housing and building structures with carrying amount of RMB1,241,205,480.33 and investment properties with the carrying amount of RMB4,809,535,109.82 were pledged as collateral for the long-term borrowings of RMB1,670,000,000.00.

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VII. Notes to items of the consolidated financial statements (Cont'd)

14. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount:					0.00
1. Opening balance	7,099,380,406.80	33,685,801,628.82	303,662,747.57	468,378,426.16	41,557,223,209.35
2. Increase for the period	1,557,223,642.21	566,732,821.04	51,942,903.53	21,107,031.80	2,197,006,398.58
(1) Acquisition	1,553,854,958.64	283,395,828.28	51,942,903.53	20,376,845.51	1,909,570,535.96
(2) Transferred from construction in progress	3,368,683.57	283,336,992.76		730,186.29	287,435,862.62
3. Decrease for the period	106,473,384.40	1,895,270,298.68	312,820.59	49,595,362.63	2,051,651,866.30
(1) Disposal or retirement	30,443,419.30	163,104,440.34	202,595.59	49,595,362.63	243,345,817.86
(2) Transferred into construction in progress	76,029,965.10	1,732,165,858.34	110,225.00		1,808,306,048.44
4. Closing balance	8,550,130,664.61	32,357,264,151.18	355,292,830.51	439,890,095.33	41,702,577,741.63
II. Accumulated depreciation					
1. Opening balance	1,251,769,048.48	10,911,866,637.99	130,018,612.53	257,190,343.60	12,550,844,642.60
2. Increase for the period	213,510,191.34	1,358,126,557.71	34,758,867.50	15,634,623.32	1,622,030,239.87
(1) Provision	208,757,601.14	1,354,529,597.02	34,574,216.96	15,537,704.19	1,613,399,119.31
(2) Others	4,752,590.20	3,596,960.69	184,650.54	96,919.13	8,631,120.56
3. Decrease for the period	27,436,183.49	832,596,025.96	21,319,175.79	8,636,226.65	889,987,611.89
(1) Disposal or retirement	27,436,183.49	57,639,326.46	21,319,175.79	8,636,226.65	115,030,912.39
(2) Transferred into construction in progress		774,956,699.50			774,956,699.50
4. Closing balance	1,437,843,056.33	11,437,397,169.74	143,458,304.23	264,188,740.27	13,282,887,270.57
III. Provision for impairment					
1. Opening balance	52,087,272.07	142,315,419.93	58,196.03	362,313.33	194,823,201.36
2. Decrease for the period	187,120.96	2,410,009.28	45,103.11		2,642,233.35
(1) Disposal or retirement	187,120.96	2,410,009.28	45,103.11		2,642,233.35
3. Closing balance	51,900,151.11	139,905,410.65	13,092.92	362,313.33	192,180,968.01
IV. Carrying amount					
1. Closing carrying amount	7,060,387,457.17	20,779,961,570.79	211,821,433.36	175,339,041.73	28,227,509,503.05
2. Opening carrying amount	5,795,524,086.25	22,631,619,570.90	173,585,939.01	210,825,769.23	28,811,555,365.39

Note: As at 31 December 2017, housing, building structure and equipment with the carrying amount of RMB4,422,080,751.05 (31 December 2016: carrying amount of RMB4,597,554,400.35) and land use right with the carrying amount of RMB597,992,087.19 (31 December 2016: carrying amount of RMB432,328,638.94) were pledged as collateral for short-term borrowings of RMB50,000,000.00, long-term borrowings of RMB1,922,342,000.00 (31 December 2016: RMB2,740,918,668.89) and long-term payables of RMB700,000,000.00 (31 December 2016: RMB350,000,000.00).

Housing and building structure with the carrying amount of RMB1,241,205,480.33 and investment properties with the carrying amount of RMB4,809,535,109.82 were pledged as collateral for long-term borrowings of RMB1,670,000,000.00.

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VII. Notes to items of the consolidated financial statements (Cont'd)

14. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	146,093,738.69	52,504,422.01	51,900,151.11	41,689,165.57	
Machinery and equipment	352,111,410.32	118,270,007.03	139,876,783.74	93,964,619.55	
Vehicles	1,460,746.36	1,203,120.75	13,092.92	244,532.69	
Electronic equipment and others	4,276,332.83	3,825,566.44	362,313.33	88,453.06	
Total	503,942,228.20	175,803,116.23	192,152,341.10	135,986,770.87	

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

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
ZHANJIANG CHENMING PULP&PAPER CO., LTD.	1,256,411,605.28	Processing with scheduled operation commencement not imminent
SHOUGUANG MEILUN PAPER CO., LTD.	290,152,718.95	Processing with scheduled operation commencement not imminent
JIANGXI CHENMING PAPER CO., LTD.	199,317,800.23	Processing with scheduled operation commencement not imminent
QINGDAO CHENMING NONGHAI FINANCIAL LEASING CO., LTD.	95,361,535.56	Processing with scheduled operation commencement not imminent
SHANDONG CHENMING PAPER HOLDINGS LIMITED	90,056,168.75	Processing with scheduled operation commencement not imminent
HAICHENG HAIMING MINING CO., LTD.	79,366,383.11	Processing with scheduled operation commencement not imminent
WUHAN CHENMING HANYANG PAPER HOLDINGS CO., LTD.	77,348,901.49	Processing with scheduled operation commencement not imminent
JILIN CHENMING PAPER CO., LTD.	11,097,006.52	Processing with scheduled operation commencement not imminent
Total	2,099,112,119.89	

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VII. Notes to items of the consolidated financial statements (Cont'd)

15. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Static dust removal of captive power plant and renovation of induced fans (Headquarters)				17,021,225.03		17,021,225.03
400T/d Mechanical pulp project (Headquarters)	23,575,818.57		23,575,818.57			
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)	902,644,220.48		902,644,220.48			
Chemical pulp project (Meilun)	1,801,971,276.32		1,801,971,276.32	613,458,994.30		613,458,994.30
High-end cultural paper (Meilun)	697,210,244.24		697,210,244.24	119,232,939.56		119,232,939.56
Haiming mining magnesite deep processing project (Haiming)	1,047,440,597.94		1,047,440,597.94	758,224,355.23		758,224,355.23
Huanggang Chenming Forest and Paper Integration Project (Pulping Project) (Huanggang Chenming)	2,482,982,255.45		2,482,982,255.45	2,147,036,838.90		2,147,036,838.90
Integrated terminal project (Huanggang Chenming)	191,050,346.34		191,050,346.34	62,908,602.53		62,908,602.53
100,000-ton paper machine changing project (Xuchang Chenming)	170,475,982.49		170,475,982.49			
Zhanjiang culture paper project (Zhanjiang Chenming)				241,317,475.25		241,317,475.25
Others	366,082,898.27	14,764,226.23	351,318,672.04	170,758,665.66	14,764,226.23	155,994,439.43
Total	7,683,433,640.10	14,764,226.23	7,668,669,413.87	4,129,959,096.46	14,764,226.23	4,115,194,870.23

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VII. Notes to items of the consolidated financial statements (Cont'd)

15. Construction in progress (Cont'd)

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

Unit: RMB

Project name	Budget (RMB' 00 million)	Opening balance	Increase for the period	Transfer to fixed asset for the period	Other deductions for the period	Closing balance	Accumulated Investment to budget	Construction in progress	Accumulated capitalised interest	Of which capitalised interest amount for the period	Capitalisation rate of the interest amount for the period	Source of fund
Static dust removal of captive power plant and renovation of induced fans (Headquarters)	0.32	17,021,225.03	14,287,539.76	31,308,764.79			100.00%	100.00%				self-raised
400T/d Mechanical pulp project (Parent Company)	1.30		23,575,616.57			23,575,616.57	18.00%	30.00%	328,893.91	328,893.91	1.69%	self-raised and borrowings
Newsprint machine to cultural paper machine and related pulp line transformation (Parent Company)	3.72		902,644,220.48			902,644,220.48	75.00%	30.00%	2,223,389.56	2,223,389.56	2.78%	self-raised and borrowings
Chemical pulp project (Meilun)	30.00	613,458,994.30	1,188,512,282.02			1,801,971,276.32	43.84%	43.84%	70,776,608.49	63,383,696.98	4.35%	self-raised and borrowings
High-end cultural paper (Meilun)	37.61	119,232,939.56	577,977,304.68			697,210,244.24	1.44%	1.44%	8,974,091.35	8,705,846.84	4.35%	self-raised and borrowings
Haiming mining magnesite deep processing project (Haiming)	7.00	758,224,355.23	289,216,242.71			1,047,440,597.94	96.33%	99.00%	97,619,920.72	33,448,238.96	4.35%	self-raised and borrowings
Huanggang Chenming Forest and Paper Integration Project (Pulping Project) (Huanggang Chenming)	34.85	2,147,036,638.90	802,532,697.23	730,186.29	465,857,094.39	2,482,982,255.45	65.05%	78.00%	72,269,578.70	12,024,601.95	5.08%	self-raised and borrowings
Integrated terminal project (Huanggang Chenming)	3.51	62,308,602.53	128,141,743.61			191,050,346.34	54.26%	90.00%				self-raised
100,000-tonne paper machine changing project (Kuchang Chenming)	1.80		170,475,982.49			170,475,982.49	90.00%	95.00%				self-raised and borrowings
Zhanjiang culture paper project (Zhanjiang Chenming)	2.40	241,317,475.25		241,317,475.25			100.00%	100.00%				self-raised and borrowings
Total		122.51	3,959,200,430.00	4,097,863,831.75	273,356,426.33	465,857,094.39	7,317,350,741.83			252,192,482.73	120,114,688.20	

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VII. Notes to items of the consolidated financial statements (Cont'd)

16. Materials for project

Unit: RMB		
Item	Closing balance	Opening balance
Special materials	11,285,247.52	12,095,968.55
Special equipment	3,990,382.93	6,751,616.24
Total	15,275,630.45	18,847,584.79

17. Intangible assets

(1) Particulars of intangible assets

Unit: RMB			
Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	1,810,144,722.41	23,265,385.83	1,833,410,108.24
2. Increase for the period	816,034,253.47	1,040,000.00	817,074,253.47
(1) Acquisition	350,177,159.08	1,040,000.00	351,217,159.08
(2) Project under construction transfer-in	465,857,094.39		465,857,094.39
3. Decrease for the period	240,668,460.21		240,668,460.21
(1) Disposal	240,668,460.21		240,668,460.21
4. Closing balance	2,385,510,515.67	24,305,385.83	2,409,815,901.50
II. Accumulated amortisation			
1. Opening balance	273,817,046.91	18,633,730.59	292,450,777.50
2. Increase for the period	88,713,378.35	1,511,079.72	90,224,458.07
(1) Provision	88,713,378.35	1,511,079.72	90,224,458.07
3. Decrease for the period	32,080,713.16		32,080,713.16
(1) Disposal	32,080,713.16		32,080,713.16
4. Closing balance	330,449,712.10	20,144,810.31	350,594,522.41
III. Impairment provision			
IV. Carrying amount			
1. Closing carrying amount	2,055,060,803.57	4,160,575.52	2,059,221,379.09
2. Opening carrying amount	1,536,327,675.50	4,631,655.24	1,540,959,330.74

Note: ① As at December 31, 2017, houses, buildings and equipment with book value of RMB4,422,080,751.05 (December 31, 2016: book value of RMB4,597,554,400.35) and book value of RMB597,992,087.19 (December 31, 2016: The land use right of book value of RMB432,328,638.94) were pledged as collateral for short-term loans of RMB50,000,000.00, long-term loans of RMB1,922,342,000.00 (December 31, 2016: RMB2,740,918,668.89) and long-term payables of RMB 700,000,000.00 (December 31, 2016: RMB350,000,000.00).

② Land usage rights are the state-owned land usage rights acquired by the company in China in accordance with Chinese law. The period of assignment is 37-50 years from the date of acquisition of land usage rights.

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VII. Notes to items of the consolidated financial statements (Cont'd)

18. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

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

(2) Provision for impairment of goodwill

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

On the balance sheet date, the management of the Company assessed the recoverable amount of cash generating unit which results in goodwill, in order to determine whether to make provision for impairment loss accordingly. The recoverable amount of cash-generating unit was determined based on the estimated cash flow in the financial budget for the next five years by the management, and the time value of currency was estimated using the discount rate of 8.32% (2016: 8.32%). Results of impairment test showed that no provision for impairment loss was necessary to be made for goodwill.

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	147,204,251.72	9,680.00	15,513,627.35	440,236.23	131,260,068.14
Others	10,567,848.97	61,132.08	704,814.60	2,061,665.14	7,862,501.31
Total	157,772,100.69	70,812.08	16,218,441.95	2,501,901.37	139,122,569.45

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VII. Notes to items of the consolidated financial statements (Cont'd)

20. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	691,231,679.05	173,959,565.59	597,834,988.96	140,836,946.10
Unrealised profit arising from intra-group transactions	273,585,917.96	68,396,479.49	120,874,958.12	30,218,739.52
Deductible loss	512,378,679.90	77,803,599.22	114,938,961.38	25,368,213.93
Deductible loss	157,069,341.95	28,878,648.19	231,252,430.87	40,770,154.35
Deferred income	1,006,688,665.35	173,250,557.91	1,479,562,089.74	260,263,772.80
Total	2,640,954,284.22	522,288,850.40	2,544,463,429.07	497,457,826.70

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	136,902,031.73	189,462,869.39
Deductible loss	521,429,433.24	593,978,877.06
Total	658,331,464.97	783,441,746.45

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

Unit: RMB

Year	Closing amount	Opening amount	Remark
2017		197,732,325.65	
2018	89,165,185.03	119,236,265.65	
2019	58,161,318.09	93,579,660.13	
2020	69,723,168.31	75,266,633.57	
2021	161,307,173.38	108,163,992.06	
2022	143,072,588.43		
Total	521,429,433.24	593,978,877.06	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

21. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loans		900,000,000.00
Prepayments for properties	451,277,549.54	485,687,038.68
Prepayments for equipment	48,446,648.16	
Less: portion due within one year		900,000,000.00
Total	499,724,197.70	485,687,038.68

22. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	2,956,876,168.82	375,226,912.50
Mortgage borrowings	50,000,000.00	
Guaranteed borrowings	12,100,224,483.51	9,905,203,494.05
Credit borrowings	5,823,854,220.70	8,191,184,231.09
Discounted borrowings	14,165,620,000.00	9,403,892,350.89
Total	35,096,574,873.03	27,875,506,988.53

Notes: (1) For classification and amount of secured assets in respect of pledged borrowings, please see Note VII. 2.

(2) The guaranteed borrowings included in the borrowings of RMB3,424,794,888.72, RMB341,674,825.99, RMB3,283,504,827.40, RMB286,000,000.00, RMB2,733,000,000.00 and RMB180,000,000.00 were under guarantees by the Company for Shandong Chenming Paper Sales Co., Ltd., Jiangxi Chenming Paper Co., Ltd., Chenming (HK) Limited, Shandong Chenming Financial Leasing Co., Ltd. (Jinan merging), Zhanjiang Chenming Pulp & Paper Co., Ltd., Shouguang Chenming Import and Export Trade Co., Ltd., respectively; and the guaranteed borrowings of RMB996,204,132.00 and RMB855,045,809.40 were guaranteed by Jiangxi Chenming Paper Co., Ltd. and Zhanjiang Chenming Pulp & Paper Co., Ltd. respectively for Chenming (HK) Limited.

(3) Mortgage Borrowing was carried out on December 31, 2017. The house, building and equipment of a book value of RMB81,981,875.21 were pledged as collateral for short-term loans.

23. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Commercial acceptance bills	283,744,411.80	
Bank acceptance bills	994,650,678.91	515,301,703.08
Total	1,278,395,090.71	515,301,703.08

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VII. Notes to items of the consolidated financial statements (Cont'd)

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	3,398,781,721.68	3,296,220,303.37
1-2 years	415,562,463.45	140,901,523.75
2-3 years	72,014,432.53	184,442,132.75
Over 3 years	127,577,910.08	102,702,422.19
Total	4,013,936,527.74	3,724,266,382.06

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
ANDRITZ AG	29,765,946.69	No delivery requirement from the counterparty yet
CECEP L&T Environmental Technology Co., Ltd.	18,801,643.53	No delivery requirement from the counterparty yet
SHANDONG SHENHUA SHANDA ENERGY & ENVIRONMENT CO., LTD.	17,210,695.77	No delivery requirement from the counterparty yet
FUZHOU TIANYU ELECTRIC CO., LTD.	14,504,771.44	No delivery requirement from the counterparty yet
JIANGSU NEW CENTURY JIANGNAN ENVIRONMENTAL PROTECTION INC., LTD	10,247,536.71	No delivery requirement from the counterparty yet
Total	90,530,594.14	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

25. Advance receipts

(1) Particulars of advance receipts

Unit: RMB		
Item	Closing balance	Opening balance
Within 1 year	233,656,725.36	323,949,855.39
1-2 years	9,526,165.86	53,185,710.94
Total	243,182,891.22	377,135,566.33

(2) Significant advance receipts for over 1 year

Unit: RMB		
Item	Closing balance	Reasons
HUAI'AN FENGHUANG PAPER CO., LTD.	1,737,276.00	No delivery requirement from the counterparty yet
YONG YI ADHESIVE(ZHONG SHAN) CO., LTD.	1,384,668.41	No delivery requirement from the counterparty yet
PICC PROPERTY AND CASUALTY COMPANY LIMITED	601,196.67	No delivery requirement from the counterparty yet
Total	3,723,141.08	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

26. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	159,317,246.24	1,129,155,204.73	1,103,603,525.86	184,868,925.11
II. Retirement benefit plan – defined contribution scheme	651,016.58	141,107,028.16	141,496,077.75	261,966.99
III. Lay off welfare		1,283,685.50	1,283,685.50	
Total	159,968,262.82	1,271,545,918.39	1,246,383,289.11	185,130,892.10

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	109,349,417.56	934,606,846.35	910,190,731.52	133,765,532.39
2. Staff welfare		37,455,546.91	37,455,546.91	
3. Social insurance premium	2,823,510.65	66,701,662.18	68,054,144.98	1,471,027.85
Of which: Medical insurance premium	1,851,113.49	46,672,781.84	48,015,532.76	508,362.57
Work-related injury insurance premium	6,141.58	6,107,302.81	6,113,297.72	146.67
Maternity insurance premium	966,255.58	13,921,577.53	13,925,314.50	962,518.61
4. Housing provident funds	5,481,598.96	71,841,953.51	70,196,693.50	7,126,858.97
5. Union funds and workers' education	22,872,059.64	17,696,176.51	17,001,812.50	23,566,423.65
6. Other short-term remuneration	18,790,659.43	853,019.27	704,596.45	18,939,082.25
Total	159,317,246.24	1,129,155,204.73	1,103,603,525.86	184,868,925.11

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VII. Notes to items of the consolidated financial statements (Cont'd)

26. Staff remuneration payables (Cont'd)

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	548,637.38	135,778,786.28	136,150,452.85	176,970.81
2. Unemployment insurance	102,379.20	5,328,241.88	5,345,624.90	84,996.18
Total	651,016.58	141,107,028.16	141,496,077.75	261,966.99

27. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	304,239,481.46	150,743,301.02
Value added tax	128,785,997.13	53,237,826.18
Land use tax	15,556,098.12	10,984,814.56
Property tax	25,352,235.76	6,886,755.05
Urban maintenance and construction tax	7,324,998.53	4,472,485.43
Educational surcharges and others	5,702,856.39	3,924,688.24
Individual income tax	5,296,935.04	3,440,230.58
Stamp duty	4,367,412.25	3,237,358.72
Total	496,626,014.68	236,927,459.78

28. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds, etc.	85,480,380.32	3,276,170.53
Interest on medium-term notes		27,455,083.18
Total	85,480,380.32	30,731,253.71

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VII. Notes to items of the consolidated financial statements (Cont'd)

29. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	1,146,432,000.75	834,154,891.32
1-2 years	222,321,364.69	37,518,148.35
2-3 years	33,093,992.06	24,930,994.02
Over 3 years	24,782,187.91	52,315,162.11
Total	1,426,629,545.41	948,919,195.80

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT CO., LTD.	40,372,663.84	Debt investment by a shareholder of a subsidiary as agreed
LIAONING BEIHAI INDUSTRY GROUP LTD.	41,062,813.02	Debt investment by a shareholder of a subsidiary as agreed
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding
ZHANJIANG MUNICIPAL FINANCE BUREAU SPECIAL ACCOUNT FOR EXTRA-BUDGETARY FUND	5,564,982.34	Temporarily outstanding
GUANGXI CONSTRUCTION ENGINEERING GROUP NO.1 INSTALLATION CO., LTD	5,480,000.00	Engineering deposit
Total	101,280,459.20	—

30. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	3,625,430,347.40	1,343,940,282.00
Bonds payable due within 1 year		3,794,932,919.70
Medium-term notes due within 1 year		1,098,148,355.47
Total	3,625,430,347.40	6,237,021,557.17

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VII. Notes to items of the consolidated financial statements (Cont'd)

31. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term commercial paper	10,797,248,631.76	6,602,863,069.45
Total	10,797,248,631.76	6,602,863,069.45

Increase/decrease in short-term commercial papers payable:

Unit: RMB

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance	
16 Lu Chenming SCP005	1,500,000,000.00	2016-4-15	270 days	1,497,750,000.00	1,545,131,250.00		1,729,166.67		1,546,860,416.67		
16 Lu Chenming SCP008	500,000,000.00	2016-6-24	270 days	499,250,000.00	511,054,581.00		4,700,000.00	333,335.00	516,087,916.00		
16 Lu Chenming SCP009	1,000,000,000.00	2016-7-7	270 days	998,500,000.00	1,021,000,002.00		11,625,000.00	999,999.00	1,033,625,001.00		
16 Lu Chenming SCP010	500,000,000.00	2016-8-10	270 days	499,250,000.00	507,026,685.00		6,491,111.11	666,667.00	514,184,443.11		
16 Lu Chenming SCP011	1,000,000,000.00	2016-10-18	270 days	998,500,000.00	1,006,605,556.56		20,144,444.44	2,000,001.00	1,028,750,002.00		
16 Lu Chenming SCP012	1,000,000,000.00	2016-11-4	270 days	998,500,000.00	1,004,939,444.44		22,424,166.67	2,333,335.67	1,029,696,946.78		
16 Lu Chenming SCP013	1,000,000,000.00	2016-12-1	270 days	998,500,000.00	1,007,105,570.45		32,666,666.67	2,666,654.44	1,042,438,891.56		
17 Lu Chenming CP001	1,500,000,000.00	2017-1-6	287 days	1,497,641,096.00		1,497,641,096.00	58,680,000.00	2,358,900.00	1,558,679,996.00		
17 Lu Chenming SCP001	1,000,000,000.00	2017-1-9	256 days	998,577,777.78		998,577,777.78	34,766,388.89	1,422,222.22	1,034,766,388.89		
17 Lu Chenming SCP002	1,000,000,000.00	2017-3-8	252 days	998,600,000.00		998,600,000.00	34,225,277.78	1,400,000.00	1,034,225,277.78		
17 Lu Chenming SCP003	1,000,000,000.00	2017-3-15	181 days	999,000,000.00		999,000,000.00	24,822,777.78	1,000,000.00	1,024,822,777.78		
17 Lu Chenming CP002	1,500,000,000.00	2017-4-13	365 days	1,497,000,000.00		1,497,000,000.00	56,764,166.67	2,250,000.00		1,556,014,166.67	
17 Lu Chenming SCP004	1,000,000,000.00	2017-4-24	270 days	998,500,000.00		998,500,000.00	37,100,000.00	1,500,000.00		1,037,100,000.00	
17 Lu Chenming SCP005	1,000,000,000.00	2017-8-9	270 days	998,500,000.00		998,500,000.00	20,800,001.00	833,334.00		1,020,133,335.00	
17 Lu Chenming SCP006	1,000,000,000.00	2017-9-7	267 days	998,500,000.00		998,500,000.00	17,367,777.78	666,668.00		1,016,534,445.78	
17 Lu Chenming SCP007	1,000,000,000.00	2017-9-19	269 days	998,526,027.40		998,526,027.40	15,744,444.44	655,100.00		1,014,925,571.84	
17 Lu Chenming SCP008	1,500,000,000.00	2017-10-11	270 days	1,497,750,000.00		1,497,750,000.00	23,133,333.33	750,000.00		1,521,633,333.33	
17 Lu Chenming SCP009	1,000,000,000.00	2017-10-20	270 days	998,500,000.00		998,500,000.00	14,597,222.26	500,001.00		1,013,597,223.26	
17 Lu Chenming SCP010	1,000,000,000.00	2017-10-25	145 days	999,194,444.44		999,194,444.44	10,558,888.89	483,333.00		1,010,236,666.33	
17 Lu Chenming SCP011	1,000,000,000.00	2017-11-16	270 days	998,500,000.00		998,500,000.00	7,653,888.89	333,334.00		1,006,487,222.89	
17 Lu Chenming SCP012	600,000,000.00	2017-12-19	270 days	599,100,000.00		599,100,000.00	1,386,666.67	100,000.00		600,586,666.67	
Total	-	-	-	21,568,139,345.62	6,602,863,069.45	15,077,889,345.62	457,381,389.94	23,252,884.33	11,364,138,057.57	10,797,248,631.77	10,797,248,631.76

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VII. Notes to items of the consolidated financial statements (Cont'd)

32. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings	275,000,000.00	
Secured borrowings	3,592,342,000.00	2,369,123,668.89
Guarantee borrowings	6,530,519,307.37	4,689,223,358.40
Credit borrowings	873,692,035.94	1,221,192,035.94
Less: long-term borrowings due within 1 year	3,625,430,347.40	1,343,940,282.00
Total	7,646,122,995.91	6,935,598,781.23

Including:

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	3,625,430,347.40	1,343,940,282.00
Long-term borrowings due within 1-2 years	1,833,951,514.00	1,993,603,152.00
Long-term borrowings due within 2-5 years	2,577,564,445.97	2,943,974,924.40
Long-term borrowings due over 5 years	3,234,607,035.94	1,998,020,704.83
Total	11,271,553,343.31	8,279,539,063.23

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

(2) Guarantee borrowings were guaranteed by the Company for Jiangxi Chenming Paper Co., Ltd. with borrowings of RMB 573,000,000.00, and Zhanjiang Chenming Pulp & Paper Co., Ltd. also provided guarantees for Jiangxi Chenming Paper Co., Ltd. with borrowings of RMB228,000,000.00. The Company provided guarantee borrowings of RMB500,000,000.00, RMB1,416,616,641.53, RMB1,963,682,864.00, RMB687,606,440.00 and RMB1,161,613,361.84 respectively for Shouguang Meilun Paper Co., Ltd., Chenming (HK) Ltd., Shandong Chenming Financial Leasing Co., Ltd., Zhanjiang Chenming Pulp & Paper Co., Ltd. and Huanggang Chenming Pulp & Paper Co., Ltd.

(3) The pledge borrowings were based on the lease payment receivables as pledge from Shandong Chenming Financial Leasing Co., Ltd. to Changle County State-owned Assets Management Corporation, Changyi City Economic Development Investment Company and Qingzhou Hongyuan State-owned Assets Management Ltd. of RMB312,436,207.25, RMB320,528,436.06 and RMB239,645,809.22 respectively, and the amount was RMB275,000,000.00.

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VII. Notes to items of the consolidated financial statements (Cont'd)

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming bond 01- Chenming Paper	1,198,305,304.75	
17 Chenming bond 01- Financial Leasing Company	997,955,974.82	
Total	2,196,261,279.57	

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

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Amortisation of issuance fees	Closing balance
12 Chenming bond	3,800,000,000.00	2012/12/26	5 years	3,773,400,000.00	3,794,932,919.70		218,278,333.33		4,018,278,333.33	5,067,080.30	
17 Chenming bond 01- Group	1,200,000,000.00	2017/8/22	5 years	1,198,200,000.00	0.00		28,600,000.00		28,600,000.00	105,304.75	1,198,305,304.75
17 Chenming bond 01- Jinnan Leasing	1,000,000,000.00	2017/3/21	3 years	997,000,000.00	0.00		51,300,000.00		51,300,000.00	955,974.82	997,955,974.82
Less: due within one year	3,800,000,000.00			3,773,400,000.00	3,794,932,919.70		218,278,333.33		4,018,278,333.33	5,067,080.30	
Total	-	-	-	2,195,200,000.00	0.00		79,900,000.00		79,900,000.00	1,061,279.57	2,196,261,279.57

34. Long-term payables

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	245,190,103.51	246,190,103.51
Specific capital for China Development	700,000,000.00	700,000,000.00
Equipment leaseback	4,605,691,332.13	3,005,178,750.49
Total	5,550,881,435.64	3,951,368,854.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

35. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Huanggang Chenming integrated forestry, pulp and paper project	681,039,716.66			681,039,716.66	
Total	681,039,716.66			681,039,716.66	—

36. Provision

Unit: RMB

Item	Closing balance	Opening balance	Reason
Pending litigation	325,259,082.28		Losses from Arjo's lawsuit
Total	325,259,082.28		—

Other explanations include relevant important assumptions and estimates of important provision:

On July 12, 2017, the Company appealed to the order made by Hon. Mr. Justice Harris on 14 June 2017, and the hearing was scheduled to take place on 11 May 2018 at the Court of Appeal of the High Court of Hong Kong. As of 31 December 2017, the Company expected the loss associated with this lawsuit to be RMB325,259,082.28. As Hong Kong courts have not yet rendered a judgment, the expected loss is uncertain. For details, see Note XIII. Contingencies.

