



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



* 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”), the supervisors (the “Supervisors”) and the senior management (the “Senior Management”) of the Company hereby warrant the truthfulness, accuracy and completeness of the contents of the interim report (the “Report”), guarantee that there are no false representations, misleading statements or material omissions contained in the Report, and are jointly and severally responsible for the liabilities associated with the Report.

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 interim report.

All Directors were present at the Board meeting to consider and approve this Report.

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 exposures and the measures to be taken to address them as set out in Discussion and Analysis of Operations.

The Company does not propose distribution of cash dividends or bonus shares, and there will be no increase of share capital from reserves.

I Important Notice, Table of Contents and Definitions

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2018 Interim Report

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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	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.
Huanggang Chenming	means	Huanggang Chenming Pulp & 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.
Shanghai Chenming	means	Shanghai Chenming Industry Co., Ltd.
the reporting period	means	The period from 1 January 2018 to 30 June 2018
the beginning of the year or the period	means	1 January 2018
the end of the interim period or the period	means	30 June 2018

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業, 晨鳴B	Stock code	000488、200488
Stock abbreviation	晨鳴優01, 晨鳴優02 and 晨鳴優03	Stock code	140003、140004、 140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	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 (if any)	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
Name	Yuan Xikun	Zhao Xiaotong	Poon Shiu Cheong
Correspondence Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	(86)-0536-2158008	(852) 2501 0088
Facsimile	(86)-0536-2158977	(86)-0536-2158977	(852) 2501 0028
Email address	chenmmingpaper@163.com	chenmmingpaper@163.com	Kentpoon_1009@yahoo.com.hk

III. Other information

1. Contact methods of the Company

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

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2017 Annual Report for details.

2. Information disclosure and places for inspection

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

Applicable Not applicable

There was no change of the newspapers designated by the Company for information disclosure, designated websites for the publication of the Interim Report as approved by CSRC and places for inspection of the Company's Interim Report during the reporting period. Please refer to 2017 Annual Report for details.

II Company Profile and Key Financial Indicators

IV. Major accounting data and financial indicators

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

Yes No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	15,551,334,039.89	13,749,235,007.24	13.11%
Net profit attributable to shareholders of the Company (RMB)	1,784,631,025.31	1,745,514,838.23	2.24%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	1,537,896,765.44	1,623,294,558.21	-5.26%
Net cash flows from operating activities (RMB)	4,745,037,920.91	-4,112,941,768.39	215.37%
Basic earnings per share (RMB per share)	0.36	0.50	-28.00%
Diluted earnings per share (RMB per share)	0.36	0.50	-28.00%
Rate of return on net assets on weighted average basis	5.77%	7.24%	-1.47%
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Total assets (RMB)	107,076,479,252.92	105,625,096,076.92	1.37%
Net assets attributable to shareholders of the Company (RMB)	27,677,164,106.02	27,778,529,074.90	-0.36%

Explanation: ① Net profit attributable to shareholders of the Company does not exclude the effect of interest of perpetual bonds and the dividends of preference shares paid and declared to be paid. When calculating financial indicators such as earnings per share and the rate of return on net assets on weighted average basis, the interest for perpetual bonds from 1 January 2018 to 30 June 2018 of RMB172,143,397.26 and the dividend on preference shares paid and declared to be paid in 2018 of RMB562,816,006.80 are deducted.

② Pursuant to the profit distribution plan of the Company for 2017 approved at the 2017 annual general meeting, 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 was distributed to ordinary shareholders and a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held. The share capital of the Company increased by 968,202,733 shares. Corresponding adjustments were also made to the earnings per share for the same period last year.

II Company Profile and Key Financial Indicators

V. 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.

VI. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount	Explanation
Profit or loss from disposal of non-current assets (including write-off of asset impairment provision)	11,507,523.25	
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	239,364,403.83	
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	61,750,000.00	
Non-operating gains and losses other than the above items	6,630,471.21	
Gain or loss from changes in fair value of consumable biological assets subsequently measured at fair value	-23,973,841.55	
Less: Effect of income tax	48,149,545.22	
Effect of minority interests (after tax)	394,751.65	
Total	246,734,259.87	—

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 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 pulp production, paper making, finance and fibre while also developing forestry, mining and logistics. The Company is the only listed company with A shares, B shares, H shares and preference shares in issue in the PRC, the first industrial and financing company in the industry having a finance company and a financial leasing company and among the top 100 listed companies of the PRC, having maintained a leading position among its industry peers for over 20 consecutive years in terms of its main indicators of corporate economic efficiency. The machine-made paper business is the principal business of the Company while the machine-made paper business and financial leasing business are the 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.

The Company is a leading player in the paper making industry in China. Since its establishment, the Company has abided by the corporate mission of “revitalizing the national paper-making industry” and the corporate vision of building “a RMB100 billion company with a history of 100 years”. Deepening in its principal business of paper making, the Company 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, with each major product ranking among the best in terms of market share. The Company has the most diversified and complete set of product offering among the paper-making companies of the PRC, with considerable market competitiveness, bargaining power and risk resistance capacity.

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.

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, Chenming Leasing has been seeking the organic combination between industrial capital and financial capital and, on the basis of serving the upstream and downstream industry chain of the paper making industry, 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.

III 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

The paper making industry is an important basic raw materials industry which is closely related to the national economy and social development. In recent years, the supply and demand of the paper making industry grew at a steady pace, creating a relatively stable production and marketing environment. According to the 2017 Annual Report of the Paper Making Industry of China (《中國造紙業2017年年度報告》), in 2017, there were approximately 2,800 companies engaged in the production and paper and paper board in the PRC, with a nationwide paper and paper board production volume of 111,300,000 tonnes, representing a year-on-year increase of 2.53%; and a consumption volume of 108,970,000 tonnes, representing a year-on-year increase of 4.59%.

Since the implementation of the “Thirteenth Five Year Plan”, the paper making industry has been subject to stricter environmental requirements with elevated government focus on “clear water and green hills”. 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. Certain provinces and cities promulgated, among others, air pollution prevention programs and major pollutant emission reduction programs, signalling enhanced supervision of local governments over the pollution discharge of paper making companies. Driven by the supply-side reform and under the overlapping effect of stricter environment protection policies, more severe limit on import quota of waste paper and closer inspection, cost pressure will force certain small and medium-sized enterprises to exit the market, thereby further increasing the industry concentration ratio. On the other hand, leading enterprises, with obvious cost advantages and high cost transferability, will enjoy further increase in profitability and gradual growth in market share. In particular, the large leading enterprises having comprehensive environmental facilities with significant economies of scale will become the actual beneficiaries under these environmental protection policies.

Since initiating the forestry, pulp and paper integration strategic layout since 2001, the Company has enjoyed relatively high wood pulp self-sufficiency rate in the domestic paper making industry. On one hand, self-produced pulp enjoys significant cost advantage over purchased wood pulp, which enables the gross profit of the Company’s paper products to consistently rank among the top of the industry; on the other hand, the price of wood chips, the raw material for pulp making, is relatively stable, therefore, the procurement advantage of bulk supplies and the application of ancillary logistics services have significantly reduced the logistics and transportation costs of raw material and finished products, considerably increasing the Company’s cost advantage and quality stability.

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	During the reporting period, the Company acquired 14.2742% equity interest in Wuhan Chenming and 30% equity interest in Shanghai Hongtai from minority shareholders, and disposed of equity investment of 50% in Guangdong Dejun and 30% in Xuchang Chenming.
Fixed assets	During the reporting period, the phase I of Haiming mining project of a subsidiary was reclassified as assets so fixed assets increased by RMB582 million. As the shareholding in Xuchang Chenming decreased from 60% to 30%, Xuchang Chenming was excluded from scope of consolidation, and fixed assets decreased accordingly.
Intangible assets	During the reporting period, as the shareholding in Xuchang Chenming decreased from 60% to 30%, Xuchang Chenming was excluded from scope of consolidation, and intangible assets decreased accordingly.
Construction in progress	During the reporting period, the phase I of Haiming mining project of a subsidiary was reclassified as assets so construction in progress decreased by RMB582 million. Continued investment was made in the Huanggang integrated forestry, pulp and paper project, the Meilun new cultural paper project and the newsprint machinery-to-cultural paper machinery transformation project.

2. Major Assets Overseas

Applicable Not applicable

III Business Overview

III. Analysis of liquidity, financial resources and capital structure disclosed in accordance with the listing rules of the Hong Kong Stock Exchange

As at 30 June 2018, the Group's current ratio was 86.70%. The quick ratio was 75.88%. The gearing ratio was 72.95%. The accounts receivable turnover ratio was 461.44% (Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%). The inventory turnover ratio was 413.94% (Inventory turnover ratio = cost of sales of the products/weighted average net inventory*100%).

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

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

As at 30 June 2018, the total bank borrowings, corporate bonds, short-term commercial paper and medium-term notes and financial management of the Group were RMB46,351 million, RMB2,097 million, RMB10,161 million and RMB1,920 million, respectively (As at the end of the prior year: the total bank borrowings, corporate bonds, financial management and short-term commercial paper of the Group were RMB46,368 million, RMB2,196 million, RMB250 million and RMB10,797 million, respectively). As at 30 June 2018, the Group had monetary funds of RMB18,221 million (As at the end of the prior year: RMB14,443 million) in total (For the breakdown of monetary funds, please refer to "Section X. VII. 1 Note on Monetary Funds" in this report).

To strengthen our financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2018, the Group had 15,009 employees. The total staff remuneration for the first half of 2018 amounted to RMB636.7962 million (The Group had 13,579 employees in 2017. The total staff remuneration for 2017 amounted to RMB1,129.1552 million).

Major investment projects of the Company during the second half of 2018 will include Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang City's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Shouguang's 510,000 tonne high-end culture paper project and other projects.

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

For details of the assets with restricted ownership of the Group as at 30 June 2018, please refer to "Section X. VII. 62. Details of assets with restricted ownership or right of use" in this report.

As at 30 June 2018, no contingent event was required to be disclosed by the Group.

IV. Analysis of Core Competitiveness

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

No

III Business Overview

IV. Analysis of Core Competitiveness (Cont'd)

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 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.

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.

III Business Overview

IV. Analysis of Core Competitiveness (Cont'd)

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 process of innovation and development of the Company, 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 and 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, reclaimed water recovery system and black liquor comprehensive utilisation system. Relying on scientific and technological progress and innovation, the Company comprehensively promoted clean production and resource recycling. At the same time, the tightening of national environmental protection policies and supply-side structural reforms, as well as new and old kinetic energy conversion and upgrading policies will clear the obstacles for 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.

IV Discussion and Analysis of Operations

I. Overview

During the reporting period, the Company established and implemented new management concept by adhering to the main theme of “achieving growth amid stability” and committed itself to “team building, management enhancement, outstanding business performance and good results”. It has completed various works on maintaining stable operation, promoting growth, adjusting structure, preventing risk exposures and formulating favourable policies for employees.

In the first half of 2018, the Company completed the production of machine-made paper of 2.4051 million tonnes with sales of 2.2738 million tonnes and achieved revenue of RMB15,551 million, a year-on-year increase of 13.11%. The Company recorded operating costs of RMB10,260 million, a year-on-year increase of 11.87%. Total profit and net profit attributable to equity holders of the Company were RMB2,217 million and RMB1,785 million respectively, up by 6.65% and 2.24% from the prior year. The Company’s total assets amounted to RMB107,076 million. The Company experienced stable development across businesses with ever improving management systems, which were shown in the following aspects:

(I) Sales 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, abided by the working theme of “solid foundation, new talents, guaranteed implementation and strict evaluation” and broke new grounds in terms of price elevation, market construction and new product development. Through increased business knowledge training and outward bound training, optimization and adjustment to the appraisal and incentive schemes and market-based personnel integration, the Company enhanced team building and elevated team cohesiveness and strength. By way of developing direct-sale customers, perfecting the channel building and holding annual customer signing conferences, the Company steadily enhanced market construction. The Company enhanced management over accounts receivable, heightened prepayment operations, standardised its customer credit management and improved its prevention against market risks.

(II) Product management

The Company plugged up management loopholes by improving the safety management system, enhancing safety education training, identifying potential hazards and elevating process safety control; and ensured up-to-standard emission by optimizing operation technique, enhancing the identification of potential environmental hazards, real-time supervision of pollutant emission and clarifying on the control targets and standards. 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.

IV Discussion and Analysis of Operations

I. Overview (Cont'd)

(III) Finance and capital management

The Company constructed a financial business system with a more reasonable structure through active business expansion and strict risk control. The Company ensured efficient liquidity of the Company's capital through enhancing the planned management of revenue and expenditure as well as dispatching and compiled analysis on the capital; increased the application of new types of direct financing instruments, which boosted bank financing and lowered interest cost; maintained normal operation of the Company by way of, among others, offshore financing against domestic guarantee and bill of exchange to conduct foreign exchange financing under low interest rate; promoted the implementation of preferential policies; and stepped up efforts in cooperation with banks by entering into development financial cooperation agreement with the China Development Bank and a bank-enterprise strategic cooperation framework agreement with Guangdong Nanyue Bank, obtaining additional credit facilities of over RMB40.0 billion.

(IV) Project construction

The phase I of the magnesite mining project of Haiming Mining commenced operation in January 2018, principally engaged in the production of high-purity magnesia. Weifang Sime Darby West Port and the newly constructed port in Huanggang have officially commenced operation, which consistently lowers the logistics and transportation costs of raw materials and finished products. 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, which is scheduled to commence operation before the end of 2018. Viscose fibre and ancillary production facilities project of Huanggang Chenming and the cogeneration project are still in nascent stages. The commencement of operation and implementation of the above projects will play a very important role in the transformation and upgrading during the structural adjustment of the Company in elevating the vertical extension capacity of the Company, promoting sustainable development and achieving the strategic objectives of the Company.

(V) Corporate management

The Company actively carried out process and information construction, enhanced working efficiency and promoted management reform and system upgrade. The Company consistently strengthened its supervision and inspection as well as system improvement, enhanced the management system and hierarchical management and further standardized internal management. Multiple sessions of special training were organized to learn new concepts and new methods, elevating the management quality and business skills of the staff. The Company made active efforts to improve its performance appraisal, remuneration incentive and the promotion systems, introduced outstanding talents and inspired the enthusiasm and creativeness of the staff.

IV Discussion and Analysis of Operations

II. Analysis of principal operations

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

Year-on-year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/decrease year on year	Reason for the change
Revenue	15,551,334,039.89	13,749,235,007.24	13.11%	Mainly due to the year-on-year increase in the prices of machine-made paper of the Company.
Operating costs	10,259,884,918.86	9,171,066,988.49	11.87%	
Selling and distribution expenses	605,463,325.71	641,498,275.35	-5.62%	
Administrative expenses	972,856,522.65	856,354,999.17	13.60%	
Finance expenses	1,498,828,444.69	1,055,396,506.36	42.02%	Mainly due to the year-on-year increase in the financing costs of the Company.
Income tax expenses	434,202,112.50	331,253,327.08	31.08%	Mainly due to the year-on-year increase in the provision for income tax expenses as some companies turned around from losses to profits.
Investments in research and development	478,014,854.10	446,835,957.44	6.98%	
Net cash flows from operating activities	4,745,037,920.91	-4,112,941,768.39	215.37%	Mainly due to the net returns of the financial leasing business of the Company.
Net cash flows from investing activities	-470,806,697.24	-363,428,930.29	-29.55%	Mainly due to the year-on-year increase in investment in construction in progress.
Net cash flows from financing activities	-3,577,622,905.43	5,025,392,453.07	-171.19%	Mainly due to the increase in restricted bank deposits.
Net increase in cash and cash equivalents	726,576,915.27	441,630,376.91	64.52%	

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

Applicable Not applicable

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

IV Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

Components of principal operations

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/ decrease of revenue as compared to the corresponding period of the prior year	Increase/ decrease of operating costs as compared to the corresponding period of the prior year	Increase/ decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	13,160,393,022.74	9,406,171,649.42	28.53%	9.27%	9.00%	0.19%
Financial leasing	1,271,712,904.26	145,937,245.46	88.52%	12.73%	-28.09%	6.51%
By products						
Duplex press paper	3,324,864,006.83	2,304,888,627.64	30.68%	23.48%	16.55%	4.12%
Coated paper	2,574,542,786.42	1,785,563,297.08	30.65%	-0.53%	-2.91%	1.70%
White paper board	3,486,996,727.76	2,841,735,861.42	18.50%	18.94%	42.93%	-13.68%
Electrostatic paper	1,209,736,132.82	701,453,812.07	42.02%	13.78%	-1.99%	9.32%
Anti-sticking raw paper	681,182,446.30	403,184,572.06	40.81%	16.10%	2.92%	7.58%
Financial leasing	1,271,712,904.26	145,937,245.46	88.52%	12.73%	-28.09%	6.51%
By geographical segment						
Mainland China	14,019,216,475.40	8,922,766,389.48	36.35%	16.95%	14.43%	1.40%
Other countries and regions	1,531,781,930.08	1,353,506,642.35	11.64%	-2.77%	-1.45%	-1.18%

III. Analysis of non-principal operations

Applicable Not applicable

IV Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of the reporting period		As at the end of the corresponding period of the prior year		Percentage change	Description of major changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	18,221,475,254.64	17.02%	12,541,497,475.48	13.67%	3.35%	Mainly due to the increase in deposits for the issuance of bills and letters of credit, and borrowings.
Accounts receivable	3,771,972,562.50	3.52%	3,767,714,992.67	4.11%	-0.58%	
Inventories	6,429,315,741.47	6.00%	6,057,467,324.08	6.60%	-0.60%	
Investment properties	4,750,494,168.51	4.44%		0.00%	4.44%	Mainly due to the acquisition of 75% equity interest in Shanghai Hongtai by the Company.
Long-term equity investments	401,425,440.97	0.37%	169,207,699.57	0.18%	0.19%	Mainly due to the investment in the equity interest in Ningbo Kaichen by the Company.
Fixed assets	27,822,887,081.68	25.98%	28,536,783,322.01	31.10%	-5.12%	Mainly due to the reclassification as a result of the newsprint plant upgrade.
Construction in progress	9,622,048,648.75	8.99%	5,054,138,263.16	5.51%	3.48%	Mainly due to the continued investment made in the Meilun chemical pulp project, the 510,000 tonne cultural paper project and the Huanggang integrated forestry, pulp and paper project.
Short-term borrowings	34,822,972,619.60	32.52%	31,686,575,360.39	34.53%	-2.01%	Mainly due to the increase in working capital required for the production of the Company.
Long-term borrowings	7,206,918,851.77	6.73%	7,786,639,310.56	8.49%	-1.76%	
Long-term receivables	9,561,944,402.25	8.93%	9,573,697,226.65	10.43%	-1.50%	

IV 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							
Consumable biological assets	1,756,375,954.07	-23,973,841.55	75,500,956.76		76,793,558.03	293,219,430.75	1,515,976,239.80
Total	1,756,375,954.07	-23,973,841.55	75,500,956.76		76,793,558.03	293,219,430.75	1,515,976,239.80

Financial liabilities	0.00						0.00
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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 period	Reasons for such restriction
Monetary funds	14,690,489,964.91	As deposits for bank acceptance bills, letters of credit and bank borrowings, and deposit reserves
Bills receivable	1,902,685,841.26	As collateral for short-term borrowings, letters of guarantee and letters of credit
Fixed assets	7,882,378,100.81	As collateral for bank borrowings
Intangible assets	631,997,196.06	As collateral for bank borrowings and long-term payables
Investment property	4,750,494,168.51	As collateral for bank borrowings and long-term payables
Total	29,858,045,271.55	

V. Analysis of Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
8,232,854,389.46	6,933,152,584.60	18.75%

IV Discussion and Analysis of Operations

V. Analysis of Investments (Cont'd)

2. Material equity investments during the reporting period

√ Applicable □ Not applicable

Unit: RMB

Name of investees	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	Lawsuits involved or not	Date of disclosure (if any)	Disclosure index (if any)
Beijing Chemming Financial Leasing Co., Ltd.	Financial leasing and operation leasing	Newly established	1,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	17 May 2018 to 16 May 2018	Financial leasing	Not completed		No	No	30 January 2018	http://www.cmfib.com.cn
Shanghai Hongtai Real Estate Co., Ltd.	Real estate development and operation and property management	Acquisition	1,171,957,789.46	75.00%	Self-owned funds	Shanghai Xiniuangou Real Estate Co., Ltd.	31 January 1994 to 30 January 2014	Real estate	Completed		-82,830,427.25	No	30 January 2018	http://www.cmfib.com.cn
Shanghai Chemming Industry Co., Ltd.	Industrial investment, commercial consultation and property management	Capital increase	4,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	15 September 2017 to 14 September 2017	Enterprise investment etc.	Not completed		-16,195,308.47	No	17 April 2018	http://www.cmfib.com.cn
Shandong Chemming Group Finance Co., Ltd.	Business as permitted by the China Banking Regulatory Commission pursuant to relevant laws, administrative regulations and other regulations	Capital increase	2,000,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	Long-term	Corporate financial business	Not completed		102,249,295.87	No	27 April 2018	http://www.cmfib.com.cn
Wuhan Chemming Hanyang Paper Holdings Co., Ltd.	Production and sales of machine-made paper, paper board and paper making machinery	Acquisition	60,896,600.00	65.21%	Self-owned funds	Aberdeen Industrial Limited, Hong Kong Dongfang Huixin Holdings Limited, Hubei Xinhua Printing Industry Park Co., Ltd., Hubei Changjiang Publishing & Media Group Co., Ltd. and Hubei Zhiyin Printing Co., Ltd.	29 June 2004 to 18 November 2018	Machine-made paper and paper making machinery	Completed		12,815,517.34	No	24 May 2018	http://www.cmfib.com.cn
Total			8,229,854,389.46								16,039,081.49			

IV Discussion and Analysis of Operations

V. Analysis of 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 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	751,820,356.99	3,234,802,612.44	Self-raised and borrowings	92%	The expected average total profit per annum of the project will amount to RMB350 million.	0	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	700,746,887.09	1,397,957,131.33	Self-raised and borrowings	37.17%	Upon the completion of construction and commencement of production of the project, the expected profit will amount to RMB308 million.	0	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	533,044,387.01	2,335,015,663.33	Self-raised and borrowings	53.35%	Upon the completion of construction and commencement of production of the project, the expected total profit will amount to RMB410 million.	0	Not yet completed	21 March 2014	http://www.cninfo.com.cn
Newsprint paper machinery-to-cultural paper machinery transformation and ancillary pulp production line transformation	Self-constructed	Yes	Paper making and pulp production	1,131,232,128.35	1,131,232,128.35	Self-raised and borrowings	99%			Not yet completed		Not applicable
Total	—	—	—	3,116,843,759.44	8,099,007,535.45	—	—	—	—	—	—	—

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.

IV Discussion and Analysis of Operations

VI. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

The Company did not dispose of any material asset during the reporting period.

2. Disposal of material equity interest

Applicable Not applicable

Counterparty(ies)	Equity 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	Ratio of net profit contribution to the Company of disposal of equity over total net profit (%)	Pricing basis of disposal of equity	Related party transaction or not	Relationship with counterparty (ies) (in case of related party transaction)	Relevant equity title fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.	Guangdong Dejun Investment Co., Ltd.	16 April 2018	263,404.14	6,175	The disposal can effectively increase the Company's cash flow, which enables the Company to concentrate on capital advantages, better support the development of competitive businesses and further enhance business performance.	2.94%	Fair value	No	Not related party	Yes	Disposal completed	17 April 2018	http://www.cninfo.com.cn

IV 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	22,116,965,512.62	8,509,589,250.94	4,916,442,927.85	967,797,043.54	835,494,862.20
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper and household paper	3,000,000,000	13,434,044,246.36	4,648,850,055.13	2,419,640,791.26	56,923,629.15	52,638,122.17
Shandong Chenming Financial Leasing Co., Ltd.	Subsidiary	Financial leasing	7,700,000,000	34,737,883,685.37	9,786,973,968.68	1,372,947,136.35	599,082,569.68	467,623,153.33
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Production and sale of light weight paper and white paper board	2,038,116,000	6,200,304,566.80	2,450,235,156.02	1,612,275,822.43	69,833,747.64	59,566,481.48

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
Beijing Chenming Financial Leasing Co., Ltd.	Newly established	No effect
Shanghai Hongtai Real Estate Co., Ltd.	Acquisition of equity interest held by minority shareholders	No effect
Xuchang Chenming Paper Co. Ltd.	Equity transfer	Net profit increased by RMB11.66 million.
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Acquisition of equity interest held by minority shareholders	No effect

VIII. Structured entities controlled by the Company

Applicable Not applicable

IX. Estimate of the operating results from January to September 2018

Warning of cumulative net profit for the period between the beginning of the year to the end of the next reporting period being projected to be at a loss or expected to have material changes as compared to the corresponding period of prior year and its explanation

Applicable Not applicable

IV Discussion and Analysis of Operations

X. Risk exposures of the Company and the measures to be taken

1. Risk on paper making industry

Policy risk

The 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 and forestry 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 sizes 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.

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 the macroeconomic growth, the demand in paper making industry has been weak. At the same time, as China has encouraged energy conservation and emission reduction, the backward production capacity will be phased out, and the new projects will significantly realise economies of scale. By virtue of the economies of scale in the paper making industry, the production capacity of individual paper making projects under construction and planning for construction in China is large, which affects the demand and supply relationship in the whole paper making industry.

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

IV Discussion and Analysis of Operations

X. Risk exposures of the Company and the measures to be taken (Cont'd)

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

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. The new Environmental Protection Law took effect on 1 January 2015. More stringent environmental protection policies have been implemented in the paper making industry. A multi-pronged approach has been adopted to promote industrial restructuring, and the paper making industry has entered into an important transitional period of development. 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.

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 carries out properly, which provided actual policy support for the development of the financial leasing industry in Shandong Province.

IV Discussion and Analysis of Operations

X. Risk exposures of the Company and the measures to be taken (Cont'd)

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

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 and forestry so as to construct an efficient industrial system with synergies.

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. Chenming Leasing will 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.

V Material Matters

I. 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
2018 first extraordinary general meeting	Extraordinary general meeting	33.09%	13 February 2018	14 February 2018	http://www.cninfo.com.cn
2018 second extraordinary general meeting	Extraordinary general meeting	33.18%	1 June 2018	2 June 2018	http://www.cninfo.com.cn
2018 first domestic listed share class meeting	Extraordinary general meeting	27.93%	1 June 2018	2 June 2018	http://www.cninfo.com.cn
2018 first overseas listed share class meeting	Extraordinary general meeting	7.43%	1 June 2018	2 June 2018	http://www.cninfo.com.cn
2017 annual general meeting	Annual general meeting	33.10%	13 June 2018	14 June 2018	http://www.cninfo.com.cn
2018 second domestic listed share class meeting	Extraordinary general meeting	25.65%	13 June 2018	14 June 2018	http://www.cninfo.com.cn
2018 second overseas listed share class meeting	Extraordinary general meeting	7.46%	13 June 2018	14 June 2018	http://www.cninfo.com.cn

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

Applicable Not applicable

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

Applicable Not applicable

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

III. 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

During the reporting period, there was no undertaking 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.

V Material Matters

IV. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

The interim financial report is unaudited.

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

Applicable Not applicable

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

Applicable Not applicable

VII. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VIII. Litigation

Material litigation and arbitration

Applicable Not applicable

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

Other litigations

Applicable Not applicable

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, US\$3.5489 million and the interest thereon, HK\$3.3039 million and the interest thereon	Yes	The Company has appealed against the order of Justice Harris dated 14 June 2017 on 12 July 2017. The hearing was completed at the Court of Appeal of the High Court of the HKSAR on 11 May 2018. At the conclusion of the hearing, the court indicated that a date will be set to hand down the judgment.	At the conclusion of the hearing, the court indicated that a date will be set to hand down the judgment.	Not applicable	15 May 2018	http://www.cninfo.com.cn

V Material Matters

IX. Punishment and rectification

Applicable Not applicable

Name	Type	Reason	Investigation and punishment type	Conclusion, if any	Disclosure date	Disclosure index
Jiangxi Chenming Paper Co., Ltd.	Others	On 8 June 2018, the law enforcement officers of Nanchang Environmental Protection Bureau conducted on-site sampling of the overflow of the dosing device of the deodorisation system of Jiangxi Chenming, where excessive ph was identified at the overflow of the odor treatment facilities.	Others	On 7 August 2018, Jiangxi Chenming received the "Hong Huan Fa Gao Zi [2018] No. 24 Advance (Hearing) Notice of Administrative Penalty" from Nanchang Environmental Protection Bureau in relation to a proposed administrative penalty on Jiangxi Chenming. As the treatment facilities were not polluted by improper use of water as a result of improper operation due to human error, or equipment being out of order and there was a rectification on Jiangxi Chenming's own initiative, a lenient penalty of RMB300,000 was imposed.	Not applicable	Not applicable

Rectification

Applicable Not applicable

When the issue was identified, Jiangxi Chenming replaced the automatic valve immediately, inspected the equipment and facilities more frequently and enhanced the regular maintenance and repair of the key equipment. The blowdown pipes were repaired to ensure the alkaline cleaning water in the alkaline cleaning tanks still had access to the wastewater treatment system for effective treatment through the pipes when the automatic valve did not function. The wastewater was treated and discharged up to standard through the central wastewater outfall in the plant area. The wastewater outfall was monitor online in real time throughout 24 hours to completely remove the problem of leakage possibly caused by the alkaline cleaning system. The rectification was completed on 12 June.

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

Applicable Not applicable

XI. 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.

V Material Matters

XII. 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 approved transactions (RMB'0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Jiangxi Chenming Natural Gas Co., Ltd. and its subsidiaries	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 transactions	Natural gas and heavy oil etc.	Market price	Market price	17,014.74	1.66%	35,000	No	Bank acceptance and telegraphic transfer	Not applicable	23 June 2018	http://www.cninfo.com.cn
Particulars on refund of bulk sale	Not applicable												

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

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	Carrying amount of the transferred asset (RMB'0,000)	Assessed value of the transferred asset (RMB'0,000) (if any)	Transfer price (RMB'0,000)	Settlement of related party transactions	Transaction profit and loss (RMB'0,000)	Disclosure date	Disclosure index
Guangdong Dejun Investment Co., Ltd.	Pursuant to the requirement under Paragraph (3) of Article 10.1.3 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange	Equity acquisition	Receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and Guangdong Dejun's debt to Hongtai Real Estate	Valuation report	21,085.86	123,977.96	127,500	Wire transfer	—	30 January 2018	http://www.cninfo.com.cn

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

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

5. Other significant related party transactions

Applicable Not applicable

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

V Material Matters

XIII. 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.

XIV. 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

Unit: RMB'0,000

External guarantees of the Company (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	Fulfilled or not	Guarantee to related parties or not
Weifang Sime Darby West Port Co., Ltd.	24 July 2017	17,500	20 December 2017	13,500	General guarantee	10 years	No	No
Total external guarantees approved during the reporting period (A1)		0		Total actual external guarantees during the reporting period (A2)				8,500
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)				13,500

V Material Matters

XIV. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries					Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term		
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	18 October 2017	498,883.84	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14 June 2018	200,000			General guarantee	3 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	17 December 2015	202,354.67	General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000			General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	14 February 2018	150,000			General guarantee	3 years	No	No
Shanghai Chenming Financial Leasing Co., Ltd.	14 February 2018	400,000			General guarantee	3 years	No	No
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	14 February 2018	250,000			General guarantee	3 years	No	No
Guangzhou Chenming Financial Leasing Co., Ltd.	14 February 2018	200,000			General guarantee	3 years	No	No
Shandong Chenming Commercial Factoring Co., Ltd.	14 February 2018	200,000			General guarantee	3 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	23 September 2016	104,563.46	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	12 June 2017	85,842.20	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	17 February 2017	200,000			General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	14 June 2018	50,000			General guarantee	3 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	17 January 2018	95,875.68	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	19 July 2017	368,056.98	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	14 July 2017	444,434.94	General guarantee	3 years	No	No
Chenming (HK) Limited	14 June 2018	250,000			General guarantee	3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	17 February 2017	50,000	30 September 2017	18,000.00	General guarantee	3 years	No	No
Jilin Chenming Paper Co., Ltd.	17 February 2017	150,000	16 February 2018	4,000.00	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
Shandong Chenming Panels Co., Ltd.	14 June 2018	3,000			General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		1,703,000	Total amount of guarantee provided for subsidiaries during the reporting period (B2)					953,478.84
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		7,223,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,822,011.78