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VII. Notes to items of the consolidated financial statements (Cont'd)

37. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,443,846,526.33	99,341,073.00	90,469,765.78	1,452,717,833.55	
Total	1,443,846,526.33	99,341,073.00	90,469,765.78	1,452,717,833.55	—

Items in respect of government grants:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Include in non-operating income for the period	Other Changes	Closing balance	Asset-related/ income-related
Special subsidy funds for environmental protection	865,690,958.67			49,600,734.68	816,090,223.99	Asset-related
Project fund for National technological support scheme	1,946,625.00			164,700.32	1,781,924.68	Asset-related
Special subsidy fund for Songhuajiang environmental protection project	1,589,263.01			1,589,263.01	0.00	Asset-related
Sewage treatment and water conservation reconfiguration project	7,324,085.45			1,192,682.93	6,131,402.52	Asset-related
Financial grants for technological modification project	177,600,549.89	32,040,000.00		16,739,735.38	192,900,814.51	Asset-related
Zhanjiang integrated forestry, pulp and paper project	286,335,959.68			14,445,968.12	271,889,991.56	Asset-related
Interest Subsidy	87,441,351.47	13,674,372.00		5,535,656.50	95,580,066.97	Asset-related
Railway line change compensation	14,135,416.66			430,208.33	13,705,208.33	Asset-related
Logistics park project		53,626,701.00			53,626,701.00	Asset-related
Others	1,782,316.50			770,816.51	1,011,499.99	Asset-related
Total	1,443,846,526.33	99,341,073.00		90,469,765.78	1,452,717,833.55	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

38. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
The first phase of financial management	250,000,000.00	
Medium-term notes		1,098,148,355.47
Of which: Due within 1 year		1,100,000,000.00
Unamortised issue expences		-1,851,644.53
Less: the portion maturing within one year		1,098,148,355.47
Total	250,000,000.00	

39. Share capital

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

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VII. Notes to items of the consolidated financial statements (Cont'd)

40. Other equity instruments

(1) Preference shares, perpetual bonds and other financial instruments outstanding at the end of the period

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Perpetual bonds	2,582,800,000.00	2,988,000,000.00		5,570,800,000.00
Preference shares	4,477,500,000.00			4,477,500,000.00
Total	7,060,300,000.00	2,988,000,000.00		10,048,300,000.00

(2) Changes in perpetual bonds outstanding at the end of the year

Outstanding financial instruments	Opening balance	Increase during the year	Decrease during the year	Closing balance
15 Lu Chenming MMTN001	1,291,900,000.00			1,291,900,000.00
15 Lu Chenming MMTN001	1,290,900,000.00			1,290,900,000.00
17 Lu Chenming MTN001		996,000,000.00		996,000,000.00
17 Lu Chenming MTN002		1,992,000,000.00		1,992,000,000.00
Total	2,582,800,000.00	2,988,000,000.00		5,570,800,000.00

Note: ① Particulars of issue: The Company issued medium-term notes amounting to RMB2.6 billion on 6 July and 8 September 2015 at a coupon rate of 6.00% and 5.78%. The proceeds net of issue costs amounted to RMB2,582.80 million.

The Company issued medium-term notes amounting to RMB3.0 billion on 12 July and 28 September 2017 at a coupon rate of 6.80% and 6.30%. The proceeds net of issue costs amounted to RMB2,988.00 million.

② Particulars of the notes as perpetual bonds

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company.

The Company has the right to defer any payment of interest.

The right of redemption of the notes is vested with the Company so that it is up to the Company to decide whether to redeem or not.

Based on the above, the notes do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they were eligible to be recognised and accounted for as equity instruments and included under other equity instruments.

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VII. Notes to items of the consolidated financial statements (Cont'd)

40. Other equity instruments (Cont'd)

(3) Changes in preference shares outstanding at the end of the year

Outstanding financial instruments	Opening balance	Increase during the year	Decrease during the year	Closing balance
Chenming You 01	2,238,750,000.00			2,238,750,000.00
Chenming You 02	995,000,000.00			995,000,000.00
Chenming You 03	1,243,750,000.00			1,243,750,000.00
Total	4,477,500,000.00			4,477,500,000.00

Notes ① Particulars of issue: The Company non-publicly issued preference shares amounting to RMB4.5 billion on 17 March, 17 August and 22 September 2016. The proceeds net of issue costs amounted to RMB4,477.50 million.

② Particulars of the preference shares as equity Instruments

Shareholders of preference shares participate in profit distribution in two portions, namely the fixed dividend distributed based on a fixed dividend rate and the distribution of retained earnings realised for the year.

A. Distribution of fixed dividend

According to the Articles of Association, the Company shall distribute fixed dividends to holders of the preference shares at fixed dividend rate if there are distributable profits after making good losses and the contribution to reserve fund according to law. The Board is authorised by the general meeting to declare and pay all dividends on the preference shares in accordance with the issuance plan under the framework and principles considered and approved in the general meeting in respect of the preference shares. The general meeting of the Company has the right to cancel part of or all of the current dividends on the preference shares. However, when the general meeting of the Company considers the cancellation of part of or all of the current dividends on the preference shares, the Company shall inform the shareholders of preference shares at least 10 working days before the date of dividend payment in accordance with the requirements of the related authorities.

B. Participation in the distribution of retained earnings realised for the year.

Holders of preference shares participate in the distribution of the retained earnings through receipt of cash which is non-cumulative and non-deferrable. In the event of making good losses and the contribution to reserve fund according to law, after receiving fixed dividends at fixed dividend rate as agreed, holders of preference shares can also participate in the distribution of the retained earnings for the year in proportion. Specific terms are as follows: the retained earnings for the year arises from net profit attributable to owners of the parent company on a consolidated basis upon distribution of relevant fixed income to holders of financial instruments such as the preference shares which may be classified under equity. 50% of the retained earnings shall be distributed to holders of preference shares and ordinary shareholders. Holders of preference shares shall participate in the distribution of the retained earnings by receiving cash dividends, and the ordinary shareholders shall participate in the distribution of the retained earnings by receiving cash dividends or dividends on ordinary shares.

Based on the above, the preference shares do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they were eligible to be recognised and accounted for as equity instruments and included under other equity instruments - preference shares.

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VII. Notes to items of the consolidated financial statements (Cont'd)

41. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	5,478,935,277.69			5,478,935,277.69
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,257,784.90			6,149,257,784.90

42. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before Income tax for the period	During the period			Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax		
I. Other comprehensive income that will not be classified to profit or loss in subsequent periods							
II. Other comprehensive income to be reclassified to profit or loss in subsequent periods							
Exchange differences on translation of foreign operations	-805,245,771.89	451,080,644.09			451,080,644.09		-354,165,127.80
Total other comprehensive income	-805,245,771.89	451,080,644.09			451,080,644.09		-354,165,127.80

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VII. Notes to items of the consolidated financial statements (Cont'd)

43. Surplus reserve

Unit: RMB

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

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

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

44. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	6,745,974,781.02	5,481,457,632.37
Retained profit as at the beginning of the year after adjustment	6,745,974,781.02	5,481,457,632.37
Plus: Net profit for year attributable to shareholders of the parent company	3,769,325,450.93	1,998,578,788.75
Ordinary dividend payable	1,161,843,280.20	580,921,640.10
Perpetual bonds interest payable	153,140,000.00	153,140,000.00
Preferred shares interest payable	333,702,107.35	
Retained profit as at the end of the period	8,866,614,844.40	6,745,974,781.02

Notes:

(1) Profit distribution description

① Pursuant to the Company's 2016 Profit Distribution Plan approved by the Company's 2016 general meeting of shareholders on 21 April 2017, the company distributed cash dividends to all ordinary shareholders at RMB0.60 per share (2015 RMB0.3 per share), which was calculated based on 1,936,405,467.00 ordinary shares on the dividend registration day, total amounting to RMB1,161,843,280.20 (2016: RMB580,921,640.10). ② In July and September 2017, the company issued perpetual bond interest of RMB153,140,000.00. ③ The company issued a total of RMB333,702,107.35 of preferential interest for each period in March, June, August and September of 2017.

(2) Subsidiary's withdrawal of surplus reserve during the reporting period

The subsidiary of the Company withdrew the surplus reserve of RMB189,895,142.39 in 2017, of which the amount attributable to the parent company was RMB189,895,142.39.

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VII. Notes to items of the consolidated financial statements (Cont'd)

45. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	29,614,112,260.03	19,688,819,943.41	22,760,384,304.00	15,730,455,722.61
Other activities	237,631,588.10	40,370,531.68	146,733,937.84	56,884,696.19
Total	29,851,743,848.13	19,729,190,475.09	22,907,118,241.84	15,787,340,418.80

(2) Principal activities (by industry)

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
I. Machine-made paper	26,280,449,337.82	18,620,269,325.34	19,536,639,601.47	14,893,061,575.87
II. Electricity and steam	198,073,854.15	132,197,323.45	338,702,429.21	214,301,513.53
III. Construction materials	109,914,856.68	87,993,296.40	227,629,265.80	174,193,481.85
IV. Paper chemicals	255,747,205.45	207,731,864.76	129,003,963.48	97,421,900.88
V. Hotel	24,368,815.97	6,002,436.17	26,677,286.19	6,411,469.70
VI. Financial leasing	2,347,173,531.63	282,366,339.02	2,339,925,682.07	219,444,595.95
VII. Others	398,384,658.33	352,259,358.27	161,806,075.78	125,621,184.83
Total	29,614,112,260.03	19,688,819,943.41	22,760,384,304.00	15,730,455,722.61

(3) Principal activities (by products under machine-made paper)

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Duplex press paper	6,368,897,144.23	4,681,114,971.82	4,966,155,905.70	3,719,642,641.60
Coated paper	5,489,860,030.01	3,806,504,813.36	4,428,162,301.09	3,287,988,564.78
White paper board	6,906,078,714.80	4,769,506,903.63	2,815,701,912.71	2,127,180,790.00
Electrostatic paper	2,371,439,780.86	1,503,657,404.54	2,107,489,078.57	1,383,320,164.10
Anti-sticking raw paper	1,207,953,706.05	795,913,212.90	1,009,523,792.88	716,700,746.30
Newsprint paper	793,309,261.25	644,140,835.06	996,218,028.98	908,417,921.12
Household paper	689,570,026.52	634,573,721.02	659,518,362.24	556,413,175.83
Light weight coated paper	515,092,105.82	424,005,449.53	463,577,121.66	388,493,270.16
Writing paper	275,304,569.70	192,214,424.47	274,469,632.58	223,437,034.20
Other machine-made papers	1,662,943,998.58	1,168,637,589.01	1,815,823,465.06	1,581,467,267.78
Total	26,280,449,337.82	18,620,269,325.34	19,536,639,601.47	14,893,061,575.87

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VII. Notes to items of the consolidated financial statements (Cont'd)

45. Revenue and operating costs (Cont'd)

(4) Principal activities (by geographical areas under machine-made paper)

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	22,349,540,450.67	15,002,256,973.81	16,258,133,415.56	12,009,467,873.60
Other countries and regions	3,930,908,887.15	3,618,012,351.53	3,278,506,185.91	2,883,593,702.27
Total	26,280,449,337.82	18,620,269,325.34	19,536,639,601.47	14,893,061,575.87

(5) Revenue from top 5 customers

Unit: RMB

Period	Total revenue from top 5 customers	Percent-age of the total revenue in the same period
		(%)
2017	1,948,080,321.71	6.53
2016	1,366,256,966.82	5.96

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VII. Notes to items of the consolidated financial statements (Cont'd)

46. Taxes and surcharges

Unit: RMB

Item	Amount for the year	Amount for the prior year
Business tax		50,214,623.35
Urban maintenance and construction tax	50,478,779.11	50,084,743.20
Educational surcharges	35,648,943.99	35,516,836.69
Water engineering funds	4,611,250.65	5,881,006.54
Vehicle and vessel tax	2,281,116.73	135,801.55
Property tax	52,257,985.73	41,846,613.90
Land use tax	46,488,866.36	48,277,144.61
Stamp duty	26,392,019.08	19,079,569.41
Others	915,417.98	402,897.25
Total	219,074,379.63	251,439,236.50

Note: For details of payment standards for main taxes and surcharges, please see Note VI. Tax.

47. Selling and distribution expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Wages	151,993,338.94	134,268,714.82
Depreciation expenses	15,151,851.01	12,916,316.67
Office expenses	13,050,224.96	6,824,531.59
Travel expenses	25,480,477.96	30,929,777.17
Selling commissions	20,470,833.82	13,586,079.26
Transportation expenses	928,273,255.31	820,785,145.86
Cargo handling charges	17,074,801.73	14,586,351.98
Rental expenses	9,476,394.77	9,510,880.28
Hospitality expenses	76,249,386.92	76,677,083.70
Warehouse expenses	2,129,846.61	5,410,443.13
Others	45,115,140.24	40,989,242.74
Total	1,304,465,552.27	1,166,484,567.20

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VII. Notes to items of the consolidated financial statements (Cont'd)

48. General and administrative expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Wages and surcharges	277,988,191.97	229,428,737.22
Welfare expenses	38,910,702.51	51,823,069.80
Labour insurance premium	12,820,256.55	12,883,344.22
Insurance premium	23,384,036.83	21,710,627.29
Depreciation expenses	87,835,791.30	68,529,345.99
Waste disposal expenses	21,193,488.53	28,758,359.88
Hospitality expenses	61,654,826.69	42,562,497.52
Amortisation of intangible assets	39,674,943.49	32,201,069.02
Technological development expenses	1,017,306,281.19	735,689,011.01
Production interruption loss	82,259,940.92	52,648,109.17
Repair fees	35,983,121.43	27,558,124.79
Audit fees	3,012,975.33	4,072,261.89
Others	207,345,343.12	133,594,028.26
Total	1,909,369,899.86	1,441,458,586.06

49. Finance expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Interest expenses	2,484,773,417.87	2,163,863,695.21
Less: interest income	227,093,507.28	327,982,895.49
Less: capitalised interest amount	191,662,767.82	207,144,600.40
Foreign exchange gains and losses	241,855,705.05	22,449,770.64
Bank charges	188,719,568.05	167,378,920.82
Total	2,496,592,415.87	1,818,564,890.78

Others:

Interest expenses	2017	2016
Interest on bank loans, overdrafts and other loans		
to be fully repaid within 5 years	1,410,690,800.00	922,564,424.06
Others	792,530,200.00	1,167,076,320.79
Total	2,203,221,000.00	2,089,640,744.85

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VII. Notes to items of the consolidated financial statements (Cont'd)

50. Loss on impairment of assets

Unit: RMB

Item	Amount for the year	Amount for the prior year
I. Loss on bad debts	141,361,141.80	194,150,401.76
II. Loss on inventory impairment		9,973,276.96
VII. Loss on fixed assets impairment		194,823,201.36
IX. Loss on construction in progress impairment		14,764,226.23
Total	141,361,141.80	413,711,106.31

51. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the year	Amount for the prior year
Gain on change in fair value of consumable biological assets measured at fair value	-21,000,042.33	-20,084,425.90
Gain on change in fair value of financial assets measured at fair value	94,000,000.00	
Total	72,999,957.67	-20,084,425.90

52. Investment income

Unit: RMB

Item	Amount for the year	Amount for the prior year
Income from long-term equity investments accounted for using the equity method	18,506,834.57	-3,240,263.50
Investment gain on disposal of long-term equity investments	480,189.88	1,203.20
Investment gain on holding of available-for-sale financial assets	128,691,400.00	
Investment gain on disposal of available-for-sale financial assets		519.26
Income on external entrusted loans	13,330,575.78	87,608,490.56
Total	161,009,000.23	84,369,949.52

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VII. Notes to items of the consolidated financial statements (Cont'd)

53. Asset disposal income

Unit: RMB

Source of Asset disposal income	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains and losses for the period
Net income from disposal of non-current assets	-2,757,178.42	-1,536,454.18	-2,757,178.42
Total	-2,757,178.42	-1,536,454.18	-2,757,178.42

54. Other Income

Item	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains and losses for the period
Government grants - amortised deferred income included in profit or loss	90,469,765.78		90,469,765.78
Government grants - directly included in profit or loss	45,060,491.99		36,595,103.54
Total	135,530,257.77		127,064,869.32

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VII. Notes to items of the consolidated financial statements (Cont'd)

55. Non-operating income

Unit: RMB

Item	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains and losses for the period
Gain on debt restructuring	24,309.62		24,309.62
Government grants	265,709,360.70	482,366,195.99	265,709,360.70
Non-commonly controlled enterprise merger income	143,867,008.14		143,867,008.14
Others	35,665,689.84	13,029,391.52	35,665,689.84
Total	445,266,368.30	495,395,587.51	445,266,368.30