V Material Matters

XIV. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between subsidiaries					Fulfilled Term or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee			
Chenming (HK) Limited	30 March 2016	100,000		36,627.51	General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2016	100,000			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)				19,876.27
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)				36,627.51
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)		1,703,000		Total amount of guarantee during the reporting period (A2+B2+C2)				981,855.11
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		7,540,500		Total balance of guarantee as at the end of the reporting period (A4+B4+C4)				1,872,139.29
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company								67.64%
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)								1,137,410.05
Total amount of guarantee provided in excess of 50% of net assets (F)								488,281.08
Sum of the above three amount of guarantee (D+E+F)								1,625,691.13

(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. Other material contracts

Applicable Not applicable

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

V Material Matters

XV. Fulfilment of social responsibility

1. Major environmental protection matters

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	1851.10t	7666.64t	No
	Ammonia nitrogen	Organised emission	3	Within Chenming Industrial Park	2mg/L	30mg/L	35.15t	766.66t	No
	Sulphur dioxide	Organised emission	3	Within Chenming Industrial Park	Power plant 4.50mg/m ³ ; Alkali recovered 2.13mg/m ³	Power plant 35mg/m ³ ; Alkali recovered 200mg/m ³	3.15t	247.16t	No
	Nitrogen oxide	Organised emission	3	Within Chenming Industrial Park	Power plant 37mg/m ³ ; Alkali recovered 142mg/m ³	Power plant 100 mg/m ³ ; Alkali recovered 300mg/m ³	77.39t	1059.41t	No
	Smoke	Organised emission	3	Within Chenming Industrial Park	Power plant 0.77mg/m ³ ; Alkali recovered 10.40mg/m ³	Power plant 10 mg/m ³ ; Alkali recovered 20mg/m ³	0.50t	70.62t	No
Shouguang Meilun Paper Co., Ltd.	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	6.88mg/m ³	35mg/m ³	34.50t	348.10t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	49mg/m ³	100 mg/m ³	240.60t	709.32t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	0.63mg/m ³	5mg/m ³	2.9070t	73.62t	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	COD	Organised emission	1	East of the factory area	26mg/l	80mg/L	14.4t	184.30t	No
	Ammonia nitrogen	Organised emission	1	East of the factory area	1.4mg/l	8 mg/L	0.7t	17.30t	No
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Sulphur dioxide	Organised emission	2	Within Qianneng Electric Power factory area	130T furnace 8.64mg/m ³ ; 75T furnace. 1.27mg/m ³	50mg/m ³	4.236t	102.58t	No
	Nitrogen oxide	Organised emission	2	Within Qianneng Electric Power factory area	130T furnace 38.76mg/m ³ ; 75T furnace. 56.9mg/m ³	100 mg/m ³	21.68t	205.16t	No
	Smoke	Organised emission	2	Within Qianneng Electric Power factory area	130T furnace 5.18mg/m ³ ; 75T furnace. 4.6mg/m ³	20mg/m ³	2.755t	41.03t	No
Jiangxi Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	34.97mg/L	90mg/L	148.61t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	2.04mg/L	8mg/L	9.77t	112t	No
	Sulphur dioxide	Organised emission	2	Within factory area	48.78mg/m ³	200mg/m ³	104.57t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	113.53mg/m ³	200 mg/m ³	254.53t	806t	No
	Smoke	Organised emission	2	Within factory area	11.63mg/m ³	30mg/m ³	25.2t	135t	No
Jilin Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	62.5mg/L	90mg/L	144.1t	357t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.61mg/L	8mg/L	3.72t	34t	No
	Sulphur dioxide	Organised emission	1	Within factory area	3.64mg/m ³	100mg/m ³	3.06t	97t	No
	Nitrogen oxide	Organised emission	1	Within factory area	38.24mg/m ³	100mg/m ³	32.15t	213t	No
	Smoke	Organised emission	1	Within factory area	14.05mg/m ³	30mg/m ³	11.81t	51.66t	No

V Material Matters

XV. Fulfilment of social responsibility (Cont'd)

1. Major 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
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	1	Within Zhanjiang Chenming factory area	35.57mg/L	90mg/L	425.09t	1943t	No
	Ammonia nitrogen	Organised emission	1	Within Zhanjiang Chenming factory area	1.01mg/L	8mg/L	12.42t	43.90t	No
	Sulphur dioxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: 0.26mg/m ³ Alkali recovered: 26.41mg/m ³ Power plant 1#: 4.66mg/m ³	Lime kiln: 400mg/m ³ Alkali recovered: 200mg/m ³ 1#, 2#, 3# circulating fluidised bed boiler:	201.85t	620t	No
	Nitrogen oxide	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: 231.46mg/m ³ Alkali recovered: 198.65mg/m ³ Power plant 1#: 21.55mg/m ³ Power plant 2#: 20.09mg/m ³ Power plant 3#: 17.75mg/m ³ Power plant 4#: 28.35mg/m ³	Lime kiln: 300mg/m ³ Alkali recovered: 200mg/m ³ 1#, 2#, 3# circulating fluidised bed boiler: 100mg/m ³ 4# circulating fluidised bed boiler:	909.17t	2169.70t	No
	Smoke	Organised emission	6	Within Zhanjiang Chenming factory area	Lime kiln: Smoke 14.21mg/m ³ Alkali recovered: 15.30mg/m ³ Power plant 1#: 14.12mg/m ³ Power plant 2#: 4.41mg/m ³ Power plant 3#: 7.52mg/m ³ Power plant 4#: 9.75mg/m ³	Lime kiln: 80mg/m ³ Alkali recovered, 1#, 2#, 3# circulating fluidised bed boiler: 30mg/m ³ 4# circulating fluidised bed boiler: 10mg/m ³	90.56t	196t	No

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 adheres to the “three simultaneities” on environmental protection. In order to ensure pollutants are discharged strictly in accordance with the requirements under laws and regulations 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 Water Pollution, Law on the Prevention and Control of Air Pollution, Action Plan for Prevention and Control of Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste and other laws.
- (2) Both the Company and its subsidiaries are equipped with comprehensive environmental protection treatment facilities. The pre-treatment-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 monitoring facilities were installed in subsidiaries, which are all operated by entrusted enterprises qualified for running such facilities. In addition, governmental authority will regularly visit the Company to conduct comparison of online monitoring data every quarter. All data meets the standards.
- (3) Each subsidiary’s organized emission outlets are equipped with an online monitoring system for real-time monitoring. 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 the self-owned plant of Jiangxi Chenming). Substantially all of the emissions indicators are below 50% of the execution standards. Other supporting facilities such as alkali recovery boilers and lime kilns are also in compliance with the emission standards.

V Material Matters

XV. Fulfilment of social responsibility (Cont'd)

1. Major environmental protection matters (Cont'd)

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

The Company has strictly complied with the 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 approvals and acceptance approvals.

In June 2017, the Company and its subsidiaries completed the formalities for new discharge permits in accordance with the Measures for the Administration of Pollutant Discharge Permits of the Ministry of Environmental Protection, and the discharge permits of the new projects were renewed according to the environmental protection requirements in a timely manner.

Emergency plan for emergency environmental incidents

The Company has strictly implemented emergency regulations for emergency environmental incidents, and formulated various emergency plans for emergency environmental incidents according to the technical requirements in the "Technical Guidelines for Emergency Environmental Pollution Accidents". The plans are 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 regular 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 the 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 monitored items include: total wastewater discharge (COD, ammonia nitrogen, flow rate, total phosphorus, total nitrogen and PH); power plant, alkali recovery boilers and lime kiln exhaust emissions (sulphur dioxide, nitrogen oxide and smoke). Manually monitored items include: daily monitoring of COD, ammonia nitrogen, SS, chroma, PH, total phosphorus and total nitrogen indicators. Sewage and other monitoring items, 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 websites.

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.

V Material Matters

XVI. Other matters of significance

√ Applicable □ Not applicable

1. Distribution of fixed dividend of Chenming You 01

The dividend was accrued from 17 March 2017 on the basis of the 22.5 million preference shares issued with a nominal value of RMB100 per share. As calculated according to the dividend rate of 4.36%, a dividend of RMB4.36 (tax inclusive) per preference share was distributed. The Company distributed dividend amounting to RMB98.10 million in total (tax inclusive).

For details, please refer to relevant announcement (announcement no.: 2018-016) of the Company published on CNINFO on 10 March 2018.

2. Issue of medium-term notes with an amount of RMB1,000 million

The public issue of the 2018 first tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 16 March 2018. The amount of the issue was RMB1,000 million with a nominal value of RMB100 each at the interest rate of 7.50%.

For details, please refer to relevant announcement (announcement no.: 2018-017) of the Company published on CNINFO on 22 March 2018.

3. Public issuance of “18 Chenming Bond 01”

On 13 March 2017, the Company was approved by the CSRC for the public issuance of corporate bonds with a nominal value of not more than RMB4 billion according to the Zheng Jian Xu Ke [2017] No. 342. The bonds were issued in tranches. From 29 March 2018 to 2 April 2018, the Company issued corporate bonds (first tranche) to institutional investors. The original basic offline issuance size of the bonds was RMB500 million, subject to over-allotment of not more than RMB2.3 billion. The actual offline issuance size was RMB900 million with a nominal value of RMB100. The bonds were issued at par value with a coupon rate of 7.28%.

For details, please refer to relevant announcements (announcement no.: 2018-019, 2018-026, 2018-030 and 2018-068) of the Company published on CNINFO on 27 March 2018, 28 March 2018, 2 April 2018 and 31 May 2018 respectively.

4. Entering into the Developmental Financial Cooperation Agreement with China Development Bank

On 29 March 2018, the Company and China Development Bank entered into the Developmental Financial Cooperation Agreement to establish a new strategic partnership for the all-rounded and in-depth cooperation between an industrial group and a financial group. Adhering to the principle of “planning first”, both parties will make full use of their respective advantages to carry out in-depth cooperation in areas such as medium and long-term project cooperation, loans for working capital, intermediary business and cross-border financing through project cooperation at the early stage and cooperation on financial products.

For details, please refer to relevant announcement (announcement no.: 2018-028) of the Company published on CNINFO on 1 April 2018.

5. 2017 profit distribution plan for ordinary shares

On 13 June 2018, the Company convened the 2017 annual general meeting, at which, the 2017 profit distribution plan was considered and approved: based on the number of the 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 shareholders for every 10 shares held, and a capitalisation issue made out of the capital reserves of 5 shares for every 10 shares held will be distributed to ordinary shareholders. The total cash dividend distributed to the holders of ordinary shares amounted to RMB1,161,843,280.20 (tax inclusive) in 2017.

For details, please refer to relevant announcement (announcement no.: 2018-079) of the Company published on CNINFO on 14 June 2018.

V Material Matters

XVI. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2018

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-001	Announcement on Result of the Issue of 2018 First Tranche of Super & Short-term Commercial Paper	9 January 2018	http://www.cninfo.com.cn
2018-002	Announcement on Resignation of Secretary to the Board	19 January 2018	http://www.cninfo.com.cn
2018-003	Announcement on Estimated Annual Results for 2017	19 January 2018	http://www.cninfo.com.cn
2018-004	Announcement on Result of the Issue of 2018 Second Tranche of Super & Short-term Commercial Paper	19 January 2018	http://www.cninfo.com.cn
2018-005	Second Supplementary Notice of the 2018 First Extraordinary General Meeting	26 January 2018	http://www.cninfo.com.cn
2018-006	Announcement in respect of Resolutions of the Twentieth Extraordinary Meeting of the Eighth Session of the Board of Directors	30 January 2018	http://www.cninfo.com.cn
2018-007	Announcement on the Receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and Guangdong Dejun's Debt to Hongtai Real Estate and Related Party Transaction	30 January 2018	http://www.cninfo.com.cn
2018-008	Announcement on External Investment	30 January 2018	http://www.cninfo.com.cn
2018-009	Announcement in respect of Guarantee in Favour of Related Subsidiaries for their Credit Facilities Applications	30 January 2018	http://www.cninfo.com.cn
2018-010	Announcement on Additional Resolutions Proposed at the 2018 First Extraordinary General Meeting	30 January 2018	http://www.cninfo.com.cn
2018-011	Supplementary Notice of 2018 First Extraordinary General Meeting	30 January 2018	http://www.cninfo.com.cn
2018-012	Announcement on Result of the Issue of 2018 Third Tranche of Super & Short-term Commercial Paper	8 February 2018	http://www.cninfo.com.cn
2018-013	Poll Results Announcement of the 2018 First Extraordinary General Meeting	14 February 2018	http://www.cninfo.com.cn
2018-014	Indicative Announcement	1 March 2018	http://www.cninfo.com.cn
2018-015	Announcement in respect of Resolutions of the Twenty-first Extraordinary Meeting of the Eighth Session of the Board of Directors	10 March 2018	http://www.cninfo.com.cn
2018-016	Announcement on the Distribution of Dividend for Preference Share	14 March 2018	http://www.cninfo.com.cn
2018-017	Announcement on Result of the Issue of 2018 First Tranche of Medium-term Notes	22 March 2018	http://www.cninfo.com.cn
2018-018	Announcement on Pledge of Shares held by Shareholders	22 March 2018	http://www.cninfo.com.cn
2018-019	Announcement on 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	27 March 2018	http://www.cninfo.com.cn
2018-020	Announcement in respect of Resolutions of the Eighth Meeting of the Eighth Session of the Board of Directors	28 March 2018	http://www.cninfo.com.cn
2018-021	2017 Annual Report Summary	28 March 2018	http://www.cninfo.com.cn
2018-022	Announcement on Provision of Guarantee for General Credit Lines of Relevant Subsidiaries	28 March 2018	http://www.cninfo.com.cn

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XVI. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2018 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-023	Announcement in respect of Resolutions of the Ninth Meeting of the Eighth Session of the Supervisory Committee	28 March 2018	http://www.cninfo.com.cn
2018-024	Notice of 2017 Annual General Meeting	28 March 2018	http://www.cninfo.com.cn
2018-025	Announcement on the Appointment of the auditors for 2018	28 March 2018	http://www.cninfo.com.cn
2018-026	Announcement on the Coupon Rate of 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	28 March 2018	http://www.cninfo.com.cn
2018-027	Announcement on Result of the Issue of 2018 Fourth Tranche of Super & Short-term Commercial Paper	30 March 2018	http://www.cninfo.com.cn
2018-028	Announcement on Entering into the Developmental Financial Cooperation agreement with China Development Bank	2 April 2018	http://www.cninfo.com.cn
2018-029	Announcement on the Receipt of an Arbitral Award by a Subsidiary	2 April 2018	http://www.cninfo.com.cn
2018-030	Announcement on the Result of 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	2 April 2018	http://www.cninfo.com.cn
2018-031	Announcement on Pledge of Shares held by Shareholders	12 April 2018	http://www.cninfo.com.cn
2018-032	Announcement in Respect of Resolutions of the Twenty-Second Extraordinary Meeting of the Eighth Session of the Board of Directors	17 April 2018	http://www.cninfo.com.cn
2018-033	Announcement on the Extension of the Validity Period of the resolutions in Respect of the Non-public Issue of Shares of the Company at the General Meeting and the Validity Period of the Authorisation Granted to the Board to Deal with Related Matters	17 April 2018	http://www.cninfo.com.cn
2018-034	Notice of 2018 Second Extraordinary General Meeting	17 April 2018	http://www.cninfo.com.cn
2018-035	Notice of the 2018 First Domestic Listed Share Class Meeting and 2018 First Overseas Listed Share Class Meeting	17 April 2018	http://www.cninfo.com.cn
2018-036	Announcement in respect of Resolutions of the Ninth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	17 April 2018	http://www.cninfo.com.cn
2018-037	Announcement on External Investment	17 April 2018	http://www.cninfo.com.cn
2018-038	Announcement on the Sale of Available-for-sale Financial Assets	17 April 2018	http://www.cninfo.com.cn
2018-039	Announcement in respect of Resolutions of the Ninth Meeting of the Eighth Session of the Board of Directors	27 April 2018	http://www.cninfo.com.cn
2018-040	2017 First Quarterly Report	27 April 2018	http://www.cninfo.com.cn
2018-041	Announcement on External Investment (I)	27 April 2018	http://www.cninfo.com.cn
2018-042	Announcement on External Investment (II)	27 April 2018	http://www.cninfo.com.cn
2018-043	Announcement on Result of the Issue of 2018 Fifth Tranche of Super & Short-term Commercial Paper	27 April 2018	http://www.cninfo.com.cn
2018-044	Announcement on the Cancellation of the General Meeting and Postponement of the 2017 Annual General Meeting	27 April 2018	http://www.cninfo.com.cn

V Material Matters

XVI. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2018 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-045	Notice on the Cancellation of the General Meeting and Postponement of the 2017 Annual General Meeting	27 April 2018	http://www.cninfo.com.cn
2018-046	Notice of the 2018 Second Domestic Listed Share Class Meeting and 2018 Second Overseas Listed Share Class Meeting	27 April 2018	http://www.cninfo.com.cn
2018-047	Announcement in respect of Resolutions of the Tenth Meeting of the Eighth Session of the Supervisory Committee	27 April 2018	http://www.cninfo.com.cn
2018-048	Announcement on the Change of the Name of the Controlling Shareholder	3 May 2018	http://www.cninfo.com.cn
2018-049	Announcement in Respect of Resolutions of the Twenty-Third Extraordinary Meeting of the Eighth Session of the Board of Directors	5 May 2018	http://www.cninfo.com.cn
2018-050	Announcement on External Investment	5 May 2018	http://www.cninfo.com.cn
2018-051	Announcement on Resignation of the Vice Chairman	9 May 2018	http://www.cninfo.com.cn
2018-052	Announcement on Result of the Issue of 2018 Sixth Tranche of Super & Short-term Commercial Paper	11 May 2018	http://www.cninfo.com.cn
2018-053	Announcement on Entering into the Framework Agreement for Strategic Cooperation between Banks and Enterprises with Guangdong Nanyue Bank	15 May 2018	http://www.cninfo.com.cn
2018-054	Indicative Announcement	15 May 2018	http://www.cninfo.com.cn
2018-055	Announcement in respect of Resolutions of the Twenty-fourth Extraordinary Meeting of the Eighth Session of the Board of Directors	16 May 2018	http://www.cninfo.com.cn
2018-056	Announcement on Appointment of the Secretary of the Board and Securities Affairs Representative	16 May 2018	http://www.cninfo.com.cn
2018-057	Second Supplementary Notice of the 2018 Second Extraordinary General Meeting	16 May 2018	http://www.cninfo.com.cn
2018-058	Second Supplementary Notice of the 2018 First Domestic Listed Share Class Meeting and 2018 First Overseas Listed Share Class Meeting	16 May 2018	http://www.cninfo.com.cn
2018-059	Announcement on Receipt of Government Subsidy	18 May 2018	http://www.cninfo.com.cn
2018-060	Announcement on Acquisition of Minority Interest in Subsidiaries	24 May 2018	http://www.cninfo.com.cn
2018-061	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	29 May 2018	http://www.cninfo.com.cn
2018-062	Announcement on the Progress of External Investment	29 May 2018	http://www.cninfo.com.cn
2018-063	Announcement on Additional Resolutions Proposed at the 2017 Annual General Meeting	30 May 2018	http://www.cninfo.com.cn
2018-064	Supplementary Notice of 2017 Annual General Meeting	30 May 2018	http://www.cninfo.com.cn
2018-065	Second Supplementary Notice of the 2018 Second Domestic Listed Share Class Meeting and 2018 Second Overseas Listed Share Class Meeting	30 May 2018	http://www.cninfo.com.cn

V Material Matters

XVI. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2018 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2018-066	Announcement on Result of the Issue of 2018 Seventh Tranche of Super & Short-term Commercial Paper	30 May 2018	http://www.cninfo.com.cn
2018-067	Announcement on Pledge of Shares held by Shareholders	31 May 2018	http://www.cninfo.com.cn
2018-068	Announcement on the Listing of 2018 Public Issue of Corporate Bonds to Qualified Investors (First Tranche)	31 May 2018	http://www.cninfo.com.cn
2018-069	Announcement in Respect of Resolutions of 2018 Second Extraordinary General Meeting, 2018 First Class Meeting For Domestic Shareholders and 2018 First Class Meeting For Overseas Shareholders	2 June 2018	http://www.cninfo.com.cn
2018-070	Shandong Chenming Paper Holdings Limited Announcement in respect of Resolutions of the 25th Extraordinary Meeting of the Eighth Session of the Board of Directors	5 June 2018	http://www.cninfo.com.cn
2018-071	Announcement in respect of Resolutions of the Tenth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	5 June 2018	http://www.cninfo.com.cn
2018-072	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Fifth Revision)	5 June 2018	http://www.cninfo.com.cn
2018-073	Announcement on Adjustment to the Price Determination Date for the Non-public Issue of A Shares	5 June 2018	http://www.cninfo.com.cn
2018-074	Announcement on Entering into Conditional Share Purchase Agreement and Connected Transactions under the Non-public Offering of A Share (Third Revision)	5 June 2018	http://www.cninfo.com.cn
2018-075	Notice of 2018 Third Extraordinary General Meeting	5 June 2018	http://www.cninfo.com.cn
2018-076	Notice of the 2018 Third Domestic Listed Share Class Meeting and 2018 Third Overseas Listed Share Class Meeting	5 June 2018	http://www.cninfo.com.cn
2018-077	Announcement on Release of Pledge of Shares held by Shareholders	5 June 2018	http://www.cninfo.com.cn
2018-078	Announcement on Fifth Revision of Non-public Offering for 2016	5 June 2018	http://www.cninfo.com.cn
2018-079	Announcement in Respect of Resolutions of 2017 Annual General Meeting, 2018 Second Class Meeting For Domestic Shareholders and 2018 Second Class Meeting For Overseas Shareholders	14 June 2018	http://www.cninfo.com.cn
2018-080	Shandong Chenming Paper Holdings Limited Announcement in respect of Resolutions of the 26th Extraordinary Meeting of the Eighth Session of the Board of Directors	23 June 2018	http://www.cninfo.com.cn
2018-081	Announcement on New Ordinary Connected Transactions in 2018	23 June 2018	http://www.cninfo.com.cn
2018-082	Announcement on the Disposal of the 40% Equity Interest in Wan Xing Real Estate by Wuhan Chenming	23 June 2018	http://www.cninfo.com.cn
2018-083	Announcement on Supplemental Pledge of Shares held by Shareholders	26 June 2018	http://www.cninfo.com.cn

V Material Matters

XVII. Matters of significant of subsidiaries of the Company

√ Applicable □ Not applicable

1. Disposal of 30% equity interest in Xuchang Chenming

At the eighteenth extraordinary meeting of the eighth session of the Board of the Company held on 27 November 2017, the Resolution on the disposal of 30% equity interest in Xuchang Chenming was considered and approved, pursuant to which the Company proposed to dispose of 30% equity interest in its controlling subsidiary Xuchang Chenming Paper Co., Ltd. (“Xuchang Chenming”) through public tender. For details, please refer to the Announcement on the Disposal of Equity Interest in Xuchang Chenming published by the Company on 28 November 2017 (announcement no.: 2017-147).

Based on the appraised value, the Company held public tender through the Shandong Weifang Property Right Exchange Center on 8 December 2017, and entered into an equity exchange agreement with Xuchang Chenzhuo Trading Co., Ltd. (許昌市晨卓貿易有限公司) (“Chenzhuo Trading”), pursuant to which the Company conditionally transferred the 30% equity interest in Xuchang Chenming at the consideration of RMB30 million. On 19 January 2018, the Company received the Equity Transaction Certificate issued by the Shandong Weifang Property Right Exchange Center.

2. Receipt of Shanghai Chenming of 30% equity interest in Shanghai Hongtai Real Estate held by Guangdong Dejun

Shanghai Chenming Industry Co., Ltd. and Guangdong Dejun 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 million, Shanghai Chenming proposed to acquire 30% equity interest in and the loan due from Hongtai Real Estate held by Guangdong Dejun at a consideration of RMB1,275,000,000, in which the equity interest amounted to RMB1,171,960,000 and loan amounted to RMB103,040,000.

For details, please refer to the relevant announcement (announcement no.: 2018-007) of the Company published on CNINFO on 30 January 2018.

3. Transfer of the entire company woodland of Huanggang Arboriculture

In January 2008, the Company established the Huanggang Chenming Arboriculture Development Co., Ltd. (“Huanggang Arboriculture”) for investment and construction for the raw material forest projects. In aggregate, it constructed woodland of 854,100 mu and incurred expense of RMB368,456,600, including principal and interest. In December 2015, The Notice about Strict Protection of Natural Forest was issued by the State Forestry Bureau; in October 2016, the Notice about Accelerating in Ceasing the Commercial Logging of Natural Forest (《關於加快推進停止天然林商業性採伐工作的通知》) was issued by the Department of Forestry of Hubei; and in January 2017, the Decision on the Vigorous Promotion of Ecological Protection and Green Development in the Yangtze River Economic Zone (《關於大力推進長江經濟帶生態保護和綠色發展的決定》) was issued by the Hubei Provincial People’s Congress, under which the majority of woodland of Huanggang Arboriculture was classified as within the National Natural Forest Reserve. After arm’s length negotiation with the Huanggang government, Huanggang Arboriculture will return all purchased proprietary woodland and woodland warrants and will go through all legal processes according to the law. In the future, the Huanggang pulp and paper project will actively explore overseas resource markets and meet production needs through imported wood chips. As at 31 March 2018, the accumulated woodland investment costs of Huanggang Arboriculture was RMB371,367,500. After returning all woodland of Huanggang Arboriculture, the loss is expected to amount to RMB1,710,200 and the loss on changes in fair value is RMB16,723,700, specific financial data being subject to auditing. Investors should be aware of the investment risks.

For details, please refer to the relevant announcement (announcement no.: 2018-029) of the Company published on CNINFO on 2 April 2018.

V Material Matters

XVII. Matters of significant of subsidiaries of the Company (Cont'd)

4. Disposal of 50% equity interest in Guangdong Dejun

Pursuant to the decision approved at the twenty-second extraordinary meeting of the eighth session of the Board of the Company held on 16 April 2018, the Company and Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. ("Shanghai Zhongneng") entered into the Equity Repurchase Agreement, under which the 50% equity interest in Guangdong Dejun, being the available-for-sale financial asset, to Shanghai Zhongneng, with the aggregate of premium repurchase and investment income amounting to RMB2,634,041,400. The Company received the sum on 28 April 2018. Subsequent to the transfer, the Company no longer held any equity interests in Guangdong Dejun.

For details, please refer to the relevant announcement (announcement no.: 2018-038) of the Company published on CNINFO on 17 April 2018.

5. Acquisition of 14.2742% equity interest held by a minority shareholder of Wuhan Chenming

To better advance the strategic development positioning of the Company, optimize the management structure, streamline business layout and further elevate the Company's profitability, the Company intends to acquire 14.2742% equity interest in Wuhan Chenming, a controlling subsidiary of the Company, held by Hubei Hanyang Paper Mill ("Hanyang Paper Mill"), a minority shareholder of Wuhan Chenming, by way of transfer through agreement. In accordance with the result of public tender, the Company received the abovementioned equity interest held by Hanyang Paper Mill at the consideration of RMB60,896,600. Subsequent to the completion of the equity transfer, the Company will hold 65.205% of the equity interest in Wuhan Chenming.

For details, please refer to the relevant announcement (announcement no.: 2018-060) of the Company published on CNINFO on 24 May 2018.

6. Disposal of 40% equity interest in Wan Xing Real Estate by Wuhan Chenming

To further integrate the Company's resources, focus its advantages on the principal business and enhance quality and efficiency, Wuhan Chenming Hanyang Paper Holdings Co., Ltd. intends to dispose of 40% equity interest in Wuhan Chenming Wan Xing Real Estate Co., Ltd., an investee, through public tender. The transferee will be determined by way of bidding, and the final price will be determined comprehensively according to the tender and auctioning with reference to the appraisal value.

For details, please refer to the relevant announcement (announcement no.: 2018-082) of the Company published on CNINFO on 23 June 2018.

VI 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		
	Amounts	Percentage	New issue	Bonus issue	Shares converted from reserve	Others	Subtotal	Amounts	Percentage
I. Restricted shares	7,935,101	0.41%				634,738	634,738	8,569,839	0.44%
1. Shares held by other domestic investors	7,935,101	0.41%				634,738	634,738	8,569,839	0.44%
Of which: Shares held by domestic natural persons	7,935,101	0.41%				634,738	634,738	8,569,839	0.44%
II. Non-restricted shares	1,928,470,366	99.59%				-634,738	-634,738	1,927,835,628	99.56%
1. RMB ordinary shares	1,105,389,555	57.08%				-619,338	-619,338	1,104,770,217	57.05%
2. Domestic listed foreign share	470,877,311	24.32%				-15,400	-15,400	470,861,911	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%						352,203,500	18.19%
III. Total number of shares	1,936,405,467	100.00%						1,936,405,467	100.00%

The reasons for such changes

Applicable Not applicable

Before and after the change, the number of restricted shares held by domestic natural persons increased by 634,738 from 7,935,101 to 8,569,839, due to the fact that: according to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, 25% (634,738 shares) of the non-restricted RMB ordinary shares (A shares) held by directors who have been resigned for less than half a year, senior management and new directors were converted into restricted shares.

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable

The effects of changes in shareholding on financial indicators such as basic earnings per share, diluted earnings per share and net assets per share 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

II. Issuance and listing of securities

Applicable Not applicable

VI Changes in Share Capital and Shareholders

III. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	111,039, of which 91,323 were holders of A shares, 19,346 were holders of B shares and 370 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period (if any) (please refer to note 8)	0
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Shareholdings of shareholders of ordinary shares interested in more than 5% of the shares of the Company or top ten shareholders of ordinary shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of ordinary shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Share pledged or locked-up	
							Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	0	293,003,657	Pledged	225,717,161
HKSCC NOMINEES LIMITED	Overseas legal person	12.84%	248,678,750	-188,500	0	248,678,750		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	242,754,375	0	0	242,754,375		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0	0	40,137,900		
CHINA UNIVERSAL FUND - CHINA CONSTRUCTION BANK - CHINA LIFE INSURANCE - CHINA LIFE INSURANCE'S EQUITY PORTFOLIO ENTRUSTED TO CHINA UNIVERSAL FUND	Others	0.47%	9,134,240	7,985,840	0	9,134,240		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0	0	8,608,238		
JIN Xing	Domestic nature person	0.44%	8,510,117	2,720,917	0	8,510,117		
AGRICULTURAL BANK OF CHINA LIMITED - ESSENCE COMPARATIVE ADVANTAGE FLEXIBLE ALLOCATION OF HYBRID SECURITIES INVESTMENT FUND	Others	0.39%	7,646,407	7,646,407	0	8,280,589		
INDUSTRIAL AND COMMERCIAL BANK OF CHINA - CHINA UNIVERSAL FOCUSED GROWTH FUND	Others	0.39%	7,500,009	7,500,009	0	7,500,009		
CHINA CONSTRUCTION BANK CORPORATION - CHINA UNIVERSAL ENVIRONMENT PROTECTION INDUSTRY FUND	Others	0.36%	7,000,026	1,499,929	0	7,000,026		
Connected relationship or connected party relationship among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each other.							