Government grants included in profit or loss for the period:

Grants item	Amount for the year	Amount for the prior year
Amortised deferred income		83,138,362.93
Grants Income	265,709,360.70	389,364,400.90
Value-added tax refund	—	9,863,432.16
Total	265,709,360.70	482,366,195.99

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VII. Notes to items of the consolidated financial statements (Cont'd)

56. Non-operating expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains and losses for the period
Loss on debt restructuring		90,997.90	
Donation	1,950,000.00	1,000,000.00	1,950,000.00
Provision	325,259,082.28		325,259,082.28
Others	50,733.35	2,006,755.63	50,733.35
Total	327,259,815.63	3,097,753.53	327,259,815.63

57. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Income tax expenses for the period	802,346,750.56	510,741,679.43
Deferred income tax expenses	-24,831,023.70	115,226,884.33
Total	777,515,726.86	625,968,563.76

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the year
Total profit	4,536,478,573.53
Income tax expenses calculated at statutory/applicable tax rates	680,471,786.03
Effect of different tax rates applicable to subsidiaries	136,412,851.16
Effect of adjustments for income tax for prior periods	-39,532,857.24
Effect of income not subject to tax	-42,402,718.82
Effect of costs, expenses and loss not deductible for tax purposes	-59,481,150.92
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	86,587,585.33
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	-28,166,210.84
Effect of additional deductible expenses	35,819,302.25
Change of deferred income tax assets/debt balance arising from tax rate adjustment	7,807,139.91
Income tax expenses	777,515,726.86

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VII. Notes to items of the consolidated financial statements (Cont'd)

58. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Default penalty and fine	35,665,689.84	13,029,391.52
Finance expenses - Interest income	227,093,507.28	327,982,895.49
Income-related government grants	303,645,280.74	389,364,400.90
Open credit and other income	253,031,630.62	400,196,746.53
Deposit of Leasing Company	8,830,000.00	47,200,000.00
Total	828,266,108.48	1,177,773,434.44

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Financial institutions charge	188,719,568.05	167,378,502.66
Business hospitality expenses	137,904,213.61	119,239,581.22
Travel expenses	25,480,477.96	30,929,777.17
Office expenses	13,050,224.96	6,824,531.59
Transportation expenses	928,273,255.31	820,782,244.33
Transportation expenses	9,476,394.77	9,510,880.28
Waste disposal expenses	21,193,488.53	28,758,359.88
Insurance premium	23,384,036.83	21,689,019.98
Repair expenses	35,983,121.43	27,557,123.10
Cargo handling charges	17,074,801.73	14,586,351.98
Intermediary service expenses	57,637,480.41	4,072,261.89
Net increase in principal receivables relating to finance lease business	6,209,844,676.71	1,736,356,775.78
Others	323,319,313.67	242,048,593.97
Total	7,991,341,053.97	3,229,734,003.83

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VII. Notes to items of the consolidated financial statements (Cont'd)

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

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Asset-related government grants	99,341,073.00	31,880,000.00
Subsidy for Huanggang Project		504,056,200.00
Principal withdrawal of Entrusted loans	900,000,000.00	
Total	999,341,073.00	535,936,200.00

(4) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Short-term commercial paper	16,570,426,739.99	13,000,000,000.00
Preference shares		4,477,500,000.00
Perpetual bonds	2,988,000,000.00	
Equipment leaseback	2,857,984,827.85	3,299,435,500.86
Special funds from China Development Bank		550,000,000.00
Total	22,416,411,567.84	21,326,935,500.86

(5) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Repayment of short-term commercial paper, MTN	13,726,553,994.41	16,600,000,000.00
Repayment of matured bonds	4,001,277,281.68	
Repayment of equipment leaseback	1,257,472,246.21	360,481,379.91
Repayment of interest on preference shares	333,706,007.35	
Repayment of interest on perpetual bonds	153,140,000.00	153,140,000.00
Increase in restricted bank deposits for the period	3,509,014,813.10	1,033,850,751.62
Total	22,981,164,342.75	18,147,472,131.53

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VII. Notes to items of the consolidated financial statements (Cont'd)

59. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior year
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	3,758,962,846.67	1,957,197,775.85
Plus: Provision for impairment of assets	141,361,141.80	413,711,106.31
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	1,613,399,119.31	1,390,594,426.71
Amortisation of intangible assets	90,224,458.07	41,992,002.69
Amortisation of long-term prepaid expenses	16,218,441.95	7,680,940.51
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	2,757,178.42	1,536,454.18
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-72,999,957.67	20,084,425.90
Finance expenses (“-” denotes gain)	2,338,613,808.53	1,980,126,247.40
Finance expenses (“-” denotes gain)	-161,009,000.23	-84,369,949.52
Decrease in deferred income tax assets (“-” denotes increase)	-24,831,023.70	115,771,483.78
Decrease in inventories (“-” denotes increase)	-1,109,545,250.30	348,249,144.52
Decrease in operating receivables (“-” denotes increase)	-15,769,361,315.41	-6,476,853,510.02
Increase in operating payables (“-” denotes decrease)	9,199,975,595.49	2,437,328,721.53
Net cash flows from operating activities	23,766,042.93	2,153,049,269.84
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Closing balance of cash	2,804,408,374.46	1,979,861,045.62
Less: Opening balance of cash	1,979,861,045.62	1,888,107,493.76
Net increase in cash and cash equivalents	824,547,328.84	91,753,551.86

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VII. Notes to items of the consolidated financial statements (Cont'd)

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

(2) Net cash paid for acquiring subsidiaries during the current period

Unit: RMB

	Amount
Cash or cash equivalents paid in this period from enterprise mergers in this period	1,590,646,717.76
Of which:	—
Shanghai Hongtai Real Estate Co., Ltd.	1,590,646,717.76
Less: Cash and cash equivalents held by subsidiaries on the purchase date	7,900,818.45
Of which:	—
Shanghai Hongtai Real Estate Co., Ltd.	7,900,818.45
Of which:	—
Net cash paid for acquiring subsidiaries	1,582,745,899.31

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,804,408,374.46	1,979,861,045.62
Of which: Treasury cash	2,344,438.45	1,920,226.94
Bank deposit that can be used for payment at any time	2,802,063,936.01	1,977,940,818.68
III. Balance of cash and cash equivalent as at end of period	2,804,408,374.46	1,979,861,045.62

Note: Cash and cash equivalents did not include the restricted cash and cash equivalents used by the Company or subsidiaries within the Group.

60. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	11,639,084,086.97	As guarantee deposits for bank acceptance bills, letter of credit, and bank borrowings deposits, and deposit reserves
Bills receivable	2,108,159,820.71	As collateral for short-term borrowings, bills payable, letters of guarantee and letters of credit
Fixed assets	5,663,286,231.38	As collateral for bank borrowings and long-term payables
Intangible assets	597,992,087.19	As collateral for bank borrowings and long-term payables
Investment properties	4,809,535,109.82	As collateral for bank borrowings
Total	24,818,057,336.07	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

61. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Of which: USD	125,699,386.85	6.5432	822,476,228.06
EUR	3,687,675.69	7.8023	28,772,352.01
HKD	100,012.66	0.8359	83,601.58
GBP	370,326.24	8.7943	3,256,758.82
KRW	234,562,893.78	0.006109	1,432,970.52
JPY	4,315,821.05	0.057883	249,812.67
Accounts receivable			
Of which: USD	49,660,777.81	6.5432	324,940,401.37
EUR	44,012,877.29	7.8023	343,401,672.48
KRW	698,414.80	0.006109	4,266.69
JPY	146,931,582.00	0.057883	8,504,840.76
Accounts payable			
Of which: USD	96,539,250.90	6.5432	631,675,626.49
EUR	10,488,328.33	7.8023	81,833,084.13
Short-term borrowings			
Of which: USD	707,219,785.11	6.5432	4,627,480,497.94
EUR	149,045,225.67	7.8023	1,162,895,564.23
Short-term borrowings			
Of which: USD	321,282,675.42	6.5432	2,102,216,801.84
EUR	155,200,000.20	7.8023	1,210,916,961.53
Non-current liabilities due within one year			
Of which: USD	106,353,512.04	6.5432	695,892,300.00
EUR	172,280,000.00	7.8023	1,344,180,244.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

61. Foreign currency items (Cont'd)

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

Applicable Not applicable

No.	Name of subsidiary	Principal place of business	Place of incorporation	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD
4	Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
5	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY

The companies numbered 3 - 5 are companies of the fourth level. Overseas subsidiaries of the Company recognise U.S. dollar ("USD" or "US\$"), Japanese yen ("JPY") Euro ("EUR") and Korean Won ("KRW") as their respective functional currency according to the general economic environment in which these subsidiaries operate.

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VIII. Change in scope of consolidation

1. Business combinations under non-common control

(1) Business combinations under non-common control for the period

Unit: RMB

Name of acquiree	Point of time of equity acquisition	Equity acquisition costs	Equity acquisition proportion	Equity acquisition mode	Acquisition date	Basis for the acquisition date	Revenue of acquiree from the acquisition date to the end of the period	Net profit of acquiree from the acquisition date to the end of the period
Shanghai Hongtai Real Estate Co., Ltd.	31 October 2017	159,064.67	45.00%	Merger and acquisition	1 November 2017	The date when de facto control is established	485,784.40	-36,856,878.73

(2) Combination costs and goodwill

Unit: RMB

Combination costs	Shanghai Hongtai Real Estate Co., Ltd.
– Cash	1,590,646,717.76
Total combination costs	1,590,646,717.76
Less: The fair value share of identifiable net assets obtained	1,734,513,725.90
The amount that goodwill/combination costs less than the fair value share of identifiable net assets acquired	-143,867,008.14

(2) Assets and liabilities of the party being absorbed at the purchase date

Unit: RMB

	Shanghai Hongtai Real Estate Co., Ltd.	
	Fair value on the acquisition date	Book value on the acquisition date
Monetary funds	7,900,818.45	7,900,818.45
Accounts receivables	6,717,825.90	6,717,825.90
Fixed assets	1,246,193,287.44	321,791,807.40
Intangible assets		60,998,498.63
Investment properties	4,829,215,423.59	2,242,403,424.69
Construction in progress	3,346,041.32	3,346,041.32
Borrowings	1,700,000,000.00	1,700,000,000.00
Accounts payables	538,898,450.26	538,898,450.26
Net assets	3,854,474,946.44	404,259,966.13

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VIII. Change in scope of consolidation (Cont'd)

2. Change in scope of consolidation due to other reasons

During the year, the scope of consolidation included 9 newly established subsidiaries, namely Shanghai Chenming Industry Co., Ltd., Shanghai Chenming Financial Leasing Co., Ltd., Guangzhou Chenming Financial Leasing Co., Ltd., Shandong Chenming Commercial Factoring Co., Ltd., Guangzhou Chenming Commercial Factoring Co., Ltd., Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd., Xuchang Chenming Paper Co., Ltd., Chengdu Chenming Culture Communication Co., Ltd. and Beijing Chenming Culture Communication Co., Ltd. For details, please see Note VIII. 1 "Interest in subsidiaries".

During the year, the scope of consolidation excluded 2 companies: a former subsidiary, namely Shouguang Chenming Hongxin Packaging Co., Ltd was deregistered upon merger and acquisition by another subsidiary Shouguang Hongxiang Printing and Packaging Co., Ltd, whereas Jilin Chenming Machinery Manufacturing Co., Limited was transferred.

IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	100.00%		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	100.00%		Establishment
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper making	100.00%		Merger and acquisition
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp production	100.00%		Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper	100.00%		Establishment
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	100.00%		Establishment
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Paper product trading	100.00%		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	100.00%		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	100.00%		Merger and acquisition
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	100.00%		Establishment
Shouguang Chenming Industrial Logistics Co., Ltd.	Shouguang, China	Shouguang, China	Logistics	100.00%		Establishment
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment management	100.00%		Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	100.00%		Establishment
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper	100.00%		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power	100.00%		Establishment
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang, China	Shouguang, China	Customs declaration	100.00%		Establishment
Shanghai Chenming Industrial Co., Ltd.	Shanghai, China	Shanghai, China	Property investment and management	100.00%		Establishment
Wuxi Song Ling Paper Co., Ltd.	Wuxi, China	Wuxi, China	Paper making	100.00%		Merger and acquisition
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper	100.00%		Establishment
Shandong Chenming Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	80.00%	20.00%	Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper making	51.00%	49.00%	Establishment
Qingdao Chenming International Logistics Co., Ltd.	Qingdao, China	Qingdao, China	Logistics	30.00%	70.00%	Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	75.00%		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper making	75.00%		Establishment
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	70.00%		Establishment
Haicheng Haiming Mining Co., Ltd.	Haicheng, China	Haicheng, China	Mining	60.00%		Establishment
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper making	50.93%		Establishment
Xuchang Chenming Paper Co., Ltd.	Xuchang, China	Xuchang, China	Paper making	60.00%		Establishment
Chengdu Chenming Culture Communication Co., Ltd.	Chengdu, China	Chengdu, China	Marketing	100.00%		Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing		100.00%	Establishment
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	Qingdao, China	Qingdao, China	Financial leasing		100.00%	Establishment
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Paper product trading		100.00%	Establishment
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging		100.00%	Merger and acquisition
Shouguang Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal		100.00%	Merger and acquisition

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and sale of waste	100.00%		Merger and acquisition
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics	100.00%		Merger and acquisition
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panels	100.00%		Merger and acquisition
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board	100.00%		Merger and acquisition
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Cement	100.00%		Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Electric power		51.00%	Establishment
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment	100.00%		Establishment
Japan Chenming Paper Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Paper product trading	100.00%		Establishment
Chenming International Co., Ltd.	Los Angeles, the United States	Los Angeles, the United States	Paper product trading	100.00%		Establishment
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture	100.00%		Establishment
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture	100.00%		Establishment
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture	100.00%		Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment		51.00%	Merger and acquisition
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials	100.00%		Establishment
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall materials	100.00%		Establishment
Jilin Chenming Machinery manufacturing Co., Ltd.	Jilin, China	Jilin, China	Machinery manufacturing	100.00%		Establishment
Jilin Chenming Logistics Co., Ltd.	Jilin, China	Jilin, China	Logistics	100.00%		Establishment
Jiangxi Chenming Logistics Co., Ltd.	Nanchang, China	Nanchang, China	Logistics	100.00%		Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper making	100.00%		Establishment
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	100.00%		Establishment
Shanghai Chenming Financial leasing Co., Ltd.	Shanghai, China	Shanghai, China	Financial leasing	100.00%		Establishment
Guangzhou Chenming Financial leasing Co., Ltd.	Guangzhou, China	Guangzhou, China	Financial leasing	100.00%		Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai, China	Shanghai, China	Real estate	45.00%		Merger and acquisition
Shanghai Hongtai Property Management Co., Ltd.	Shanghai, China	Shanghai, China	Property Management	45.00%		Merger and acquisition
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan, China	Jinan, China	Business factoring		100.00%	Establishment
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou, China	Guangzhou, China	Business factoring		51.00%	Establishment
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Center Co., Ltd.	Qingdao, China	Qingdao, China	Trading		100.00%	Establishment
Beijing Chenming Culture Communication Co., Ltd.	Beijing, China	Beijing, China	Marketing		100.00%	Establishment

Note: Shanghai Hongtai Property Management Co., Ltd. is a wholly-owned subsidiary of Shanghai Hongtai Real Estate Co., Ltd., whereas the Company's subsidiary Shanghai Chenming Industry Co., Ltd., is the largest shareholder in Shanghai Hongtai Real Estate Co., Ltd., holding 45.00% equity interest in Shanghai Hongtai Real Estate Co., Ltd. In addition, Guangdong Dejun Investment Co., Ltd. holds 30% equity interests in Shanghai Hongtai Real Estate Co., Ltd. On 1 November 2017, Guangdong Dejun Investment Co., Ltd. and Shanghai Chenming Industry Co., Ltd. entered into a concert party agreement. As Guangdong Dejun Investment Co., Ltd. is based in Guangzhou, Guangdong Province, to ensure continuous and stable development of Shanghai Hongtai Real Estate Co., Ltd. and improve the efficiency of its operations and decision-making process, party A was authorised to exercise the operating rights and voting rights corresponding to the 30% shares held by it. Therefore, the Company exercised control over Shanghai Hongtai Real Estate Co., Ltd.