VI Changes in Share Capital and Shareholders

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

Shareholdings of the top ten shareholders of ordinary shares of non-restricted shares

Name of shareholders	Number of non-restricted ordinary shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
HKSCC NOMINEES LIMITED	248,678,750	Overseas listed foreign shares	248,678,750
CHENMING HOLDINGS (HONG KONG) LIMITED	242,754,375	Domestically listed foreign shares	140,478,375
		Domestically listed foreign shares	102,276,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	40,137,900	RMB ordinary shares	40,137,900
CHINA UNIVERSAL FUND - CHINA CONSTRUCTION BANK - CHINA LIFE INSURANCE - CHINA LIFE INSURANCE'S EQUITY PORTFOLIO mENTRUSTED TO CHINA UNIVERSAL FUND	9,134,240	RMB ordinary shares	9,134,240
VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	Domestically listed foreign shares	8,608,238
JIN Xing	8,510,117	Domestically listed foreign shares	8,510,117
AGRICULTURAL BANK OF CHINA LIMITED – ESSENCE COMPARATIVE ADVANTAGE FLEXIBLE ALLOCATION OF HYBRID SECURITIES INVESTMENT FUND	7,646,407	RMB ordinary shares	7,646,407
INDUSTRIAL AND COMMERCIAL BANK OF CHINA - CHINA UNIVERSAL FOCUSED GROWTH FUND	7,500,009	RMB ordinary shares	7,500,009
CHINA CONSTRUCTION BANK CORPORATION - CHINA UNIVERSAL ENVIRONMENT PROTECTION INDUSTRY FUND	7,000,026	RMB ordinary shares	7,000,026

Connected relationship or connected party relationship among the top ten shareholders of ordinary shares of non-restricted shares, and between the top ten shareholders of ordinary shares of non-restricted shares and the top ten shareholders of ordinary shares A shareholder,

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

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

Yes No

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

VI Changes in Share Capital and Shareholders

IV. Change of controlling shareholders or beneficial controllers

The change of controlling shareholders during the reporting period

Applicable Not applicable

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

Change of beneficial owner during the reporting period

Applicable Not applicable

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

VII Preference Shares

Applicable Not applicable

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

Applicable Not applicable

There was no issue and listing of preference shares during the reporting period.

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

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

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

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

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 whether there is any connected relationship or connected party relationship among the remaining holders of preference shares, and between the top ten holders of preference shares and the top ten holders of ordinary shares.

VII Preference Shares

III. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

IV. Resumption and exercise of voting rights

Applicable Not applicable

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

V. Accounting policy and reasons 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.

VIII Directors, Supervisors and Senior Management

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

Applicable Not applicable

There was no change in shareholdings of Directors, Supervisors and senior management of the Company during the reporting period. Please see the annual report for 2017 for details.

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

Applicable Not applicable

Name	Position	Type	Date	Reason
Hu Changqing	Vice Chairman and deputy general manager	Elected	13 June 2018	Elected as the Vice Chairman of the eighth session of the Board.
Chen Gang	Director	Elected	13 June 2018	Elected as a director of the eighth session of the Board.
Xiao Peng	Secretary to the Board	Dismissed	19 January 2018	Dismissed as the secretary to the Board due to personal work change.
Yuan Xikun	Secretary to the Board	Appointment	16 May 2018	Appointed by the Board as the Secretary to the Board.

IX Corporate Bonds

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

Yes

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 (tranche 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.
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (tranche I)	18 Chenming Bond 01	112641	29 March 2018	29 March 2023	90,000	7.28%	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	Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of corporate bonds during the reporting period	There was no interest payment during the reporting period.						
Performance of relevant terms during the reporting period, for special terms such as issuer or investor option and interchangeable for corporate bonds (if any)	Both 17 Chenming Bond 01 and 18 Chenming Bond 01 attach with options for the issuer to adjust the coupon rate and for investors to resell. The issuer has the right to determine the adjustment to the coupon rate for the following 3 years at the end of the second year and the adjustment to the coupon rate for the following year as the end of the fourth year. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.						

IX Corporate Bonds

II. Information on bond custodian and credit rating agency

Bond custodian:

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	21/F, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai
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Reason of change, procedures to be performed and impacts on interests of investors, etc. in case the bond trustee and credit rating agency engaged by the Company during the reporting period have changed (if applicable)	No change during the reporting period.
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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 17 Chenming Bond 01 and 18 Chenming Bond 01 were fully used.
Balance as at the end of the period (RMB'0,000)	0
Operation of special account for proceeds	Special account for proceeds is used for the deposit of special capital from bonds.
Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement?	Yes

IV. Credit rating of corporate bonds

The credit rating of 18 Chenming Bond 01 as granted by China Chengxin Securities Valuation Company Limited remained at AA+, and the credit rating for the Company was AA+ (stable outlook). The 2018 public issuance of the corporate bonds (tranche I) updated rating report (2018) was published on CNINFO on 14 June 2018.

The credit rating of 17 Chenming Bond 01 as granted by China Chengxin Securities Valuation Company Limited remained at AA+, and the credit rating for the Company was AA+ (stable outlook). The 2017 public issuance of the corporate bonds (tranche I) updated rating report (2018) was published on CNINFO on 14 June 2018.

IX Corporate Bonds

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.

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

Item	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Current ratio	86.70%	86.32%	0.38%
Gearing ratio	72.95%	71.34%	1.61%
Quick ratio	75.88%	75.80%	0.08%

Item	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year
EBITDA interest coverage ratio	2.98	4.04	-26.24%
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

IX Corporate Bonds

IX. Overdue liabilities

Applicable Not applicable

The Company did not have any liabilities overdue.

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

Unit: RMB

Item	Amount of interest payment
Corporate bonds	1,064,800,000.00
Super & short-term commercial papers	7,786,624,109.43
Total	8,851,424,109.43

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

During the reporting period, the Company obtained bank credit of RMB79,659 million, of which RMB47,806 million was utilised with RMB31,853 million outstanding. The Company repaid bank loans of RMB26,303 million.

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

Nil

XIII. Matters of significance during the reporting period

Nil

XIV. Is there any guarantor for corporate bonds?

Yes No

X Financial Report

I. Auditors' Report

Is the interim report audited

Yes No

The interim financial report is unaudited.

II. Financial Statements

The unit in the financial statements of the financial report is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

30 June 2018

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	18,221,475,254.64	14,443,492,461.43
Financial assets measured at fair value through profit or loss	0.00	94,000,000.00
Bills receivable	3,414,858,233.25	4,220,231,853.56
Accounts receivable	3,771,972,562.50	3,665,865,577.03
Prepayments	2,052,209,098.34	1,962,151,473.35
Other receivables	594,045,363.59	538,734,656.55
Inventories	6,429,315,741.47	6,022,805,491.17
Non-current assets due within one year	5,648,853,164.63	6,901,695,875.94
Other current assets	11,391,587,771.93	11,568,757,330.26
Total current assets	51,524,317,190.35	49,417,734,719.29
NON-CURRENT ASSETS:		
Available-for-sale financial assets	103,000,000.00	2,453,000,000.00
Long-term receivables	9,561,944,402.25	9,400,862,089.18
Long-term equity investments	401,425,440.97	391,868,827.45
Investment property	4,750,494,168.51	4,809,535,109.82
Fixed assets	27,822,887,081.68	28,227,509,503.05
Construction in progress	9,622,048,648.75	7,668,669,413.87
Construction materials	10,036,240.51	15,275,630.45
Intangible assets	1,927,411,734.38	2,059,221,379.09
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	134,407,595.23	139,122,569.45
Deferred income tax assets	518,667,202.23	522,288,850.40
Other non-current assets	679,555,760.89	499,724,197.70
Total non-current assets	55,552,162,062.57	56,207,361,357.63
Total assets	107,076,479,252.92	105,625,096,076.92

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	34,822,972,619.60	35,096,574,873.03
Bills payable	1,577,635,335.58	1,278,395,090.71
Accounts payable	3,781,065,811.13	4,013,936,527.74
Advance receipts	359,821,898.06	243,182,891.22
Staff remuneration payables	144,080,274.09	185,130,892.10
Taxes payable	392,925,658.39	496,626,014.68
Interest payable	119,390,579.91	85,480,380.32
Dividend payable	1,626,559,287.00	
Other payables	2,124,709,050.72	1,426,629,545.41
Non-current liabilities due within one year	4,321,258,031.95	3,625,430,347.40
Other current liabilities	10,160,767,686.35	10,797,248,631.76
Total current liabilities	59,431,186,232.78	57,248,635,194.37
NON-CURRENT LIABILITIES:		
Long-term borrowings	7,206,918,851.77	7,646,122,995.91
Bonds payable	2,097,247,500.00	2,196,261,279.57
Long-term payables	5,001,525,052.49	5,550,881,435.64
Special payables	706,039,716.66	681,039,716.66
Provisions	325,259,082.28	325,259,082.28
Deferred income	1,420,873,007.36	1,452,717,833.55
Other non-current liabilities	1,919,538,128.76	250,000,000.00
Total non-current liabilities	18,677,401,339.32	18,102,282,343.61
TOTAL LIABILITIES	78,108,587,572.10	75,350,917,537.98
OWNERS' EQUITY:		
Share capital	2,904,608,200.00	1,936,405,467.00
Other equity instruments	10,048,300,000.00	10,048,300,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	5,570,800,000.00	5,570,800,000.00
Capital reserves	5,122,952,455.09	6,149,257,784.90
Other comprehensive income	-457,399,238.18	-354,165,127.80
Surplus reserves	1,132,116,106.40	1,132,116,106.40
Retained profit	8,926,586,582.71	8,866,614,844.40
Total equity attributable to equity holders of the company	27,677,164,106.02	27,778,529,074.90
Minority interest	1,290,727,574.80	2,495,649,464.04
Total owners' equity	28,967,891,680.82	30,274,178,538.94
TOTAL LIABILITIES AND OWNERS' EQUITY	107,076,479,252.92	105,625,096,076.92

Legal Representative: Chen Hongguo Financial controller: Hu Jinbao Head of the financial department: Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	10,332,176,520.63	9,580,548,200.88
Financial assets measured at fair value through profit or loss		94,000,000.00
Bills receivable	1,169,806,535.40	787,095,075.51
Accounts receivable	2,203,752,838.45	8,188,750.45
Prepayments	1,645,981,455.73	742,107,273.09
Other receivables	23,381,030,317.17	22,351,203,484.83
Inventories	893,831,632.06	751,426,520.51
Other current assets	2,898,684.56	2,488,977.72
Total current assets	39,629,477,984.00	34,317,058,282.99
NON-CURRENT ASSETS:		
Available-for-sale financial assets	103,000,000.00	2,453,000,000.00
Long-term receivables	456,925,607.06	456,925,607.06
Long-term equity investments	20,069,848,988.72	18,674,034,243.49
Fixed assets	2,152,865,137.61	2,364,990,246.94
Construction in progress	1,457,558,768.95	973,375,557.42
Intangible assets	464,333,715.78	470,379,203.58
Deferred income tax assets	160,364,942.47	186,935,887.68
Other non-current assets	54,800,000.00	54,800,000.00
Total non-current assets	24,919,697,160.59	25,634,440,746.17
TOTAL ASSETS	64,549,175,144.59	59,951,499,029.16
CURRENT LIABILITIES:		
Short-term borrowings	7,747,708,213.63	7,522,637,247.14
Bills payable	9,393,590,000.00	6,375,070,000.00
Accounts payable	471,669,534.55	570,706,495.21
Advance receipts	1,561,190,481.36	956,040,917.07
Staff remuneration payables	45,432,514.57	47,546,116.66
Taxes payable	55,603,091.43	116,173,781.96
Interest payable	105,256,333.34	28,428,028.58
Dividend payable	1,626,559,287.00	
Other payables	2,446,918,910.84	2,162,553,106.46
Non-current liabilities due within one year	1,224,548,708.44	1,318,429,260.12
Other current liabilities	10,160,767,686.35	10,797,248,631.76
Total current liabilities	34,839,244,761.51	29,894,833,584.96

X Financial Report

II. Financial Statements (Cont'd)

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

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	667,124,084.70	908,182,122.65
Bonds payable	2,097,247,500.00	1,198,305,304.75
Long-term payables	4,143,834,948.98	4,605,691,332.13
Provisions	325,259,082.28	325,259,082.28
Deferred income	48,582,602.30	50,753,189.60
Other non-current liabilities	1,244,666,668.00	250,000,000.00
Total non-current liabilities	8,526,714,886.26	7,338,191,031.41
Total liabilities	43,365,959,647.77	37,233,024,616.37
OWNERS' EQUITY:		
Share capital	2,904,608,200.00	1,936,405,467.00
Other equity instruments	10,048,300,000.00	10,048,300,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	5,570,800,000.00	5,570,800,000.00
Capital reserves	4,970,757,435.19	5,938,960,168.19
Surplus reserves	1,119,926,524.49	1,119,926,524.49
Retained profit	2,139,623,337.14	3,674,882,253.11
TOTAL OWNERS' EQUITY	21,183,215,496.82	22,718,474,412.79
TOTAL LIABILITIES AND OWNERS' EQUITY	64,549,175,144.59	59,951,499,029.16

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Item	Unit: RMB	
	Amount for the reporting period	Amount for the prior period
I. Total revenue	15,551,334,039.89	13,749,235,007.24
Including: Revenue	15,551,334,039.89	13,749,235,007.24
II. Total operating costs	13,616,998,093.86	11,880,087,434.81
Including: Operating costs	10,259,884,918.86	9,171,066,988.49
Taxes and surcharges	129,509,211.98	105,960,012.36
Sales and distribution expenses	605,463,325.71	641,498,275.35
General and administrative expenses	972,856,522.65	856,354,999.17
Finance expenses	1,498,828,444.69	1,055,396,506.36
Loss on impairment of assets	150,455,669.97	49,810,653.08
Plus: Gain on change in fair value (“-” denotes loss)	-117,973,841.55	-11,009,851.10
Investment income (“-” denotes loss)	152,314,068.88	65,864,672.36
Including: Investment income from associates and joint ventures	-17,153,503.00	-4,154,293.30
Gain on disposal of assets (“-” denotes loss)	-2,210,048.63	344,802.99
Other income	59,672,276.88	
III. Operating profit (“-” denotes loss)	2,026,138,401.61	1,924,347,196.68
Plus: Non-operating income	191,632,557.35	156,696,370.73
Less: Non-operating expenses	446,221.32	2,072,581.46
IV. Total profit (“-” denotes total loss)	2,217,324,737.64	2,078,970,985.95
Less: Income tax expenses	434,202,112.50	331,253,327.08
V. Net profit (“-” denotes net loss)	1,783,122,625.14	1,747,717,658.87
(I) Net profit from continuing operations (“-” denotes net loss)	1,783,122,625.14	1,747,717,658.87
(II) Net profit from discontinued operations (“-” denotes net loss)		
Net profit attributable to shareholders of the Company	1,784,631,025.31	1,745,514,838.23
Profit or loss of minority interest	-1,508,400.17	2,202,820.64
VI. Net other comprehensive income after tax	-103,234,110.38	170,697,419.90
Net other comprehensive income after tax attributable to shareholders of the Company	-103,234,110.38	170,697,419.90
(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	-103,234,110.38	170,697,419.90
5. Exchange differences on translation of foreign operations	-103,234,110.38	170,697,419.90
Other comprehensive income attributable to minority interest, net of tax		
VII. Total comprehensive income	1,679,888,514.76	1,918,415,078.77
Total comprehensive income attributable to shareholders of the Company	1,681,396,914.93	1,916,212,258.13
Total comprehensive income attributable to minority interest	-1,508,400.17	2,202,820.64
VIII. Earnings per share:		
(I) Basic earnings per share	0.36	0.50
(II) Diluted earnings per share	0.36	0.50

Legal Representative: Chen Hongguo Financial controller: Hu Jinbao Head of the financial department: Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
I. Revenue	2,816,294,485.82	3,682,570,308.92
Less: Operating costs	1,974,361,613.08	2,560,699,253.09
Taxes and surcharges	44,570,024.17	38,197,149.42
Selling and distribution expenses	90,052,325.82	131,699,019.76
General and administrative expenses	253,378,119.62	306,624,272.42
Finance expenses	450,292,646.56	302,220,430.04
Loss on impairment of assets	-3,263,078.84	13,038,951.61
Plus: Gain on change in fair value ("-" denotes loss)	-94,000,000.00	
Investment income ("-" denotes loss)	151,671,872.91	69,489,948.67
Including: Investment income from associates and joint ventures	-4,078,127.09	-30,620.30
Gain on disposal of assets ("-" denotes loss)	-1,404,490.25	285,572.22
Other income	2,170,587.30	
II. Operating profit ("-" denotes loss)	65,340,805.37	399,866,753.47
Plus: Non-operating income	159,134,238.55	12,782,322.74
Less: Non-operating expenses		
III. Total profit ("-" denotes total loss)	224,475,043.92	412,649,076.21
Less: Income tax expenses	26,570,945.21	20,154,500.40
IV. Net profit ("-" denotes net loss)	197,904,098.71	392,494,575.81
(I) Net profit from continuing operations ("-" denotes net loss)	197,904,098.71	392,494,575.81
(II) Net profit from discontinued operations ("-" denotes net loss)		
V. Net other comprehensive income after tax		
VI. Total comprehensive income	197,904,098.71	392,494,575.81