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name	Minority interests	Gain or loss attributable to minority interests during the period	Dividend to minority interests declared during the period	Closing balance of minority interests
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	49.07%	22,387,396.02		97,573,363.42
Shouguang Chenming Art Paper Co., Ltd.	25.00%	13,564,359.02		51,614,291.57
Shandong Grand View Hotel Co., Ltd.	30.00%	-4,713,038.87		-37,481,089.68
Haicheng Haiming Mining Co., Ltd.	40.00%	-2,183,652.84		93,765,045.16
Guangdong Huirui Investment Co., Ltd.	49.00%	-1,147,347.80		112,342,105.45
Shanghai Hongtai Real Estate Co., Ltd.	55.00%	-20,271,283.30		2,099,689,937.24
Xuchang Chenming Paper Co., Ltd.	40.00%	-11,338,303.57		28,661,696.43
Total		-3,701,871.34		2,455,300,707.00

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Unit: RMB

Name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	489,799,209.30	1,241,278,595.22	1,731,077,804.52	1,438,701,718.23	53,182,489.27	1,491,884,187.50	1,768,965,632.03	1,224,480,696.33	2,993,446,328.36	2,752,454,924.45	56,443,514.03	2,808,898,438.48
Shouguang Chenming Art Paper Co., Ltd.	371,585,385.81	662,267,808.01	1,033,853,193.82	827,496,027.57		827,496,027.57	154,755,091.25	722,086,544.67	876,841,635.92	724,641,905.77		724,641,905.77
Shandong Grand View Hotel Co., Ltd.	16,747,494.79	214,555,206.74	231,302,701.53	356,239,667.14		356,239,667.14	14,688,578.92	219,520,044.14	234,208,624.06	343,435,460.10		343,435,460.10
Haicheng Haiming Mining Co., Ltd.	75,944,788.92	1,161,346,911.13	1,237,291,680.05	1,022,879,067.16		1,022,879,067.16	57,357,546.56	914,205,828.11	971,563,374.67	731,691,629.67		731,691,629.67
Guangdong Huirui Investment Co., Ltd.	310,035,149.57	356,083.09	310,391,232.66	3,141,629.72	77,980,000.00	81,121,629.72	317,118,671.16	186,264.83	317,304,935.99	7,713,806.92	77,980,000.00	85,693,806.92
Shanghai Hongtai Real Estate Co., Ltd.	13,682,144.58	2,621,645,742.81	2,635,327,887.39	595,911,653.75	1,670,000,000.00	2,265,911,653.75						
Xuchang Chenming Paper Co., Ltd.	23,604,534.90	478,671,216.57	498,275,751.47	427,621,510.40		427,621,510.40						

Unit: RMB

Name	Amount for the year				Amount for the prior year			
	Revenue	Net profit	Total Comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	1,326,430,263.21	38,962,265.63	38,962,265.63	624,821.83	1,104,452,896.66	-56,916,123.05	-56,916,123.05	300,251,087.47
Shouguang Chenming Art Paper Co., Ltd.	711,899,986.30	54,257,436.10	54,257,436.10	1,912,526.67	636,584,690.59	27,100,456.25	27,100,456.25	27,100,456.25
Shandong Grand View Hotel Co., Ltd.	33,497,488.55	-15,710,129.57	-15,710,129.57	3,831,895.83	33,833,266.56	-12,263,695.60	-12,263,695.60	-12,263,695.60
Haicheng Haiming Mining Co., Ltd.		-5,459,132.11	-5,459,132.11	-4,186,562.69		-128,255.00	-128,255.00	
Guangdong Huirui Investment Co., Ltd.		-2,341,526.13	-2,341,526.13	102,646.36		-6,345,665.31	-6,345,665.31	-21,704.03
Shanghai Hongtai Real Estate Co., Ltd.	485,784.40	-36,856,878.73	-36,856,878.73	-114,991.36				
Xuchang Chenming Paper Co., Ltd.		-28,345,758.93	-28,345,758.93	-14,464,834.12				

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Principle place of business	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang, China	Shouguang, China	Construction Materials	50.00%		Equity method
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	30.00%		Equity method
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Nanchang, China	Nanchang, China	Printing	21.145%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	49.995%		Equity method
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Wuhan, China	Wuhan, China	Real estate development	40.00%		Equity method
Jiangxi Chenming Port Co., Ltd.	Nanchang, China	Nanchang, China	Handling and transportation of goods and storage	40.00%		Equity method
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo, China	Ningbo, China	Investment management	40.00%		Equity method

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IX. Interest in other entities (Cont'd)

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

(2) Key financial information of major joint ventures

Unit: RMB

	Closing balance/Amount for the year		Opening balance/Amount for the prior year	
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Weifang Senda Meixi Port Co., Ltd.	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Weifang Senda Meixi Port Co., Ltd.
Current assets	873,137.05	104,769,683.99	4,249,054.46	
Of which: Cash and cash equivalents	357,810.87	20,253,054.23	458,458.31	
Non-current assets	12,234,041.68	325,782,379.60	12,473,449.30	
Total assets	13,107,178.73	430,552,063.59	16,722,503.76	
Current liabilities	6,932,585.26	32,781,806.73	10,045,543.68	
Non-current liabilities		201,622,321.84		
Total liabilities	6,932,585.26	234,404,128.57	10,045,543.68	
Shareholders' equity	6,174,593.47	196,147,935.02	6,676,960.08	
Share of net assets based on shareholding	3,087,296.74	98,073,967.51	3,338,480.04	
Carrying amount of investment in joint ventures	3,087,296.74	104,784,922.41	3,338,480.04	
Revenue	10,319,610.53		9,413,451.32	
Finance expenses	99,894.57	-308,457.69	231,928.00	
Income tax expenses	138,833.84		22,169.33	
Net profit	-502,366.61	-2,578,637.02	723,325.04	
Total comprehensive income	-502,366.61	-2,578,637.02	723,325.04	

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IX. Interest in other entities (Cont'd)

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

(3) Key financial information of major associates

Unit: RMB

	Closing balance/Amount for the year				Opening balance/Amount for the prior year			
	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Jiangxi Chenming Port Co., Ltd.	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Jiangxi Chenming Port Co., Ltd.
Current assets	146,452,805.16	14,081,866.81	1,672,497,092.07	13,757,478.48	39,815,555.02	1,675,978,214.45	9,736,438.88	
Non-current assets	51,000,000.00	89,760,000.00	33,671,226.11	107,795,608.88	62,760,000.00	21,774,839.04	110,970,435.58	
Total assets	197,452,805.16	103,841,866.81	1,706,168,318.18	121,553,087.36	102,575,555.02	1,697,753,053.49	120,706,874.46	
Current liabilities		5,000.00	1,588,523,379.45	109,241,036.37	5,000.00	590,521,405.00	105,780,641.88	
Non-current liabilities						1,046,021,254.91		
Total liabilities		5,000.00	1,588,523,379.45	109,241,036.37	5,000.00	1,636,542,659.91	105,780,641.88	
Shareholders' equity	197,452,805.16	103,836,866.81	117,644,938.73	12,312,050.99	102,570,555.02	61,210,393.58	14,926,232.58	
Share of net assets based on shareholding	78,977,173.01	51,918,433.41	47,057,975.49	4,924,820.40	51,280,148.98	24,484,157.43	5,973,566.46	
- Unrealised profit arising from intra-group transactions						-20,887,432.05		
Carrying amount of investment in associates	198,981,173.01	51,918,433.41	47,057,975.49	4,927,893.82	51,280,148.98	3,596,725.38	5,973,566.46	
Revenue						284,917,004.35	28,290,476.10	
Net profit	-2,547,194.84	1,266,311.79	56,434,545.15	-2,614,181.59	1,530,728.19	13,800,471.65	428,354.35	
Total comprehensive income	-2,547,194.84	1,266,311.79	56,434,545.15	-2,614,181.59	1,530,728.19	13,800,471.65	428,354.35	

(4) Excess loss of joint ventures or associates

Unit: RMB

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

X. Risk relating to financial instruments

Principal financial instruments of the Company include equity investments, debt investments, loans, receivables, payables and others, further information of which are set out in relevant items of this note XI. Risks relating to these financial instruments and relevant risk management policies of the Company are described below. The management of the Company manages and controls the risk exposures to ensure they are under control.

The Company adopts sensitivity analysis techniques to analyse the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

(I) Objective and policies of risk management

The objective of the risk management of the Company is to maintain an appropriate balance between risks and return so as to minimise the negative effects of risks on the Company's operating results in order to maximise the benefits of the shareholders and other stakeholders. Based on such objective, the principal strategy of the Company's risk management is to identify and analyse all types of risks of the Company, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk describes the risk of loss arising from variation of the exchange rate. The Company is primarily exposed to risks relating to USD, EUR, HKD, JPY, GBP and KRW. Save for several subsidiaries of the Company whose purchases and sales are denominated in USD, EUR, HKD, JPY, GBP and KRW, other principal activities of the Company are settled in RMB. As at 31 December 2016, except for the following assets and liabilities whose balance were denominated in USD, EUR, HKD, JPY, GBP and KRW, the Company adopted RMB to present the balance of its assets and liabilities. The foreign exchange risks arising from assets and liabilities denominated in foreign currencies may affect the operating results of the Company.

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

1. Market risk (Cont'd)

(1) Foreign exchange risk (Cont'd)

Items	USD	EUR	Closing balance			
			HKD	JPY	GBP	KRW
Cash and cash equivalents	822,476,228.06	28,772,352.01	83,601.58	249,812.67	3,256,758.82	1,432,970.52
Accounts receivable	324,940,401.37	343,401,672.48		8,504,840.76		4,266.69
Short-term borrowings	4,627,480,497.94	1,162,895,564.23				
Accounts payable	631,675,626.49	81,833,084.13				
Non-current liabilities due						
within one year	695,892,300.00	1,344,180,244.00				
Long-term borrowings	2,102,216,801.84	1,210,916,961.53				

Items	USD	EUR	Closing balance			
			HKD	JPY	GBP	KRW
Cash and cash equivalents	112,630,078.10	127,526,823.80	92,660.48	1,563,388.85	1,109,201.54	2,705,826.00
Accounts receivable	327,100,905.20	25,806,436.75		8,744,085.35		698,414.80
Short-term borrowings	64,236,623.80	516,960,899.25				
Accounts payable	343,893,507.43	224,044,528.71				
Non-current liabilities due						
within one year						
Long-term borrowings	2,607,793,266.66	138,829,200.00				

The Company has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Company and has adopted the following measures to avoid foreign exchange risk: A. to have reasonable allocation between assets and liabilities denominated in foreign currencies, gradual reduction in domestic borrowings denominated in foreign currencies and appropriate allocation of liabilities denominated in EUR for overseas subsidiaries to avoid foreign exchange risk; B. to closely monitor the exchange rate changes in the international market and fix the exchange rate for certain business denominated in foreign currencies when the swap price is appropriate.

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

1. Market risk (Cont'd)

(1) Foreign exchange risk (Cont'd)

Exchange rate risk sensitivity analysis:

Exchange rate risk - sensitivity analysis assumes that there is a high level of effectiveness in hedging both net investment in foreign operations and cash flow. Based on the assumptions, with other factors unchanged, the exchange rate might float within a reasonable range, and has the following before tax effect on profit or loss and shareholders' equity for the current period:

Currency	Exchange rate change	For the year Effect on profit	For the prior year Effect on profit
USD	5% appreciation against RMB	-345,492,429.84	-125,804,564.18
USD	5% devaluation against RMB	345,492,429.84	125,804,564.18
EUR	5% appreciation against RMB	-171,382,591.47	-36,325,068.37
EUR	5% devaluation against RMB	171,382,591.47	36,325,068.37
GBP	5% appreciation against RMB	162,837.94	55,460.08
GBP	5% devaluation against RMB	-162,837.94	-55,460.08
HKD	5% appreciation against RMB	4,180.08	4,633.02
HKD	5% devaluation against RMB	-4,180.08	-4,633.02
JYP	5% appreciation against RMB	437,732.67	515,373.71
JYP	5% devaluation against RMB	-437,732.67	-515,373.71
KRW	5% appreciation against RMB	71,861.86	170,212.04
KRW	5% devaluation against RMB	-71,861.86	-170,212.04

(2) Interest rate risk – risk of cash flow movements

The risk of cash flow movement of the Company arising from interest rate movement was mainly attributable to the interest-bearing debt such as variable-rate bank loans and bonds payable. Variable-rate financial liabilities make the Company exposes to cash flow interest rate risk. Fixed-rate financial liabilities make the Company exposes to fair value interest rate risk. The Company determines the proportion between fixed-rate and variable-rate contracts based on the prevailing market environment. As at 31 December 2017, the interest-bearing debts of the Company mainly consisted of variable-rate borrowings contracts in RMB and USD amounting to RMB11,154,710,627.96 (31 December 2016: RMB36,155,046,051.76), and fixed-rate interest rate contracts in RMB amounting to RMB28.0 billion (31 December 2016: RMB28.0 billion).

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X. Risk relating to financial instruments *(Cont'd)*

(I) Objective and policies of risk management *(Cont'd)*

1. Market risk *(Cont'd)*

(2) Interest rate risk – risk of cash flow movements *(Cont'd)*

The finance department of the headquarters of the Company continuously monitors the interest rate level of the Group. When the interest rate increases, the cost of the new interest bearing debts and the outstanding interest expenses incurred by the variable-rate interest bearing debts of the Company will increase, thereby having a material adverse effect on the financial results of the Company. The management will make timely adjustment based on the latest market conditions. The Board of the Company believes that the change in future interest rate will not have significant adverse effect on the operating results of the Company.

On 31 December 2017, if the interest rate of the interest-bearing debts increases or decrease by 10% with all other variables held constant, the profit for the year would have increased or decreased by approximately RMB229,311,065.00 (2016: RMB195,671,909.48) mainly due to the increase and decrease of the interest expenses.

2. Credit risk

The Company manages the credit risk in groups. Credit risk mainly arises from bank deposit, accounts receivable, other receivables and bills receivable. The majority of the Company's cash at banks are deposited in state-owned banks and other medium or large listed banks. All of the bills receivable are bank acceptance and commercial acceptance bills of higher credit rating. There is no significant credit risk in the opinion of the Company and no significant loss will be incurred due to default by counterparties. Sales are settled through the combination of advance receipts and credit. Customers are granted a credit period through a strict credit approval system. The Company has set up a department specialising in reviewing the credibility of the trade customers regularly, thereby reasonably controlling the credit line and term of each trade customer, recovering amounts in arrears on a timely basis and examining the recoverable amounts in respect of accounts receivables one by one making corresponding bad debt provisions in full at the end of the period, reinforcing the post-credit control towards overdue amount and seeking securities and pledge of assets to reduce the risks. As a result, there is no significant credit risk in trade customers. The management of the Company believes that no significant loss will be incurred due to default by the aforesaid parties.