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II. Financial Statements (Cont'd)

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	14,209,807,106.29	12,367,242,687.49
Tax rebates received	4,906,195.67	2,575,753.81
Cash received relating to other operating activities	2,560,132,218.85	230,498,726.61
Subtotal of cash inflows from operating activities	16,774,845,520.81	12,600,317,167.91
Cash paid for goods and services	9,303,280,725.88	8,387,824,464.47
Cash paid to and for employees	578,298,920.80	544,347,530.25
Payments of taxes and surcharges	876,814,512.36	793,983,398.34
Cash paid relating to other operating activities	1,271,413,440.86	6,987,103,543.24
Subtotal of cash outflows from operating activities	12,029,807,599.90	16,713,258,936.30
Net cash flows from operating activities	4,745,037,920.91	-4,112,941,768.39
II. Cash flows from investing activities:		
Cash received from investments	2,350,000,000.00	
Cash received from investment income	171,500,000.00	16,861,112.27
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	150,077.55	395,843.67
Net cash received from disposal of subsidiaries and other business units	19,610,260.70	
Cash received relating to other investing activities	11,194,100.00	972,391,073.00
Subtotal of cash inflows from investing activities	2,552,454,438.25	989,648,028.94
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,609,046,327.99	746,966,959.23
Cash paid on investments	1,311,172,596.96	606,110,000.00
Cash paid relating to other investing activities	103,042,210.54	
Subtotal of cash outflows from investing activities	3,023,261,135.49	1,353,076,959.23
Net cash flows from investing activities	-470,806,697.24	-363,428,930.29

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

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	23,960,924,414.55	23,101,617,576.90
Cash received from issuance of bonds		
Cash received relating to other financing activities	8,940,587,508.90	7,720,000,594.49
Subtotal of cash inflows from financing activities	32,901,511,923.45	30,861,618,171.39
Cash repayments of amounts borrowed	19,647,186,258.44	13,156,774,323.31
Cash paid for dividend and profit distribution or interest payment	1,331,735,531.11	2,483,897,208.01
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash paid relating to other financing activities	15,500,213,039.33	10,195,554,187.00
Subtotal of cash outflows from financing activities	36,479,134,828.88	25,836,225,718.32
Net cash flows from financing activities	-3,577,622,905.43	5,025,392,453.07
IV. Effect of foreign exchange rate changes on cash and cash equivalents	29,968,597.03	-107,391,377.48
V. Net increase in cash and cash equivalents	726,576,915.27	441,630,376.91
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,804,408,374.46	1,979,861,045.62
VI. Balance of cash and cash equivalents as at the end of the period	3,530,985,289.73	2,421,491,422.53

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II. Financial Statements (Cont'd)

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	2,262,576,453.26	2,947,603,434.58
Tax rebates received		
Cash received relating to other operating activities	997,388,740.42	697,159,595.97
Subtotal of cash inflows from operating activities	3,259,965,193.68	3,644,763,030.55
Cash paid for goods and services	1,005,422,983.37	1,907,092,137.24
Cash paid to and for employees	203,769,186.38	227,658,831.17
Payments of taxes and surcharges	298,790,554.29	226,985,971.66
Cash paid relating to other operating activities	778,975,073.31	610,188,242.33
Subtotal of cash outflows from operating activities	2,286,957,797.35	2,971,925,182.40
Net cash flows from operating activities	973,007,396.33	672,837,848.15
II. Cash flows from investing activities:		
Cash received from investments	2,380,000,000.00	
Cash received from investment income	171,500,000.00	16,861,111.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17,628.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		900,000,000.00
Subtotal of cash inflows from investing activities	2,551,500,000.00	916,878,739.11
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	26,375,996.36	54,575,321.80
Cash paid on investments	1,361,714,807.50	2,665,511,220.00
Subtotal of cash outflows from investing activities	1,388,090,803.86	2,720,086,541.80
Net cash flows from investing activities	1,163,409,196.14	-1,803,207,802.69

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II. Financial Statements (Cont'd)

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

Item	Amount for the reporting period	Amount for the prior period
III. Cash flows from financing activities:		
Cash received from investments		
Cash received from borrowings	7,562,143,316.17	14,360,451,015.03
Cash received from issuance of bonds		
Cash received relating to other financing activities	8,204,965,097.95	7,190,741,096.00
Subtotal of cash inflows from financing activities	15,767,108,414.12	21,551,192,111.03
Cash repayments of amounts borrowed	6,735,658,936.22	10,665,502,742.60
Cash paid for dividend and profit distribution or interest payment	716,590,206.19	2,240,461,564.72
Cash paid relating to other financing activities	10,373,957,627.23	7,751,076,273.64
Subtotal of cash outflows from financing activities	17,826,206,769.64	20,657,040,580.96
Net cash flows from financing activities	-2,059,098,355.52	894,151,530.07
IV. Effect of foreign exchange rate changes on cash and cash equivalents	6,160,731.67	-5,297,986.97
V. Net increase in cash and cash equivalents	83,478,968.62	-241,516,411.44
Plus: Balance of cash and cash equivalents as at the beginning of the period	1,020,262,069.85	582,578,426.62
VI. Balance of cash and cash equivalents as at the end of the period	1,103,741,038.47	341,062,015.18

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amount for the reporting period

Unit: RMB

Item	For the reporting period										Total owner's equity	
	Share capital	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions		Retained profit
I. Balance as at the end of the prior year	1,936,405,467.00	4,477,500,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80	1,132,116,106.40	8,866,614,844.40		2,495,649,464.04	30,274,176,538.94
Plus: changes in accounting policies												
Corrections of previous errors												
Business combination under common control												
Others												
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80	1,132,116,106.40	8,866,614,844.40		2,495,649,464.04	30,274,176,538.94
III. Changes in the period ("-" denotes decrease)	988,202,733.00				-1,026,305,329.81		-103,234,110.38		59,971,738.31		-1,204,921,889.24	-1,305,286,858.12
(I) Total comprehensive income							-103,234,110.38		1,784,651,025.51		-1,508,400.17	1,679,888,514.76
(II) Capital paid in and reduced by owners					-58,102,596.81							-1,261,516,065.88
1. Ordinary shares paid by shareholders					-58,102,596.81							-1,261,516,065.88
2. Capital paid by holders of other equity instruments												
3. Amount of share-based payments recognised in owners' equity												
4. Others												
(III) Profit distribution												
1. Transfer to surplus reserves												
2. Transfer to general risk provision												
3. Distribution to owners (or shareholders)												
4. Others												
(IV) Transfer of owners' equity	988,202,733.00				-988,202,733.00							
1. Capital (or share capital) created on capital reserve	988,202,733.00				-988,202,733.00							
2. Capital (or share capital) created on surplus reserve												
3. Surplus reserve making up losses												
4. Others												
(V) Special reserve												
1. Withdrawal												
2. Used												
(VI) Others												
IV. Balance as at the end of the period	2,994,608,200.00	4,477,500,000.00	5,570,800,000.00		5,122,952,455.09		-457,389,238.18	1,132,116,106.40	8,926,586,582.71		1,290,727,574.80	28,967,891,680.82

II. Financial Statements (Cont'd)

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

Amounts for the prior period

Unit: RMB

Item	Share capital		Preference shares		Other equity instruments		Equity attributable to owners of the Company			For the prior period			Total owner's equity			
					Perpetual bonds	Others	Capital reserves	treasury shares	Less: comprehensive income	Other comprehensive income	Special reserves	Surplus reserves		General risk provisions	Retained profit	Minority interest
I. Balance as at the end of the prior year	1,935,405,467.00	4,477,500,000.00	4,477,500,000.00	2,582,800,000.00	6,149,257,784.90									6,745,977,781.02	346,050,847.76	22,564,859,215.19
Plus: changes in accounting policies																
Corrections of previous errors																
Business combination under common control																
Others																
II. Balance as at the beginning of the year	1,935,405,467.00	4,477,500,000.00	4,477,500,000.00	2,582,800,000.00	6,149,257,784.90									6,745,977,781.02	346,050,847.76	22,564,859,215.19
III. Changes in the period ("-" denotes decrease)																
(I) Total comprehensive income																
(II) Capital paid in and reduced by owners																
1. Ordinary shares paid by shareholders																
2. Capital paid by holders of other equity instruments																
3. Amount of share-based payments recognised in owners' equity																
4. Others																
(III) Profit distribution																
1. Transfer to surplus reserves																
2. Transfer to general risk provision																
3. Distribution to owners (or shareholders)																
4. Others																
(IV) Transfer of owners' equity																
1. Capital (or share capital) created on capital reserve																
2. Capital (or share capital) created on surplus reserve																
3. Surplus reserve making up losses																
4. Others																
(V) Special reserve																
1. Withdrawal																
2. Used																
(VI) Others																
IV. Balance as at the end of the period	1,935,405,467.00	4,477,500,000.00	4,477,500,000.00	2,582,800,000.00	6,149,257,784.90									7,112,289,231.70	369,253,868.40	23,144,053,906.41

II. Financial Statements (Cont'd)

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

Amounts for the period

Unit: RMB

Item	For the reporting period						Total owners' equity				
	Share capital	Preference shares	Other equity instruments	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	1,895,405,467.00	4,477,500,000.00	5,570,800,000.00		5,898,960,188.19				1,119,926,524.49	3,674,882,233.11	22,718,474,412.79
Plus: changes in accounting policies										-8,503,727.68	-8,503,727.68
Corrections of previous errors											
Others											
II. Balance as at the beginning of the year	1,895,405,467.00	4,477,500,000.00	5,570,800,000.00		5,898,960,188.19				1,119,926,524.49	3,666,376,525.43	22,709,970,685.11
III. Changes in the period ("-" denotes decrease)	968,202,733.00				-968,202,733.00					-1,826,755,188.29	-1,826,755,188.29
(I) Total comprehensive income										197,904,098.71	197,904,098.71
(II) Capital paid in and/or reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution										-1,724,659,287.00	-1,724,659,287.00
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfer of owners' equity	968,202,733.00				-968,202,733.00						
1. Capital (or share capital) created on capital reserve	968,202,733.00				-968,202,733.00						
2. Capital (or share capital) created on surplus reserve											
3. Surplus reserve making up losses											
4. Others											
(V) Special reserve											
1. Withdrawal											
2. Used											
(VI) Others											
IV. Balance as at the end of the period	2,863,608,200.00	4,477,500,000.00	5,570,800,000.00		4,930,757,455.19				1,119,926,524.49	2,139,623,337.14	21,183,215,496.82

II. Financial Statements (Cont'd)

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

Amounts for the prior period

Unit: RMB

Item	For the prior period						Total owners' equity
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	
I. Balance as at the end of the prior year	1,986,405,467.00	4,477,500,000.00	2,582,800,000.00		5,938,980,188.19		20,847,079,148.06
Plus: changes in accounting policies							
Corrections of previous errors							
Others							
II. Balance as at the beginning of the year	1,986,405,467.00	4,477,500,000.00	2,582,800,000.00		5,938,980,188.19		20,847,079,148.06
III. Changes in the period ("-" denotes decrease)							
(I) Total comprehensive income							
(II) Capital paid in and reduced by owners							
1. Ordinary shares paid by shareholders							-886,725,811.74
2. Capital paid by holders of other equity instruments							392,494,575.81
3. Amount of share-based payments recognised in owners' equity							
4. Others							
(III) Profit distribution							
1. Transfer to surplus reserves							-1,379,220,387.55
2. Distribution to owners (or shareholders)							
3. Others							
(IV) Transfer of owners' equity							
1. Capital (or share capital) created on capital reserve							
2. Capital (or share capital) created on surplus reserve							
3. Surplus reserve making up losses							
4. Others							
(V) Special reserve							
1. Withdrawal							
2. Used							
(VI) Others							
IV. Balance as at the end of the period	1,986,405,467.00	4,477,500,000.00	2,582,800,000.00		5,938,980,188.19		19,860,353,336.32
							3,804,761,176.64
							1,119,926,524.49
							1,119,926,524.49
							4,791,486,988.38
							20,847,079,148.06

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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 the Company on 27 August 2018.

Subsidiaries of the Company included in the scope of consolidation for the first half of 2018 totalled 62. For details, please refer to this Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had one company included and one company excluded compared to the prior year. For details, please refer to this 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.

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.

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V. Significant Accounting Policies and Accounting Estimates

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 V. 25 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 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.

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.

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

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.

(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.

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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

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.

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 V. 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 V. 14 “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.

6. Preparation of consolidated financial statements

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

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

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

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

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

(2) Basis for preparation of the consolidated financial statements

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.

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 V. 14 "Long-term equity investments" or Note V. 10 "Financial instruments" for details.

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

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

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

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 V. 14 (2) ④) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

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

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

The Company treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note V. 14 (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.

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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

(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.

(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.

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.

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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)

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.

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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.

X Financial Report

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

10. Financial instruments (Cont'd)

(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.

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.

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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

(1) Making bad debt provision individually for individually significant accounts receivable

Judgment basis or amount standard for individually significant amount

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

Method for making bad debt provision individually for individually significant accounts receivable

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.

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

11. Accounts receivable (Cont'd)

- (2) Making bad debt provision for accounts receivable collectively assessed for impairment based on credit risk characteristics

Name of groups	Method for making bad debt provision		
Specific fund groups	Other methods		
Ageing groups	Ageing analysis		
Use of ageing analysis for making bad debt provision in the portfolio:			
<input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not applicable			
		Ratio of accounts receivable provision	Ratio of other accounts receivable provision
Ageing			
Within 1 year (including 1 year)		5.00%	5.00%
1-2 years		10.00%	10.00%
2-3 years		20.00%	20.00%
Over 3 years		100.00%	100.00%

Using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

Using other methods for making bad debt provision in the portfolio:

Applicable Not applicable

- (3) Accounts receivable individually insignificant but assessed individually for impairment

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 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.

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 measurement requirements under the Accounting Standard for Business Enterprises No. 42 - Noncurrent 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.

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

13. Assets held-for-sale (Cont'd)

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 unanimous agreement from parties who share control. Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the 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 treated 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 of 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.

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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 (Cont'd)

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.

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.

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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*

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

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Company's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying 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.

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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 V. 6. (2) "Preparation Method of the Consolidated Financial Statements".

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognised through profit or loss in the current period.

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners' equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognised for the movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment accounted for using cost method with the remaining equity interest after disposal also accounted for using cost method, other comprehensive income recognised using equity method or the recognition and measurement standard of financial instruments before obtaining control over the investee shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee, and transferred to profit or loss for the current period on pro rata basis. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period on pro rata basis.

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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.

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

15. Investment property

Measurement of investment property

Measured by using the cost method

Depreciation or amortisation methods

Investment property refers to real estate held to earn rentals or for capital appreciation, or both.

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

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

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

(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) 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.

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

17. Construction in progress

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

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note 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.

19. Intangible assets

(1) Accounting method, useful life and impairment test

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.

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

19. Intangible assets (Cont'd)

(1) Accounting method, useful life and impairment test (Cont'd)

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) Accounting policy for internal 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.

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 non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

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

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

20. Impairment of long-term asset (Cont'd)

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.

22. Employee benefits

(1) Accounting treatment for short-term staff remuneration

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.

(2) Accounting treatment for post-employment benefits

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.

(3) Accounting treatment for termination benefits

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.

(4) Accounting treatment for other long-term employee benefit

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

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

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.

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 V. 18 "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.

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

26. Government grants

(1) Judgment basis and accounting treatment of government grants related to assets

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. 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.

(2) Judgment basis and accounting treatment of government grants related to income

Other government grants are classified as related to revenue. 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.

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.

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

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

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

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

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

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

(3) Income tax expense

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

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

(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.

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

28. Lease

(1) Accounting treatment for operating 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. All other leases are classified as operating leases.

(1) *Operating lease business with the Company recorded as lessee*

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

(2) *Operating lease business with the Company recorded as lessor*

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

(2) Accounting treatment for finance leases

(1) *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.