Ageing analysis of overdue but not impaired financial assets

Unit: RMB'0,000

	Closing balance					Opening balance				
	Within one year	1-3 years	3-5 years	Over 5 years	Total	Within one year	1-3 years	3-5 years	Over 5 years	Total
Long-term receivables					55,469.54					55,469.54

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

3. Liquidity risk

The Company maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Company and to reduce the effect of cash flow movements. The management of the Company monitors the usage of bank borrowings, and ensures compliance with borrowing agreements

The Company considers bank loans and issuance of other financing instruments as its primary source of fund. As at 31 December 2017, unutilised bank loans of the Company amounted to RMB27,900,360,898.64 (31 December 2016: RMB31,742,412,800.00).

Each subsidiary of the Company is responsible for its own cash flows forecast. The finance department of the headquarter continuously monitors the short-term and long-term funding requirement at the group level based on the consolidated cash flow forecast of each subsidiary, thereby ensuring a sufficient cash reserve. The department continues to monitor the compliance with borrowing agreements and obtains sufficient facilities from major financial institutions to satisfy the short-term and long-term funding requirement.

On the balance sheet date, the contracted cash flows of various financial assets and financial liabilities of the Company are set out according to the maturity date as follows:

Item	Closing balance				Total
	Within one year	One to two years	Two to five years	Over five years	
Financial assets					
Monetary funds	14,443,492,461.43				14,443,492,461.43
Bills receivable	4,220,231,853.56				4,220,231,853.56
Accounts receivable	3,685,288,514.84	102,596,217.93	148,775,622.02	91,739,795.92	4,028,400,150.71
Other receivables	478,358,217.64	49,469,154.55	67,148,457.38	45,486,170.60	640,462,000.16
Non-current assets due within one year	6,901,695,875.94				6,901,695,875.94
Other current assets	11,573,363,913.59				11,573,363,913.59
Long-term receivables			456,925,607.06		456,925,607.06
Sub-total	41,302,430,836.99	152,065,372.48	672,849,686.46	137,225,966.52	42,264,571,862.45
Financial liabilities					
Short-term borrowings	35,096,574,873.03				35,096,574,873.03
Bills payable	1,278,395,090.71				1,278,395,090.71
Accounts payable	3,489,306,793.63	415,562,463.45	199,592,342.61		4,104,461,599.69
Interest payable	85,480,380.32				85,480,380.32
Other payables	502,610,751.51	744,825,362.58	64,902,316.44		1,312,338,430.53
Non-current liabilities due within one year	3,625,430,347.40				3,625,430,347.40
Long-term borrowings		1,833,951,514.00	2,577,564,445.97	3,234,607,035.94	7,646,122,995.91
Long-term payable		1,397,430,182.61	991,222,209.53		2,388,652,392.14
Short-term commercial paper	10,797,248,631.76				10,797,248,631.76
Sub-total	54,875,046,868.36	4,391,769,522.64	3,833,281,314.55	3,234,607,035.94	66,334,704,741.49

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X. Risk relating to financial instruments (Cont'd)

(I) Objective and policies of risk management (Cont'd)

3. Liquidity risk (Cont'd)

Item	Within one year	One to two years	Opening balance		Total
			Two to five years	Over five years	
Financial assets					
Monetary funds	10,109,930,319.49				10,109,930,319.49
Bills receivable	1,590,460,875.23				1,590,460,875.23
Accounts receivable	3,961,114,227.86	150,831,025.66	202,721,081.83		4,314,666,335.35
Other receivables	719,754,475.07	436,812,690.03	405,725,357.74	140,300,377.47	1,702,592,900.31
Non-current assets due within one year	5,487,376,588.22				5,487,376,588.22
Other current assets	5,711,218,309.49				5,711,218,309.49
Long-term receivables			13,545,382,743.83		13,545,382,743.83
Sub-total	27,579,854,795.36	587,643,715.69	14,153,829,183.40	140,300,377.47	42,461,628,071.92
Financial liabilities					
Short-term borrowings	27,875,506,988.53				27,875,506,988.53
Bills payable	515,301,703.08				515,301,703.08
Accounts payable	3,296,220,303.37	140,901,523.75	287,144,554.94		3,724,266,382.06
Interest payable	30,731,253.71				30,731,253.71
Other payables	920,012,746.31	18,263,910.53	10,642,539.06		948,919,195.90
Non-current liabilities					
due within one year	6,237,021,557.17				6,237,021,557.17
Long-term borrowings		1,993,603,152.00	2,943,974,924.40	1,998,020,704.83	6,935,598,781.23
Long-term payables			3,951,368,854.00		3,951,368,854.00
Short-term commercial paper	6,602,863,069.45				6,602,863,069.45
Sub-total	45,477,657,621.62	2,152,768,586.28	7,193,130,872.40	1,998,020,704.83	56,821,577,785.13

An analysis of the repayment of bank borrowings and bonds payable is as follows:

	Closing balance		Opening balance	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Borrowings with the last repayment date within five years	43,133,521,180.40	2,196,261,279.57	34,157,025,346.93	
Borrowings with the last repayment date after five years	3,234,607,035.94		1,998,020,704.83	
Total	46,368,128,216.34	2,196,261,279.57	36,155,046,051.76	

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X. Risk relating to financial instruments (Cont'd)

(II) Transfer of financial assets

Financial assets transferred and ceased to be recognised but with involvement of the transferor

During the year, the Company discounted bank acceptance of RMB3,742,679,994.55 (last year: RMB2,690,129,296.16). As key risks such as interest rate risk and rewards of the acceptance had been transferred to relevant banks, the Company ceased to recognise the discounted acceptance not yet due. Pursuant to discount agreements, the banks were entitled to require the Company to settle any balance of such acceptance if not accepted when due, and the Company therefore had on-going involvement with them. As at 31 December 2017, discounted bank acceptance not yet due amounted to RMB2,169,102,479.25 (31 December 2016: RMB1,489,320,047.19).

XI. Fair value

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

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement of fair value	—	—	—	—
(I) Financial assets measured at fair value through current profit or loss				0.00
(2) Equity instrument investment		94,000,000.00	94,000,000.00	
(IV) Biological assets				0.00
1. Consumable biological assets		1,212,770,435.34	1,212,770,435.34	
Total assets continuously measured at fair value		1,306,770,435.34	1,306,770,435.34	
II. Discontinuous measurement of fair value	—	—	—	—

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XI. Fair value (Cont'd)

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

(1) Financial assets designated at fair value through profit or loss

The Company's available-for-sale financial assets include investments in Guangdong Dejun Investment Co., Ltd. for fixed returns. The Company also signed a three-year repurchase agreement for the equity interest with Shanghai Zhongneng Enterprise Development (Group) Co., Ltd., another shareholder of Guangdong Dejun Investment Co., Ltd., pursuant to which Shanghai Zhongneng Enterprise Development (Group) Co., Ltd or its designated third party will acquire 50% equity interests held by the Company in Guangdong Dejun Investment Co., Ltd. at an annual 4% premium.

(2) Biological Assets

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

Key input of the method includes expected annual income and discount rate.

Expected annual profit = expected annual income - expected total input

Expected annual income = expected output x expected sales price

Expected output = based on normal output of the Company's logging

Expected sales price = normal sales price of the Company in 2017

Expected total input is based on total historic input of saplings growing of the Company up to logging.

Discount rate is 10.21%, based on the yield prevailing in the industry.

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

(1) Financial assets designated at fair value through profit or loss

The Company calculates gains from changes in fair value from the portion of financial assets at a 4% premium according to the contractual agreement. The total amount of the assets was added in the current period. The Company will continue to focus on the analysis of the variables affecting the assets, such as keeping an eye on the financial information and credit profile of Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. to ensure the accuracy of gains from changes in fair value.

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XI. Fair value (Cont'd)

3. Level 3 continuous measurement, adjustment between opening and closing value and sensitivity of unobservable inputs (Cont'd)

(2) Biological Assets

Opening carrying amount	1,260,027,400.71
Sapling increase during the year	
Sales decrease during the year	26,256,923.04
Change in fair value through profit or loss for the year	21,000,042.33
Closing carrying amount	1,212,770,435.34

The Company adopts sensitivity analysis techniques to analyse the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

Item	Change in discount rate	For the year		For the prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Consumable biological assets	Increase of 1 percentage point	-49,440,118.54	-49,440,118.54	-52,728,475.37	-52,728,475.37
Consumable biological assets	Decrease of 1 percentage point	53,618,250.63	53,618,250.63	57,146,004.46	57,146,004.46
Consumable biological assets	1% increase in price	17,873,918.15	17,873,918.15	19,606,428.81	19,606,428.81
Consumable biological assets	1% decrease in price	-17,289,076.35	-17,289,076.35	-19,606,428.81	-19,606,428.81

4. Fair value of financial assets and financial liabilities not measured at fair value

(1) Financial instruments not measured at fair value

The financial assets and financial liabilities not measured at fair value mainly consist of: accounts receivable, short-term borrowings, accounts payable, long-term borrowings, bonds payable and long-term payables.

The carrying amount of the above financial assets and financial liabilities deviates from the fair value by a small amount.

(2) As at 31 December 2017, the Company had no financial instruments measured at fair value (31 December 2016: Nil).

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XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Shouguang Chenming Holdings Co., Ltd.	Shouguang City	Investment in manufacture of paper, electricity, steam, arboriculture	1,238,787,700.00	27.67%	27.67%

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

2. Subsidiaries of the Company

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

3. Joint ventures and associates of the Company

Please refer to Note VIII. 2. Interest in joint ventures or associates for details.

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

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

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

4. Other related parties

Name of other related parties	Relation
Shandong Shouguang Jinxin Investment Development Holdings Group	Shareholder of the Company's largest shareholder
Shouguang Henglian Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Shouguang Ruifeng Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Chenming Holdings (Hong Kong) Limited	Subsidiary of the Company's largest shareholder
Zhanjiang Chenming Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Qingdao Hongji Weiye Investment Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengying Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengtai Enterprise Investment Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Huixin Construction Materials Co., Ltd.	Subsidiary of the company invested by the Company's Director and senior management
Shouguang Chenming Guangyuan Real Property Co., Ltd. and its subsidiaries	Subsidiary of the company invested by the Company's Director and senior management
Qingdao Chenming Nonghai Investment Co., Ltd. and its subsidiaries	Subsidiary of the company invested by the Company's Director and senior management
Nanchang Chenjian New-style Wall Materials Co., Ltd.	Subsidiary of the company invested by the Company's Director and senior management
Shouguang Hengde Enterprises Investment Co., Ltd.	Subsidiary of the company invested by the Company's Director and senior management
Zhejiang Huaming Investment Management Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors
Hebei Chenming Zhongjin Real Estate Development Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Wuhan Chenming Zhongjin Real Estate Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Share participating company of the Company
Zhejiang Guangyu Idall Print Co., Ltd	Share participating company of the Company
Anhui Time Source Corporation	Share participating company of the Company
Shandong Hongqiao Venture Capital Co., Ltd.	Share participating company of the Company
Shanghai Hengzheng Venture Investment Center (Limited Partnership)	Share participating company of the Company
Guangdong Dejun Investment Co., Ltd.	Share participating company of the Company
Jiangxi Chenming Natural Gas Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Director in the past twelve months

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

5. Related party transactions

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

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amount during the period	Transaction facility approved	Whether the transaction facility is exceeded	Amount during the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Procurement of natural gas	147,672,678.06	350,000,000.00	No	169,436,914.53

Table on sales of goods/providing of services

Unit: RMB

Related Party	Details of related party transaction	Amount during the period	Amount during the prior period
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Sales of paper	381,903.20	519,612.20
Anhui Time Source Corporation	Sales of paper	164,772,473.79	286,598,827.81

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

5. Related party transactions (Cont'd)

(2) Guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Weifang Sendamei West Port Co., Ltd.	50,000,000.00	20 December 2017	20 December 2027	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	02 March 2017	12 February 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	550,000,000.00	30 March 2017	29 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	350,000,000.00	01 April 2017	29 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	10 February 2017	09 February 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	175,000,000.00	02 March 2017	01 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	28 April 2017	27 April 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	73,000,000.00	17 May 2017	16 May 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	03 January 2017	02 January 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	06 September 2017	05 September 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	12 October 2017	11 January 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	16 October 2017	15 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	18 October 2017	17 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	06 November 2017	05 November 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	17 November 2017	16 November 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	450,000,000.00	08 December 2017	07 December 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	20 December 2017	19 December 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	21 December 2017	20 December 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	190,000,000.00	26 October 2016	26 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,000,000.00	03 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	20 June 2017	20 June 2019	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	53,580,440.00	05 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	130,684,000.00	21 December 2017	20 December 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,342,000.00	26 October 2016	26 October 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	214,000,000.00	07 June 2017	07 June 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	72,000,000.00	29 November 2017	29 November 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	522,754,100.00	22 May 2015	26 March 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	116,176,247.00	24 November 2015	10 November 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	546,161,000.00	17 December 2015	16 December 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	309,751,310.00	02 March 2016	17 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	309,751,310.00	18 March 2016	02 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	159,088,897.00	28 July 2016	12 July 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	18,140,000.00	17 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	17 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,000,000.00	14 December 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	14 December 2015	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	14 December 2015	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	39,000,000.00	24 June 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	21,000,000.00	05 January 2017	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	05 January 2017	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	05 January 2017	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	59,000,000.00	05 January 2017	26 June 2020	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Huanggang Chenming Pulp & Paper Co., Ltd.	1,000,000.00	03 February 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	03 February 2017	26 September 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	03 February 2017	26 December 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	9,000,000.00	03 February 2017	26 March 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,671,000.00	07 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	7,187,620.00	20 July 2016	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,880,780.00	22 July 2016	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	4,704,624.00	22 July 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	2,778,341.84	08 August 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	34,369,892.00	16 August 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	3,886,542.16	26 September 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	52,273,600.00	26 September 2016	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	52,273,600.00	26 September 2016	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	52,273,600.00	26 September 2016	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	16,500,161.84	26 September 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,415,914.00	05 December 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,319,550.00	05 December 2016	26 September 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	41,508,236.00	05 December 2016	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	24,811,314.00	12 April 2017	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,319,550.00	12 April 2017	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	10,299,036.00	12 April 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 December 2015	29 December 2018	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	01 May 2017	01 May 2018	No
Jiangxi Chenming Paper Co., Ltd.	14,843,188.42	16 June 2017	16 June 2018	No
Jiangxi Chenming Paper Co., Ltd.	21,562,860.00	20 June 2017	16 June 2018	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	17 October 2017	16 October 2018	No
Jiangxi Chenming Paper Co., Ltd.	35,470,151.57	06 September 2017	16 June 2018	No
Jiangxi Chenming Paper Co., Ltd.	19,798,626.00	27 November 2017	25 May 2018	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	30 September 2017	30 March 2018	No
Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	30 September 2016	29 September 2018	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	16 March 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	01 April 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	12 June 2017	12 June 2019	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	29 November 2017	29 November 2019	No
Shouguang Meilun Paper Co., Ltd.	500,000,000.00	29 December 2017	15 January 2021	No
Shandong Chenming Paper Sales Co., Ltd.	130,000,000.00	05 June 2017	05 June 2018	No
Shandong Chenming Paper Sales Co., Ltd.	420,000,000.00	19 July 2017	20 July 2018	No
Shandong Chenming Paper Sales Co., Ltd.	300,000,000.00	23 August 2017	07 March 2018	No
Shandong Chenming Paper Sales Co., Ltd.	254,031,087.21	21 September 2017	21 March 2018	No
Shandong Chenming Paper Sales Co., Ltd.	400,440,000.00	10 November 2017	09 May 2018	No
Shandong Chenming Paper Sales Co., Ltd.	450,000,000.00	13 November 2017	13 November 2018	No
Shandong Chenming Paper Sales Co., Ltd.	364,470,140.68	27 November 2017	28 May 2018	No
Shandong Chenming Paper Sales Co., Ltd.	600,720,000.00	05 December 2017	05 June 2018	No
Shandong Chenming Paper Sales Co., Ltd.	505,133,660.83	06 December 2017	05 June 2018	No
Chenming (HK) Limited	131,990,840.00	27 January 2017	24 January 2018	No
Chenming (HK) Limited	174,789,850.00	22 February 2017	06 February 2018	No
Chenming (HK) Limited	115,328,630.00	05 April 2017	04 March 2018	No
Chenming (HK) Limited	159,793,861.00	18 April 2017	01 April 2018	No
Chenming (HK) Limited	153,226,990.00	21 April 2017	18 April 2018	No
Chenming (HK) Limited	94,745,900.00	15 June 2017	12 May 2018	No
Chenming (HK) Limited	266,268,650.00	20 June 2017	20 June 2018	No
Chenming (HK) Limited	31,037,450.00	30 June 2017	19 May 2018	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Chenming (HK) Limited	228,697,000.00	18 August 2017	01 August 2018	No
Chenming (HK) Limited	82,396,262.00	08 September 2017	02 August 2018	No
Chenming (HK) Limited	180,213,236.00	08 September 2017	24 June 2018	No
Chenming (HK) Limited	85,565,344.16	25 October 2017	24 September 2018	No
Chenming (HK) Limited	95,072,610.00	31 October 2017	08 October 2018	No
Chenming (HK) Limited	154,207,120.00	04 December 2017	20 June 2018	No
Chenming (HK) Limited	98,013,000.00	22 December 2017	10 December 2018	No
Chenming (HK) Limited	69,262,520.00	22 December 2017	10 December 2018	No
Chenming (HK) Limited	104,550,820.00	10 January 2017	09 January 2018	No
Chenming (HK) Limited	243,784,624.24	26 January 2017	11 January 2018	No
Chenming (HK) Limited	93,003,416.00	14 March 2017	02 March 2018	No
Chenming (HK) Limited	190,376,120.00	21 March 2017	16 February 2018	No
Chenming (HK) Limited	138,880,940.00	21 March 2017	13 March 2018	No
Chenming (HK) Limited	134,823,744.00	28 April 2017	16 April 2018	No
Chenming (HK) Limited	101,429,900.00	04 May 2017	30 April 2018	No
Chenming (HK) Limited	156,046,000.00	13 May 2017	27 April 2018	No
Chenming (HK) Limited	90,433,328.00	01 March 2017	09 February 2018	No
Chenming (HK) Limited	111,081,400.00	05 July 2017	15 June 2018	No
Chenming (HK) Limited	215,628,600.00	14 July 2017	26 July 2018	No
Chenming (HK) Limited	156,820,800.00	26 July 2017	10 August 2018	No
Chenming (HK) Limited	268,686,304.00	25 July 2017	07 June 2018	No
Chenming (HK) Limited	153,553,700.00	14 December 2017	14 June 2018	No
Chenming (HK) Limited	231,245,338.00	27 October 2017	11 October 2018	No
Chenming (HK) Limited	140,485,300.00	15 December 2017	28 May 2018	No
Chenming (HK) Limited	91,152,090.00	22 May 2017	09 April 2018	No
Chenming (HK) Limited	191,125,350.00	28 June 2017	04 June 2018	No
Chenming (HK) Limited	35,611,390.00	30 June 2017	22 June 2018	No
Chenming (HK) Limited	63,381,740.00	20 September 2017	06 August 2018	No
Chenming (HK) Limited	102,044,601.40	25 October 2017	04 October 2018	No
Chenming (HK) Limited	186,224,700.00	06 October 2016	30 August 2018	No
Chenming (HK) Limited	274,436,400.00	02 November 2016	10 September 2019	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Chenming (HK) Limited	346,312,600.00	18 January 2017	08 April 2019	No
Chenming (HK) Limited	201,299,341.53	12 January 2017	14 December 2019	No
Chenming (HK) Limited	267,902,200.00	07 November 2017	30 September 2019	No
Chenming (HK) Limited	140,441,400.00	24 May 2017	27 April 2019	No
Chenming (HK) Limited	150,000,000.00	30 September 2017	29 September 2018	No
Chenming (HK) Limited	30,000,000.00	17 October 2017	16 October 2018	No

(3) Distribution band of remuneration of key management staff

Item	Amount during the year	Amount during the prior year
Remuneration of key management staff	24.5397 million	21.6724 million

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amount during the year	Amount during The prior year
Total	24.5397 million	21.6724 million
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million	1	1
RMB3.60-4.00 million		
RMB3.20-3.60 million		
RMB2.80-3.20 million	1	1
RMB2.40-2.80 million	1	
RMB2.00-2.40 million	2	1
RMB1.60-2.00 million	3	
RMB1.20-1.60 million	1	3
RMB0.80-1.20 million		2
Below RMB0.80 million	14	25

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

5. Related party transactions (Cont'd)

(3) Distribution band of remuneration of key management staff (Cont'd)

② Breakdown of remuneration of key management staff

Key management staff	Amount during the year (RMB'000)			Total (RMB'000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Pan Ailing	12.00			12.00
Huang Lei	12.00			12.00
Liang Fu	12.00			12.00
Wang Fengrong	12.00			12.00
Sub-total of independent non-executive Directors	48.00			48.00
Yang Guihua	12.00			12.00
Zhang Hong	12.00			12.00
Sub-total of non-executive Directors	24.00			24.00
Chen Hongguo	491.59	5.23	2.18	499.00
Yin Tongyuan	290.59	5.23	2.18	298.00
Geng Guanglin	185.70	5.23	2.18	193.11
Li Feng	234.81	5.23	2.18	242.22
Sub-total of executive Directors	1,202.69	20.92	8.72	1,232.33
Li Dong	54.85	3.29	1.40	59.54
Sun Yinghua	44.51	4.89	2.00	51.40
Yang Hongqin	16.14	2.25	0.97	19.36
Liu Jilu	2.08			2.08
Zhang Xiaofeng	2.50			2.50
Total of Supervisors	134.88	10.43	4.37	134.88
Sub-total of other senior management members	973.98	28.76	12.02	1,014.76
Total	2,368.75	60.11	25.11	2,453.97

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

5. Related party transactions (Cont'd)

(3) Distribution band of remuneration of key management staff (Cont'd)

② Breakdown of remuneration of key management staff (Cont'd)

Key management staff	Amount during the prior year (RMB'000)			Total (RMB'000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Zhang Zhiyuan	5.00			5.00
Wang Aiguo	5.00			5.00
Pan Ailing	5.00			5.00
Huang Lei	2.92			2.92
Liang Fu	2.92			2.92
Wang Fengrong	2.92			2.92
Sub-total of independent non-executive Directors	23.76			23.76
Yang Guihua	5.00			5.00
Wang Xiaoqun	5.00			5.00
Zhang Hong	5.00			5.00
Sub-total of non-executive Directors	15.00			15.00
Chen Hongguo	491.19	4.78	2.03	498.00
Yin Tongyuan	291.19	4.78	2.03	298.00
Li Feng	126.93	4.78	2.03	133.74
Geng Guanglin	131.30	4.78	2.03	138.11
Wang Chunfang	57.29	3.55	1.51	62.35
Hou Huancai	17.75	4.78	2.03	24.56
Zhou Shaohua	52.27	5.45	2.11	59.83
Sub-total of executive Directors	1,167.92	32.90	13.77	1,214.59
Li Dong	22.85	3.48	1.48	27.81
Sun Yinghua	44.88	3.43	1.46	49.77
Yang Hongqin	15.93	2.29	0.97	19.19
Liu Jilu	1.46			1.46
Zhang Xiaofeng	1.46			1.46
Gao Junjie	53.86	4.15	1.76	59.77
Wang Ju		0.71	0.30	1.01
Yin Qixiang	2.50			2.50
Guo Guangyao	2.50			2.50
Total of Supervisors	145.44	14.06	5.97	165.47
Sub-total of other senior management members	717.22	21.90	9.30	748.42
Total	2,069.34	68.86	29.04	2,167.24

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

5. Related party transactions (Cont'd)

(3) Distribution band of remuneration of key management staff (Cont'd)

- ③ The 5 highest paid individuals of the Company during the year comprised of 3 directors and 2 other senior management of the Company. The remuneration band of the senior management was RMB2.00-2.40 million.

A. Remuneration of the five highest paid individuals

Item	Amounts during the year (RMB'0,000)	Amounts during the prior year (RMB'0,000)
Basic annual remuneration	1,421.26	1,268.35
Provident fund	8.72	23.90
Social welfare contribution	20.92	10.15
Total	1,450.90	1,302.40

B. Distribution band of remuneration of the five highest paid individuals

Band of annual remuneration	Number of individuals during the year	Number of individuals during the prior year
RMB4.80-5.20 million	1	1
RMB3.20-3.60 million		
RMB2.80-3.20 million	1	1
RMB2.40-2.80 million	1	
RMB2.00-2.40 million	2	1
RMB1.60-2.00 million		
RMB1.20-1.60 million		2

- ④ During the year, no other emoluments were paid by the Company to the directors of the Company and the 5 highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the year.

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

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Anhui Time Source Corporation			46,710,218.01	2,335,510.90
	Jiangxi Jiangbao Media Colour Printing Co. Ltd.			693,760.56	69,376.06
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	2,995,456.40	149,772.82		
	Total	2,995,456.40	149,772.82	47,403,978.57	2,404,886.96
Prepayments	Jiangxi Chenming Natural Gas Co., Ltd.	18,519,096.64		1,984,282.12	
	Total	18,519,096.64		1,984,282.12	
Other receivables	Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,191,705.08	1,191,705.08	1,191,705.08	1,191,705.08
	Wuhan Chenming Wan Xing Real Estate Co., Ltd.			1,284,982,919.14	
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.			1,992,435.48	99,621.77
	Guangdong Dejun Investment Co., Ltd.	128,291,400.00	6,414,570.00		
	Total	129,483,105.08	7,606,275.08	1,288,167,059.70	1,291,326.85

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	42,189,702.27	40,372,663.84

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XIII. Undertaking and contingency

1. Significant commitments

Significant commitments as at the balance sheet date

(1) Capital commitment

Item	Closing balance	Opening balance
Contracted but not yet recognised in the financial statements		
Commitments in relation to acquisition and construction of long-term assets	3,826,992,695.73	5,798,429,688.37
Huirui BT Project	2,500,000,000.00	3,000,000,000.00
Total	6,326,992,695.73	8,798,429,688.37

(2) Operating lease commitments

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

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	4,382,201.43	24,255,504.88
The second year after balance sheet date	4,777,714.37	15,163,089.04
The third year after balance sheet date	5,133,887.63	14,855,680.29
In the years thereafter	179,556,362.24	531,299,664.72
Total	193,850,165.67	585,573,938.93

2. Contingency

(1) Significant contingency as at the balance sheet date

The Company received a statutory demand in respect of alleged claims for the total amount of contractual compensation of RMB167,860,000 and the interest thereon, legal costs of USD3,548,900 and the interest thereon and arbitration fees of HKD3,303,900 and the interest thereon made by an alleged creditor pursuant to Companies (Winding up and Miscellaneous Provisions) Ordinance delivered to the Company on 18 October 2016.

On 5 July 2017, the Company initiated legal proceedings for a civil complaint against Arjowiggins HKK2 Limited (“HKK2”) and related parties at the Intermediate People’s Court of Weifang City in Shandong Province of the People’s Republic of China (“Weifang Court”). The Civil Complaint was admitted to be heard by Weifang Court on 8 July 2017. The Company and HKK2 entered into a joint venture agreement to establish a joint venture in 2005. As one of the shareholders of the Joint Venture, the Company, on behalf of the Joint Venture filed the Civil Complaint against HKK2 and related parties for loss suffered by the Joint Venture. HKK2 filed a summons (Case Number: HCCT53/2015) at the Court of First Instance of the High Court of the HKSAR on 10 October 2017 to restrain the Company from further proceeding with the Civil Complaint that it had filed on 5 July 2017 against HKK2 and the related parties before Weifang Court.

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XIII. Undertaking and contingency (*Cont'd*)

2. Contingency (*Cont'd*)

(1) Significant contingency as at the balance sheet date (*Cont'd*)

Justice Mimmie Chan of the Court of First Instance of the High Court of the HKSAR on 19 January 2018 in chambers (open to public) ordered that the Company be restrained from further proceeding with the Civil Complaint that it has filed on 5 July 2017 against HKK2 and the related parties before Weifang Court. The Company has withdrawn the Civil Complaint from Weifang Court on 22 February 2018.

As set out in the announcement of the Company dated 17 July 2017, the Company has appealed against the order of Justice Harris dated 14 June 2017 on 12 July 2017. The hearing is expected to be for one day, and scheduled to be conducted at the Court of Appeal of the High Court of the HKSAR at 10:00am on 11 May 2018.

Pursuant to an order made by Judge Harris on 28 August 2017, the Company has procured payment by a third party into the High Court of the HKSAR in the sum of HK\$389,112,432.44 (this being the Hong Kong dollar equivalent of the amount set out in the Statutory Demand and interest thereon from 19 October 2016 to 27 August 2018).

As of 31 December 2017, the Company made provision of RMB325,259,082.28 for this litigation. As judgment of the Court of the HKSAR is yet to be made, the provision is uncertain.

XIV. Post-balance sheet date event

1. Profit distribution

On 27 March 2018, the eighth meeting of the eighth session of the Board of the Company was held to approve the 2017 profit distribution proposal. Based on the total ordinary share capital of 1,936,405,467 shares as at the end of 2017 and the 774,526,678 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB5.81 as at the end of 2017, a cash dividend of RMB6 (tax inclusive) per 10 shares will be distributed to ordinary shareholders, a cash dividend of RMB6 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares, and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. A cash dividend of RMB1,161,843,280.20 will be distributed to ordinary shareholders and a variable cash dividend of RMB464,716,006.88 will be distributed to holders of preference shares.

2. Other post-balance sheet date event

- (1) On 12 January 2018, the Company entered into an equity transfer agreement with Xuchang Chenzhuo Trading Co., Ltd. (許昌市晨卓貿易有限公司), to transfer 30% equity interests in Xuchang Chenming Paper Co., Ltd. held by the Company through the Shandong Weifang Property Right Exchange Center at a transfer price of RMB30 million. After the equity transfer, the Company held 30% equity interests in Xuchang Chenming Paper Co., Ltd. and no longer exercised control over it.
- (2) On 29 January 2018, the Company entered into an equity transfer agreement with Guangdong Dejun Investment Co., Ltd., to transfer 30% equity interests in Shanghai Hongtai Real Estate Co., Ltd. held by Guangdong Dejun Investment Co., Ltd. to the Company at a consideration of RMB1.275 billion. After the equity transfer, the Company held 75% equity interests and voting rights in Shanghai Hongtai Real Estate Co., Ltd.

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XV. Other material matters

1. Corrections on previous accounting errors

(1) Retrospective restatement method

Unit: RMB

Corrections on accounting errors	Resolutions	Names of affected items in the statements for respective comparable period	Cumulative amount affected
<p>Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, applied for the high and new technology enterprise certification since 2015. The Company was awarded the national High and new technology enterprise certificate on 28 March 2016 and a public announcement was made on the same day. The Company's annual report was published on 30 March 2016. As the date the Company received the certificate approximates the publication of its annual report, the income tax expense of Zhanjiang Chenming for 2015 was prepaid at an income tax rate of 25%. In May 2016, when Zhanjiang Chenming settled the income tax for 2015, the tax authorities agreed to calculate income tax at the rate of 15% for 2015, and taxes overpaid of RMB65,952,632.95 were refunded in August 2016. The Company directly offset the current income tax expense for 2016 after receipt of refund, as a result, there was an error in the amount of income tax in 2015 and 2016. The Company made corrections on previous accounting errors during the current period. The prepaid tax of the Company calculated at the income tax rate of 15% will deduct deferred tax assets of RMB544,599.45 as at 31 December 2015 and income tax expense of RMB65,408,033.50 for 2015 (among which, current income tax expense deducted by RMB65,952,632.95 and deferred income tax expense raised by RMB544,599.45).</p>	<p>2016 financial statements were corrected</p>	Income tax expense (2016)	Increased by RMB 65,408,033.50
		Undistributed profits at the beginning of the period (1 January 2016)	Decreased by RMB 65,408,033.50

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XV. Other material matters (Cont'd)

2. Segment information

(1) Basis for determination and accounting policies

According to the internal organisation structure, the requirement of management and the internal reporting system of the Company, the operating businesses of the Company are categorised into 4 reporting segments, such classification is based on the categories of primary products. The management of the Group evaluates the financial results of such reporting segments on a regular basis, in order to allocate the resources and evaluate their results. The primary products or services provided by each reporting segment of the Company include machine-made paper, construction materials, financial services and others.

The information from the reporting segments is disclosed in accordance with the accounting policies and measurement standards adopted by each of the reporting segment when reporting to the management, which are consistent with the accounting policies and measurement standards adopted in the preparation of the financial statements.

(2) Financial information of reporting segment

Unit: RMB

Item	Machine-made paper	Construction materials	Financial services	Others	Inter-segment elimination	Total
Revenue	2,705,871.88	22,557.30	313,056.70	42,443.76	98,755.26	2,985,174.38
Costs	1,858,749.39	21,172.75	151,345.78	40,406.39	98,755.26	1,972,919.05
Total assets	11,953,106.56	39,038.93	4,455,246.15	1,063,927.99	6,960,241.13	10,551,078.50
Total liabilities	8,565,258.69	16,180.97	3,186,310.94	687,243.14	4,922,393.76	7,532,599.98

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

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable that are individually significant but assessed individually for impairment					0.00					0.00
Accounts receivable that are collectively assessed for impairment based on credit risk characteristics	8,860,393.90	100.00%	671,643.45	7.58%	8,188,750.45	85,778,155.11	100.00%	1,688,243.30	1.97%	84,089,911.81
Accounts receivable that are individually insignificant but assessed individually for impairment					0.00					0.00
Total	8,860,393.90	100.00%	671,643.45	7.58%	8,188,750.45	85,778,155.11	100.00%	1,688,243.30	1.97%	84,089,911.81

Accounts receivable that are individually significant but assessed individually for impairment as at the end of the period:

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance Provision for bad debts	Percentage
Items within 1 year			
1 to 2 years	4,422,600.00	442,260.00	10.00%
2 to 3 years	—	—	—
Over 3 years	229,383.45	229,383.45	100.00%
Total	4,651,983.45	671,643.45	—

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

Applicable Not applicable

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

1. Accounts receivable (Cont'd)

(1) Accounts receivable by category (Cont'd)

Accounts receivable using other measurements for making bad debt provision in groups:

Group	Accounts receivable	Closing balance Provision for bad debts	Percentage
Risk-free group	4,208,410.45		
Total	4,208,410.45		

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

Bad debt provision for the current year amounted to RMB1,276,764.01. The amount for bad debt provision recovered or reversed for during the current year was RMB2,293,363.86.

(3) Particulars of doubtful accounts not actually written-off during the year

(4) Top five accounts receivable based on closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the year was RMB8,402,430.45, which accounted for 94.83% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB562,260.00.

2. Other receivables

(1) Other receivables by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
① Other receivables that are individually significant but assessed individually for impairment	26,824,764.17	0.12%	26,824,764.17	100.00%	0.00	13,295,125.16	0.06%	13,295,125.16	100.00%	
② Other receivables that are collectively assessed for impairment based on credit risk characteristics	22,388,938,155.65	99.86%	37,734,670.82	0.17%	22,351,203,484.83	22,879,345,136.34	99.92%	30,659,150.60	0.13%	22,848,685,985.74
Specific fund portfolio	22,149,207,225.50	98.79%			22,149,207,225.50	22,803,271,489.24	99.59%			22,803,271,489.24
Ageing portfolio	239,730,930.15	1.07%	37,734,670.82	15.74%	201,996,259.33	76,073,647.10	0.33%	30,659,150.60	40.30%	45,414,496.50
③ Other receivables that are individually insignificant but assessed individually for impairment	4,316,922.88	0.02%	4,316,922.88	100.00%	0.00	4,335,364.21	0.02%	4,335,364.21	100.00%	
Total	22,420,079,842.70	100.00%	68,876,357.87	0.31%	22,350,242,028.83	22,896,975,625.71	100.00%	48,289,639.97	0.21%	22,848,685,985.74

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

2. Other receivables (Cont'd)

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

Other receivables that are individually significant but assessed individually for impairment as at the end of the period:

Applicable Not applicable

Unit: RMB

Other receivables (by unit)	Other receivables	Closing balance		Reasons for provision
		Bad debt provision	Provision percentage	
Open credit	26,824,764.17	26,824,764.17	100.00%	Open credit of over three years and are unlikely to be recovered
Total	26,824,764.17	26,824,764.17	—	—

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

Applicable Not applicable

Unit: RMB

Age	Closing balance		Percentage
	Other receivables	Bad debt provision	
Within 1 year	201,755,648.03	10,087,782.40	5.00%
1 to 2 years	7,027,597.96	702,759.80	10.00%
2 to 3 years	5,004,444.42	1,000,888.88	20.00%
Over 3 years	25,943,239.74	25,943,239.74	100.00%
Total	239,730,930.15	37,734,670.82	—

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

Applicable Not applicable

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

2. Other receivables (Cont'd)

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

Accounts receivable using other measurements for making bad debt provision in groups:

Applicable Not applicable

Other receivables individually insignificant but assessed individually for impairment

Other receivables	Book balance	Bad debt provision	Percentage (%)	Reason for provision
Open credit	4,316,922.88	4,316,922.88	100.00	Overdue for over three years and are unlikely to be recovered
Total	4,316,922.88	4,316,922.88	100.00	

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

The amount for bad debt provision provided for during the year was RMB30,733,379.86. The amount for bad debt provision recovered or reversed during the year was RMB10,211,210.36.

(3) There are no other receivables written off during the reporting period.

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

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Shandong Chenming Financial Leasing Co., Ltd.	Open credit	13,883,173,506.29	Within 1 year, 1-2 years	61.93%	
Shouguang Meilun Paper Co., Ltd.	Open credit	2,138,212,498.26	Within 1 year	9.54%	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Open credit	1,222,143,329.70	Within 1 year	5.45%	
Haicheng Haiming Mining Co., Ltd.	Open credit	851,856,864.02	Within 1 year	3.80%	
Shanghai Chenming Industry Co., Ltd.	Open credit	726,443,120.81	Within 1 year	3.24%	
Total	—	18,821,829,319.08	—	83.95%	

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

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Interest in subsidiaries	18,313,508,366.48		18,313,508,366.48	14,500,415,957.45		14,500,415,957.45
Interest in associates and joint ventures	360,525,877.01		360,525,877.01	57,681,701.04		57,681,701.04
Total	18,674,034,243.49		18,674,034,243.49	14,558,097,658.49		14,558,097,658.49

(1) Interest in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
Chenming Paper Korea Co., Ltd.	6,143,400.00			6,143,400.00		
Chenming GmbH	4,083,235.00			4,083,235.00		
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	1,000,000.00			1,000,000.00		
Haicheng Haiming Mining Co., Ltd.	144,000,000.00			144,000,000.00		
Hailaer Chenming Paper Co., Ltd.	12,000,000.00			12,000,000.00		
Huanggang Chenming Pulp & Paper Co., Ltd.	1,200,000,000.00			1,200,000,000.00		
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00			70,000,000.00		
Jilin Chenming Paper Co., Ltd.	1,501,350,000.00			1,501,350,000.00		
Jinan Chenming Investment Management Co., Ltd.	100,000,000.00			100,000,000.00		
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40			822,867,646.40		
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43			157,810,117.43		
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	202,824,716.34			202,824,716.34		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	3,000,000,000.00	2,000,000,000.00		5,000,000,000.00		
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80			113,616,063.80		

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

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

(1) Interest in subsidiaries (Cont'd)

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
Shouguang Meilun Paper Co., Ltd.	4,646,349,570.28		196,907,590.97	4,449,441,979.31		
Shouguang Shun Da Customs Declaration Co, Ltd.	1,500,000.00			1,500,000.00		
Shandong Chenming Paper Sales Co., Ltd.	662,641,208.20			662,641,208.20		
Shouguang Chenming Import and Export Trade Co., Ltd.	100,000,000.00	150,000,000.00		250,000,000.00		
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00			2,000,000.00		
Shouguang Chenming Industrial Logistics Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Hongxin Packaging Co., Ltd.	1,000,000.00		1,000,000.00			
Shouguang Hongxiang Printing and Packaging Co., Ltd.	2,730,000.00	1,000,000.00		3,730,000.00		
Shandong Chenming Group Finance Co., Ltd.	1,600,000,000.00	800,000,000.00		2,400,000,000.00		
Chenming Arboriculture Co., Ltd.	45,000,000.00			45,000,000.00		
Qingdao Chenming International Logistics Co., Ltd.	3,000,000.00			3,000,000.00		
Xuchang Chenming Paper Co., Ltd.		60,000,000.00		60,000,000.00		
Shanghai Chenming Industry Co., Ltd.		1,000,000,000.00		1,000,000,000.00		
Total	14,500,415,957.45	4,011,000,000.00	197,907,590.97	18,313,508,366.48		

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

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

(2) Interest in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Change for the period					Closing balance	
				Investment gain or loss recognised under equity method	Adjustment of comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision		Others
I. Joint venture										
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,338,480.03			-251,183.31						3,087,296.72
Weifang Sime Darby West Port Co., Ltd		106,110,000.00		-1,325,077.59						104,784,922.41
Sub-total	3,338,480.03	106,110,000.00		-1,576,260.90						107,872,219.13
II. Associates										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	3,063,072.03			-1,309,020.57						1,754,051.46
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	51,280,148.98			638,284.43						51,918,433.41
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)		200,000,000.00		-1,018,826.99						198,981,173.01
Sub-total	54,343,221.01	200,000,000.00		-1,689,563.13						252,653,657.88
Total	57,681,701.04	306,110,000.00		-3,265,824.03						360,525,877.01

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

4. Revenue and operating costs

Unit: RMB

Item	Amount during the year		Amount during the prior year	
	Revenue	Costs	Revenue	Costs
Principal activities	6,033,262,719.79	3,970,890,010.22	6,361,080,244.68	4,969,920,613.20
Other activities	1,167,660,784.17	1,020,463,556.73	883,360,709.88	784,239,702.31
Total	7,200,923,503.96	4,991,353,566.95	7,244,440,954.56	5,754,160,315.51

Other explanations:

(2) Principal activities (by industry)

Industry	Amount during the year		Amount during the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	5,988,924,791.89	3,929,510,292.27	6,224,437,178.15	4,883,989,548.05
Electricity and steam	44,337,927.90	41,379,717.95	136,643,066.53	85,931,065.15
Total	6,033,262,719.79	3,970,890,010.22	6,361,080,244.68	4,969,920,613.20

(3) Principal activities (by geographical areas of machine-made paper)

Region	Amount during the year		Amount during the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	5,467,298,324.47	3,447,744,765.77	5,772,325,937.48	4,390,263,781.68
Other countries and regions	521,626,467.42	481,765,526.50	452,111,240.67	493,725,766.37
Total	5,988,924,791.89	3,929,510,292.27	6,224,437,178.15	4,883,989,548.05

(4) Revenue from top 5 customers of the Company

Period	Total revenue from top 5 customers	Percentage of the revenue for the period (%)
2016	5,973,767,422.86	82.96
2015	6,203,786,179.75	85.64

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

5. Investment income

Unit: RMB

Item	Amount during the period	Amount during the prior period
Income from long-term equity investments accounted for using the cost method		350,000,000.00
Income from long-term equity investments accounted for using the equity method	-3,265,824.03	143,952.00
Investment gain on disposal of long-term equity investments		-208,000,000.00
Investment return on available-for-sale financial assets held	128,691,400.00	
Investment gain from available-for-sale financial assets		519.26
Interest income from entrusted loans	13,312,368.97	87,608,490.56
Total	138,737,944.94	229,752,961.82

XVII. Supplementary information

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

√ Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets	65,853,273.77	
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	392,774,230.02	
Gain on difference between the amount of investment by the Company to subsidiaries, associates and joint ventures and the fair value of identifiable net assets of the investees attributable to the Company	143,867,008.14	
Gain and loss from debt restructuring	24,309.62	
Profit or loss arising from contingency events irrelevant to the normal operation of the Company	-325,259,082.28	
Except for effective hedging business conducted over the course of ordinary operation of the Company, gain or loss arising from fair value change in held-for-trading financial assets and held-for-trading financial liabilities, as well as investment gain on disposal of held-for-trading financial assets and held-for-trading financial liabilities and available-for-sale financial assets	94,000,000.00	
Gain or loss on external entrusted loans	13,312,368.97	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-21,000,042.33	
Non-operating gains and losses other than the above items	33,659,216.99	
Less: Effect of income tax	50,196,013.15	
Effect of minority interest	3,488,835.77	
Total	343,546,433.98	—

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XVII. Supplementary information (Cont'd)

1. Breakdown of extraordinary gains and losses for the current period (Cont'd)

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

Applicable Not applicable

2. Returns on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	15.80%	1.70	1.70
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	14.15%	1.52	1.52

Note: The net profit attributable to ordinary shareholders of the company has deducted other equity instruments - perpetual debt can be deferred and accrued to the interest paid in subsequent periods. The impact of dividends on the preference shares of other equity instruments declared to be released after consideration and approval. When calculating the financial indicators of earnings per share and weighted average return on equity, the interest on perpetual bonds of RMB153,140,000.00 and the dividends on issuance of preference shares of RMB333,702,107.35 are deducted during the reporting period.

Item	Profit for the reporting period
Net profit attributable to ordinary shareholders of the Company	3,769,325,450.93
Less: The effect of accumulated interest on perpetual debt	153,140,000.00
Issued dividends of preferred stocks	333,702,107.35
Net profit attributable to ordinary shareholders of the Company	3,282,483,343.58

3. 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

(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

XIV 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 original copy of the auditors' report which is sealed by the accounting firm and signed and sealed by the certified public accountant;
- III. The original copies of all of the documents and announcements of the Company disclosed in the designated newspaper and on the website as approved by China Securities Regulatory Commission during the reporting period;
- IV. The annual report disclosed on the website of the Stock Exchange of Hong Kong Limited;
- V. Other related information.

The Board of Shandong Chenming Paper Holdings Limited
27 March 2018



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