(2) *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)

(2) Accounting treatment for finance leases (Cont'd)

(3) *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
	1-2 years past due (inclusive)	30.00
	2- 3 years past due (inclusive)	50.00
	Over 3 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.

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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

Applicable Not applicable

(2) Changes in significant accounting estimates

Applicable Not applicable

31. Others

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:

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

31. Others (Cont'd)

(1) Classification of leases

The Company classifies its leases as operating lease and financing lease in accordance with “Accounting Standard for Business Enterprises No. 21 - Leases”. When classifying leases, the management needs to analyse and judge whether all risks and returns relating to the ownership of leased out assets have transferred to the lessee, or whether the Company has obliged to all risks and returns relating to the ownership of leased assets.

(2) Provision for bad debts

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

(3) Allowance for inventories

Under the accounting policies of inventories and by measuring at the lower of cost and net realisable value, the Company makes allowance for inventories which have costs higher than net realisable value or become obsolete and slow-moving. Write-down of inventories to their net realisable values is based on the sale ability of the evaluated inventory and their net realisable values. Given the management’s judgments and estimates required for inventory impairment on the basis of definite evidence, purpose of holding the inventories and other factors, the difference between the actual outcome and original estimate will affect the carrying amount of inventories and provision and reversal of bad debts of inventories allowance during the estimate revision period.

(4) Fair value of consumable biological assets

A consumable biological asset is measured at fair value when there is a stock. A stock is judged to be formed when the consumable biological asset - timber survives well after a growth period and the merchantable timber exceeds 0.8 cubic metres.

The fair value of a consumable biological asset is discounted using expected cash flow and estimated and measured using income approach.

(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.

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

31. Others (Cont'd)

(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.

(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 expending of some items. Any difference between the final recognition outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during their final recognition period.

VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base	Tax rate
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.	16%, 11%, 6%
Urban maintenance and construction tax	7% of actual payment of turnover tax.	7%
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.	25%
Educational surcharges	3% of actual payment of turnover tax.	3%
Local educational surcharges	2% of actual payment of turnover tax.	2%

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.

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VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise Income Tax (Cont'd)

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%.

(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	2,104,950.30	2,344,438.45
Bank deposit	3,528,880,339.43	2,802,063,936.01
Other monetary funds	14,690,489,964.91	11,639,084,086.97
Total	18,221,475,254.64	14,443,492,461.43
Of which: Total deposits in overseas banks	639,719,297.65	508,707,081.55

Notes: ① Other monetary funds of RMB6,690,434,770.82 (31 December 2017: RMB4,822,551,296.94) were the guarantee deposit for the application for bank acceptance with the banks by the Group.

② Other monetary funds of RMB2,510,468,323.21 (31 December 2017: RMB1,333,152,563.36) were the guarantee deposit for the application for letter of credit with the banks by the Group.

③ Other monetary funds of RMB3,826,377,119.45 (31 December 2017: RMB4,939,992,248.75) were the guarantee deposit for the application for guarantees with the banks by the Group.

④ Other monetary funds of RMB1,266,999,751.43 (31 December 2017: RMB90,037,977.92) were the guarantee deposit for the application for loans with the banks by the Group.

⑤ Other monetary funds of RMB396,210,000.00 (31 December 2017: RMB453,350,000.00) 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	0.00	94,000,000.00
Total	0.00	94,000,000.00

Other explanation: On 16 April, the Company and Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. (another shareholder of Guangdong Dejun Investment Co., Ltd.) entered into the Guangdong Dejun Investment Co., Ltd. Equity Repurchase Agreement, pursuant to which, the Company is entitled to the fixed investment income from the equity investment and received an amount for premium repurchase at 4% per year.

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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	3,414,858,233.25	4,120,231,853.56
Commercial acceptance bills	0.00	100,000,000.00
Total	3,414,858,233.25	4,220,231,853.56

(2) Bills receivable of the Company pledged at the end of the period

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptance bills	1,901,430,321.76
Commercial acceptance bills	0.00
Total	1,901,430,321.76

(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	5,330,734,383.89	0.00
Commercial acceptance bills	0.00	
Total	5,330,734,383.89	0.00

(4) Other explanation

As at 30 June 2018, bills with the carrying amount of RMB1,612,389,759.13 (31 December 2017: RMB972,379,999.17) were pledged in exchange for short-term borrowings of RMB1,569,382,500.00. As at 30 June 2018, bills with the carrying amount of RMB257,540,562.63 (31 December 2017: RMB443,772,390.78) were pledged and a letter of guarantee amounting to RMB295,000,000.00 was issued therefor. As at 30 June 2018, bills with the carrying amount of RMB31,500,000.00 (31 December 2017: RMB692,007,430.76) were pledged and a letter of credit amounting to RMB22,629,484.00 was issued therefor.

As at 30 June 2018, the accumulated bank acceptance bills issued by the Group to banks amounted to RMB2,991,700,361.67 (2017: RMB3,742,679,994.55), with discount expenses incurred of RMB70,915,830.95 (2017: RMB72,693,293.53). As at 30 June 2018, outstanding discounted bills receivable amounted to RMB2,554,764,872.75 (2017: RMB2,169,102,479.25).

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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		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Provision percentage		Amount	Percentage	Amount	Provision percentage	
Accounts receivable that are individually significant but assessed individually for impairment	40,852,895.55	0.99%	40,852,895.55	100.00%	37,864,672.83	0.94%	37,864,672.83	100.00%	0.00	
Accounts receivable that are collectively assessed for impairment based on credit risk characteristics	4,096,627,882.60	99.01%	324,655,320.10	7.92%	3,771,972,562.50	99.01%	3,988,541,011.28	8.61%	3,665,865,577.03	
Receivables that are individually insignificant but assessed individually for impairment	0.00	0.00%	0.00	0.00%	1,994,466.60	0.05%	1,994,466.60	100.00%	0.00	
Total	4,137,480,778.15	100.00%	365,508,215.65	8.83%	3,771,972,562.50	100.00%	4,028,400,150.71	9.00%	3,665,865,577.03	

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
NO.1 MIDDLE SCHOOL OF WUHAN ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE	1,916,773.20	1,916,773.20	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
SHANGHAI KANGNUO FLOORING MANUFACTURING CO., LTD.	1,071,449.52	1,071,449.52	100.00%	Overdue for a prolonged period and unlikely to be recovered
Total	40,852,895.55	40,852,895.55	—	—

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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 3 months	2,524,113,758.35	118,868,916.30	4.71%
4-6 months	549,224,133.45	27,461,206.69	5.00%
7-12 months	57,217,805.64	2,860,890.26	5.00%
Sub-total for within 1 year	3,130,555,697.44	149,191,013.25	4.77%
1-2 years	68,951,648.77	6,895,164.88	10.00%
2-3 years	86,974,725.73	17,394,945.15	20.00%
Over 3 years	151,174,196.83	151,174,196.83	100.00%
Total	3,437,656,268.77	324,655,320.10	

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

Bad debt provision for the current period amounted to RMB4,563,478.96. The amount for bad debt provision recovered or reversed during the current period was RMB1,589,836.99.

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

Unit: RMB

Item	Amount written off
Accounts receivable actually written-off	1,907,616.23

Significant accounts receivable written-off:

Unit: RMB

Name of entity	Nature of accounts receivable	Amount written off	Reason for written off	Written off procedure performed	Arising from related party transaction or not
HEBEI PRINTING FACTORY OF PEOPLE'S DAILY	Payment for goods	534,612.10	Overdue for a prolonged period and unlikely to be recovered	Approved by the general manager	No
JILIN CHANGCHUN CARD FACTORY	Payment for goods	1,099,418.13	Overdue for a prolonged period and unlikely to be recovered	Approved by the general manager	No
JINAN HANZHANG PRINTING CO., LTD.	Payment for goods	273,586.00	Overdue for a prolonged period and unlikely to be recovered	Approved by the general manager	No
Total	—	1,907,616.23	—	—	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

4. Accounts receivable (Cont'd)

(4) Top five accounts receivable based on closing balance of debtors

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total accounts receivable	Closing balance of bad debt provision
BEIJING PAPER COMPANY FOR FOREIGN LANGUAGE PUBLICATIONS	Payment for goods	133,549,170.95	Within 1 year	3.23%	6,677,458.55
YUNNAN PRINTING MATERIALS CO. LTD.	Payment for goods	83,711,747.25	Within 1 year	2.02%	4,185,587.36
GUIZHOU PUBLISHING PRINTING MATERIALS CO., LTD.	Payment for goods	81,525,220.72	Within 1 year	1.97%	4,076,261.04
SICHUAN PRINTING MATERIALS COMPANY LIMITED	Payment for goods	69,428,539.67	Within 1 year	1.68%	3,471,426.98
SHANXI PRINTING MATERIALS CORPORATION	Payment for goods	63,292,602.60	Within 1 year or 1 to 2 years	1.53%	7,461,197.98
Total	—	431,507,281.19	—	10.43%	25,871,931.59

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	1,939,522,004.84	94.51%	1,766,616,133.82	90.03%
1-2 year	112,687,093.50	5.49%	195,535,339.53	9.97%
Total	2,052,209,098.34	—	1,962,151,473.35	—

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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
JIANGXI PROVINCE ZHONGLIAN ENERGY DEVELOPMENT CO., LTD.	191,215,583.63	9.32%	Within 1 year	Prepayments for goods according to the agreed contract
ZHANJIANG MINGLI TRADING CO., LTD.	91,584,634.70	4.46%	Within 1 year	Prepayments for goods according to the agreed contract
GUANGDONG LEPENG TRADING CO., LTD.	68,352,514.04	3.33%	Within 1 year	Prepayments for goods according to the agreed contract
HENAN XINYU INTERNATIONAL PULP AND PAPER CO., LTD.	59,841,051.05	2.92%	Within 1 year	Prepayments for goods according to the agreed contract
SHANGHAI MUHAO INTERNATIONAL TRADE CO., LTD.	51,865,502.43	2.53%	Within 1 year	Prepayments for goods according to the agreed contract
Total	462,859,285.85	22.55%		

6. Other receivables

(1) Other receivables by category

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Amount	Bad debt provision Provision percentage	Carrying amount	Amount	Percentage	Amount	Bad debt provision Provision percentage	Carrying amount
Other receivables that are individually significant but assessed individually for impairment	28,935,015.66	4.17%	28,935,015.66	100.00%		28,935,015.66	4.52%	28,935,015.66	100.00%	0.00
Other receivables that are collectively assessed for impairment based on credit risk characteristics	658,189,914.56	94.76%	64,144,550.97	9.75%	594,045,363.59	604,070,216.38	94.32%	65,335,559.83	10.82%	538,734,656.55
Other receivables that are individually insignificant but assessed individually for impairment	7,456,768.12	1.07%	7,456,768.12	100.00%		7,456,768.12	1.16%	7,456,768.12	100.00%	0.00
Total	694,581,698.34	100.00%	100,536,334.75	14.47%	594,045,363.59	640,462,000.16	100.00%	101,727,343.61	15.88%	538,734,656.55

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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	—	—

In the groups, other receivables with provision for bad debts based on ageing analysis:

Applicable Not applicable

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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)

Unit: RMB

Ageing	Other receivables	Closing balance Bad debt provision	Provision percentage
Within 1 year			
Sub-total for within 1 year	203,790,887.22	10,189,544.36	5.00%
1 to 2 years	15,064,521.90	1,506,452.19	10.00%
2 to 3 years	34,287,134.25	6,857,426.85	20.00%
Over 3 years	45,591,127.57	45,591,127.57	100.00%
Total	298,733,670.94	64,144,550.97	

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

Bad debt provision for the period amounted to RMB13,560,742.56. The amount for bad debt provision recovered or reversed during the period was RMB14,751,751.43.

(3) 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
SHANDONG STEEL GROUP FINANCE CO., LTD.	Loans	200,000,000.00	Within 1 year	28.79%	
SINOTRUK FINANCE CO., LTD.	Loans	100,000,000.00	Within 1 year	14.40%	
WEIFANG SIME DARBY WEST PORT CO., LTD.	Open credit	19,093,750.00	Within 1 year	2.75%	954,687.50
GUANGDONG ZHONGTUO CONSTRUCTION CO., LTD	Open credit	15,200,000.00	2-3 years	2.19%	3,040,000.00
VALMET CORPORATION FINLAND	Open credit	5,533,180.79	2-3 years	0.80%	1,106,636.16
Total	—	339,826,930.79	—	48.93%	5,101,323.66

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VII. Notes to items of the consolidated financial statements (Cont'd)

7. Inventories

(1) Categories of inventories

Unit: RMB

Item	Closing balance		Opening balance		Impairment provision	Carrying amount
	Book balance	Impairment provision	Book balance	Carrying amount		
Raw materials	2,468,203,325.14	8,138,005.87	2,460,065,319.27	2,431,905,097.56	8,138,005.87	2,423,767,091.69
Work-in-process products	32,553,546.43	1,835,271.09	30,718,275.34	115,619,584.50	1,835,271.09	113,784,313.41
Goods in stock	2,112,668,532.20		2,112,668,532.20	1,419,054,457.14		1,419,054,457.14
Consumable biological assets	1,515,976,239.80		1,515,976,239.80	1,756,375,954.07		1,756,375,954.07
Developing products	309,887,374.86		309,887,374.86	309,823,674.86		309,823,674.86
Total	6,439,289,018.43	9,973,276.96	6,429,315,741.47	6,032,778,768.13	9,973,276.96	6,022,805,491.17

(2) Impairment provision for inventories

Unit: RMB

Item	Increase for the period			Decrease for the period		Closing balance Closing balance
	Opening 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	5,648,853,164.63	6,901,695,875.94
Total	5,648,853,164.63	6,901,695,875.94

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,143,634,175.09	946,555,831.51
Prepaid tax	45,801,512.78	3,703,141.50
Receivables under financial lease due within one year	10,202,152,084.06	10,618,498,357.25
Total	11,391,587,771.93	11,568,757,330.26

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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	Book balance	Closing balance		Book balance	Opening balance	
		Provision for impairment	Carrying amount		Provision for impairment	Carrying amount
Available-for-sale equity instruments:	104,450,000.00	1,450,000.00	103,000,000.00	2,454,450,000.00	1,450,000.00	2,453,000,000.00
At cost	104,450,000.00	1,450,000.00	103,000,000.00	2,454,450,000.00	1,450,000.00	2,453,000,000.00
Total	104,450,000.00	1,450,000.00	103,000,000.00	2,454,450,000.00	1,450,000.00	2,453,000,000.00

(2) Available-for-sale financial assets measured at cost as at the end of the period

Unit: RMB

Investee	Opening balance	Book balance		Closing balance	Opening balance	Provision for impairment		Closing balance	Equity interest in the investee held by the Company	Cash dividends for the period
		Increase for the period	Decrease for the period			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%	
SHANDONG HONGQIAO VENTURE CAPITAL CO., LTD.	50,000,000.00			50,000,000.00					16.67%	
LIIDE 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.	2,350,000,000.00		2,350,000,000.00	0.00					50.00%	
Total	2,446,450,000.00	8,000,000.00	2,350,000,000.00	104,450,000.00	1,450,000.00			1,450,000.00	—	

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VII. Notes to items of the consolidated financial statements (Cont'd)

10. Available-for-sale financial assets (Cont'd)

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

Unit: RMB

Type of available-for-sale assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Opening balance of provision for impairment	1,450,000.00		1,450,000.00
Provision made during the current period	0.00		0.00
Decrease for the current period	0.00		0.00
Closing balance of provision for impairment	1,450,000.00		1,450,000.00

11. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Provision for bad debts	Carrying amount		Provision for bad debts	Carrying amount
Finance leasing payments	17,191,992,230.55	176,370,744.60	17,015,621,485.95	17,824,233,394.52	109,695,662.35	17,714,537,732.17
Including: unrealised financing income	1,804,823,919.07	—	1,804,823,919.07	1,411,979,767.05		1,411,979,767.05
Less: non-current assets due within one year	5,667,568,816.47	18,715,651.84	5,648,853,164.63	6,921,710,823.32	20,014,947.38	6,901,695,875.94
Total	9,719,599,495.01	157,655,092.76	9,561,944,402.25	9,490,542,804.15	89,680,714.97	9,400,862,089.18

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VII. Notes to items of the consolidated financial statements (Cont'd)

12. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Profit/loss of investment recognised under equity method	Increase/decrease for the period				Others	Closing balance	Closing balance of provision
					Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared	Provision for impairment			
I. Joint ventures											
SHOUGUANG CHENMING HUISEN NEW BUILDING MATERIALS CO., LTD.	3,087,296.72			-152,076.08						2,935,220.64	
WEIFANG SIME DARBY WEST PORT CO., LTD.	104,784,922.41			-1,007,659.69						103,777,262.72	
Subtotal	107,872,219.13			-1,159,735.77						106,712,483.36	
II. Associates											
JIANGXI JIANGBAO MEDIA COLOUR PRINTING CO., LTD.	1,754,051.46			-480,140.20						1,273,911.26	
ZHUHAI DECHEN NEW THIRD BOARD EQUITY INVESTMENT FUND COMPANY (LIMITED PARTNERSHIP)	51,918,433.41			115,077.17						52,033,510.58	
NINGBO KAICHEN HUAMEI EQUITY INVESTMENT FUND PARTNERSHIP (LIMITED PARTNERSHIP)	199,981,173.01			1,282,985.50						200,264,158.51	
WUHAN CHENMING WAN XING REAL ESTATE CO., LTD.	26,415,066.62			-11,968,315.95						14,456,740.67	
JIANGXI CHENMING PORT CO., LTD.	4,927,893.82			-1,117,059.96						3,810,833.86	
XUCHANG CHENMING PAPER CO. LTD.		26,710,116.52		-3,836,313.79						22,873,802.73	
Subtotal	283,996,608.32	26,710,116.52		-15,993,767.23						294,712,957.61	
Total	391,868,827.45	26,710,116.52		-17,153,503.00						401,425,440.97	

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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	Land use right	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	4,847,572,022.07			4,847,572,022.07
2. Increase for the period				
(1) Purchase				
(2) Transfer from inventories\fixed assets\construction in progress				
(3) Increase in business combinations				
3. Decrease for the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	4,847,572,022.07			4,847,572,022.07
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	38,036,912.25			38,036,912.25
2. Increase for the period	59,040,941.31			59,040,941.31
(1) Provision or amortisation	59,040,941.31			59,040,941.31
3. Decrease for the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	97,077,853.56			97,077,853.56
III. Provision for impairment				
1. Opening balance				
2. Increase for the period				
(1) Provision				
3. Decrease for the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	4,750,494,168.51			4,750,494,168.51
2. Opening carrying amount	4,809,535,109.82			4,809,535,109.82

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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:					
1. Opening balance	8,550,130,664.61	32,357,264,151.18	355,292,830.51	439,890,095.33	41,702,577,741.63
2. Increase for the period	209,041,937.75	431,582,063.33	7,052,516.03	7,923,816.06	655,600,333.17
(1) Acquisition	17,007,522.89	35,982,160.04	5,283,650.18	5,543,114.39	63,816,447.50
(2) Transferred from construction in progress	192,034,414.86	395,599,903.29	1,768,865.85	2,380,701.67	591,783,885.67
3. Decrease for the period	97,565,930.19	565,657,833.49	1,987,980.43	10,139,232.48	675,350,976.59
(1) Disposal or retirement	97,565,930.19	37,625,101.70	1,987,980.43	10,139,232.48	147,318,244.80
(2) Transferred into construction in progress		528,032,731.79			
4. Closing balance	8,661,606,672.17	32,223,188,381.02	360,357,366.11	437,674,678.91	41,682,827,098.21
II. Accumulated depreciation					
1. Opening balance	1,437,843,056.33	11,437,397,169.74	143,458,304.23	264,188,740.27	13,282,887,270.57
2. Increase for the period	116,767,347.28	643,219,732.27	16,793,032.49	7,580,024.77	784,360,136.81
(1) Provision	116,598,720.88	643,219,732.27	16,793,032.49	7,580,024.77	784,191,510.41
(2) Others	168,626.40				168,626.40
3. Decrease for the period	1,199,415.72	390,851,613.58	1,359,587.62	5,135,703.97	398,546,320.89
(1) Disposal or retirement	1,199,415.72	16,521,798.39	1,359,587.62	5,135,703.97	24,216,505.70
(2) Transferred into construction in progress		374,329,815.19			
4. Closing balance	1,553,410,987.88	11,689,765,288.43	158,891,749.10	266,633,061.07	13,668,701,086.48
III. Provision for impairment					
1. Opening balance	51,900,151.11	139,905,410.65	13,092.92	362,313.33	192,180,968.01
2. Increase for the period					
(1) Provision					
3. Decrease for the period		942,037.96			942,037.96
(1) Disposal or retirement		942,037.96			942,037.96
4. Closing balance	51,900,151.11	138,963,372.69	13,092.92	362,313.33	191,238,930.05
IV. Carrying amount					
1. Closing carrying amount	7,056,295,533.18	20,394,459,719.90	201,452,524.09	170,679,304.51	27,822,887,081.68
2. Opening 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

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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	198,634,423.34	62,308,475.97	51,900,151.11	84,425,796.26	
Machinery and equipment	480,998,965.75	150,545,416.85	139,160,790.69	191,292,758.21	
Vehicles	1,460,746.36	1,236,706.21	28,576.91	195,463.24	
Electronic equipment and others	4,233,072.56	3,845,349.03	120,784.43	266,939.10	
Total	685,327,208.01	217,935,948.06	191,210,303.14	276,180,956.81	

(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.	1,228,040,417.40	Processing with scheduled operation commencement not imminent
JILIN CHENMING PAPER CO., LTD.	469,183,035.93	Processing with scheduled operation commencement not imminent
SHOUGUANG MEILUN PAPER CO., LTD.	292,308,998.28	Processing with scheduled operation commencement not imminent
HAICHENG HAIMING MINING CO., LTD.	249,880,577.86	Processing with scheduled operation commencement not imminent
JIANGXI CHENMING PAPER CO., LTD.	196,955,746.88	Processing with scheduled operation commencement not imminent
SHANDONG CHENMING PAPER HOLDINGS LIMITED	88,030,254.36	Processing with scheduled operation commencement not imminent
WUHAN CHENMING HANYANG PAPER HOLDINGS CO., LTD.	76,400,732.81	Processing with scheduled operation commencement not imminent
SHANDONG GRAND VIEW HOTEL CO., LTD.	41,046,490.33	Processing with scheduled operation commencement not imminent
Total	2,641,846,253.85	

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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
400T/d Mechanical pulp project (Headquarters)	109,726,341.02		109,726,341.02	23,575,818.57		23,575,818.57
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)	1,131,232,128.35		1,131,232,128.35	902,644,220.48		902,644,220.48
Chemical pulp project (Meilun)	2,335,015,663.33		2,335,015,663.33	1,801,971,276.32		1,801,971,276.32
High-end cultural paper (Meilun)	1,397,957,131.33		1,397,957,131.33	697,210,244.24		697,210,244.24
Haiming mining magnesite deep processing project (Haiming)	572,496,001.86		572,496,001.86	1,047,440,597.94		1,047,440,597.94
Huanggang Chenming Forest and Paper Integration Project (Pulping Project) (Huanggang Chenming)	3,282,772,975.06		3,282,772,975.06	2,482,982,255.45		2,482,982,255.45
Integrated terminal project (Huanggang Chenming)	247,339,310.45		247,339,310.45	191,050,346.34		191,050,346.34
100,000-ton paper machine changing project (Xuchang Chenming)				170,475,982.49		170,475,982.49
Others	560,273,323.58	14,764,226.23	545,509,097.35	366,082,898.27	14,764,226.23	351,318,672.04
Total	9,636,812,874.98	14,764,226.23	9,622,048,648.75	7,683,433,640.10	14,764,226.23	7,668,669,413.87

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'10 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
40T/d Mechanical pulp project (Parent Company)	1.30	23,575,818.57	86,083,169.49			109,658,988.06		84.35%	2,996,101.58	2,637,207.67	6.16%	Self-raised or borrowings
Newsprint machine to cultural paper machine and related pulp line transformation (Parent Company)	3.72	902,644,220.48	225,858,394.09			1,131,232,128.35		99.00%	15,005,123.28	12,782,733.72	6.16%	Self-raised or borrowings
Chemical pulp project (Meiur)	43.77	1,801,971,276.52	533,044,387.01			2,335,015,663.33		53.35%	116,436,399.16	45,669,790.67	6.27%	Self-raised or borrowings
High-end cultural paper (Meiur)	37.61	697,210,244.24	7,007,463,807.09			1,397,957,131.33		37.17%	27,339,917.35	18,964,826.00	6.27%	Self-raised or borrowings
Haiming mining magnesite deep processing project (Haiming)	8.50	1,047,440,587.94	85,001,155.23	581,512,841.07		550,929,112.10		34.11%	119,255,543.03	21,635,822.31	4.35%	Self-raised or borrowings
Huanggang Chemming Forest and Paper Integration Project (Pujing Project) (Huanggang Chemming)	34.85	2,492,982,255.45	751,820,356.99			3,234,802,612.44		92.00%	98,977,034.21	26,707,453.51	5.08%	Self-raised or borrowings
Integrated terminal project (Huanggang Chemming)	3.51	191,050,346.34	58,288,964.11		17,047,5382.49	247,339,310.45		98.00%				Self-raised
100,000-tonne paper machine changing project (Nuchang Chemming)	1.80	170,475,982.49										Self-raised or borrowings
Total	133.27	7,317,260,741.83	2,438,843,314.01	581,512,841.07	170,475,982.49	9,006,634,946.06	—	—	380,590,116.61	128,387,635.98		

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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	10,036,240.51	11,285,247.52
Special equipment		3,990,382.93
Total	10,036,240.51	15,275,630.45

17. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Unpatented technology	Software	Total
I. Original carrying amount					
1. Opening balance	2,385,510,515.67			24,305,385.83	2,409,815,901.50
2. Increase for the period	13,747,888.15			67,378.42	13,815,266.57
(1) Acquisition				67,378.42	67,378.42
(2) Project under construction transfer-in	13,747,888.15				13,747,888.15
3. Decrease for the period	122,239,326.66				122,239,326.66
(1) Disposal	122,239,326.66				122,239,326.66
4. Closing balance	2,277,019,077.16			24,372,764.25	2,301,391,841.41
II. Accumulated amortisation					
1. Opening balance	330,449,712.10			20,144,810.31	350,594,522.41
2. Increase for the period	23,347,159.60			712,284.69	24,059,444.29
(1) Provision	23,347,159.60			712,284.69	24,059,444.29
3. Decrease for the period	673,859.67				673,859.67
(1) Disposal	673,859.67				673,859.67
4. Closing balance	353,123,012.03			20,857,095.00	373,980,107.03
III. Impairment provision					
IV. Carrying amount					
1. Closing carrying amount	1,923,896,065.13			3,515,669.25	1,927,411,734.38
2. Opening carrying amount	2,055,060,803.57			4,160,575.52	2,059,221,379.09

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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

Description of the test process and parameters for goodwill impairment as well as the recognition method for goodwill impairment loss:

On the balance sheet date, the management of the Group 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, relying on the expected annual growth rate in GNP and the expected and steady annual growth rate in the industry by market players to calculate. Management of the Group expects no provision for impairment loss is necessary to be made for goodwill during the reporting period.

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	131,260,068.14	416,539.45	3,230,815.55	1,548,290.82	126,897,501.22
Others	7,862,501.31		352,407.30		7,510,094.01
Total	139,122,569.45	416,539.45	3,583,222.85	1,548,290.82	134,407,595.23

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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	871,372,135.12	208,869,026.37	691,231,679.05	173,959,565.59
Unrealised profit arising from intra-group transactions	244,925,616.44	61,231,404.11	273,585,917.96	68,396,479.49
Deductible loss	821,869,359.29	142,173,437.80	1,006,688,665.35	173,250,557.91
Outstanding payables	438,539,008.93	67,560,516.66	512,378,679.91	77,803,599.22
Deferred income	224,517,483.96	38,832,817.29	157,069,341.95	28,878,648.19
Total	2,601,223,603.74	518,667,202.23	2,640,954,284.22	522,288,850.40

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	145,364,286.32	136,902,031.73
Deductible loss	548,452,368.75	521,429,433.24
Total	693,816,655.07	658,331,464.97

(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
2018		89,165,185.03	
2019	88,145,632.65	58,161,318.09	
2020	56,452,164.43	69,723,168.31	
2021	68,465,205.68	161,307,173.38	
2022	161,486,351.42	143,072,588.43	
2023	173,903,014.57		
Total	548,452,368.75	521,429,433.24	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

21. Other non-current assets

Item	Unit: RMB	
	Closing balance	Opening balance
Prepayments for properties	678,454,601.24	451,277,549.54
Prepayments for equipment	1,101,159.65	48,446,648.16
Total	679,555,760.89	499,724,197.70

22. Short-term borrowings

(1) Classification of short-term borrowings

Item	Unit: RMB	
	Closing balance	Opening balance
Pledged borrowings	1,470,063,029.29	2,956,876,168.82
Secured borrowings		50,000,000.00
Guaranteed borrowings	11,103,380,038.15	12,100,224,483.51
Credit borrowings	6,892,659,552.16	5,823,854,220.70
Discounted borrowings	15,356,870,000.00	14,165,620,000.00
Total	34,822,972,619.60	35,096,574,873.03

23. Bills payable

Category	Unit: RMB	
	Closing balance	Opening balance
Commercial acceptance bills	102,000,000.00	283,744,411.80
Bank acceptance bills	1,475,635,335.58	994,650,678.91
Total	1,577,635,335.58	1,278,395,090.71

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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	3,283,404,831.68	3,398,781,721.68
1-2 years	250,774,705.89	415,562,463.45
2-3 years	51,463,080.44	72,014,432.53
Over 3 years	195,423,193.12	127,577,910.08
Total	3,781,065,811.13	4,013,936,527.74

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
ANDRITZ AG	26,340,727.95	Not to be collected yet
LIAONING HUAYE GROUP DEVELOPMENT CO.,LTD.	9,048,000.00	Not to be collected yet
SHANGHAI CLEAR SCIENCE&TECHNOLOGY CO., LTD.	8,642,724.19	Not to be collected yet
SHANDONG SHENHUA SHANDA ENERGY & ENVIRONMENT CO., LTD.	6,652,712.36	Not to be collected yet
FUJIAN WEIDONG INDUSTRIAL CO., LTD.	5,363,200.00	Not to be collected yet
Total	56,047,364.50	—

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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	348,733,733.59	233,656,725.36
1-2 years	11,088,164.47	9,526,165.86
Total	359,821,898.06	243,182,891.22

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
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
JINHUA JIAYI PACKING CO., LTD.	561,684.00	No delivery requirement from the counterparty yet
Total	3,683,628.41	—

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	184,868,925.11	636,796,162.27	677,686,673.09	143,978,414.29
II. Retirement benefit plan – defined contribution scheme	261,966.99	82,491,392.99	82,651,500.18	101,859.80
III. Lay off welfare		370,371.12	370,371.12	
Total	185,130,892.10	719,657,926.38	760,708,544.39	144,080,274.09

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VII. Notes to items of the consolidated financial statements (Cont'd)

26. Staff remuneration payables (Cont'd)

(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	133,765,532.39	529,897,988.19	576,352,752.65	87,310,767.93
2. Staff welfare		14,396,362.96	14,396,362.96	
3. Social insurance premium	1,471,027.85	36,687,928.46	36,867,227.92	1,291,728.39
Of which: Medical insurance premium	508,362.57	30,282,697.15	30,468,984.55	322,075.17
Work-related injury insurance premium	146.67	3,619,472.14	3,612,382.95	7,235.86
Maternity insurance premium	962,518.61	2,785,759.17	2,785,860.42	962,417.36
4. Housing provident funds	7,126,858.97	43,389,178.83	42,716,654.72	7,799,383.08
5. Union funds and workers' education	23,566,423.65	12,067,800.37	6,818,523.26	28,815,700.76
6. Other short-term remuneration	18,939,082.25	356,903.46	535,151.58	18,760,834.13
Total	184,868,925.11	636,796,162.27	677,686,673.09	143,978,414.29

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	176,970.81	79,538,165.89	79,715,136.70	
2. Unemployment insurance	84,996.18	2,953,227.10	2,936,363.48	101,859.80
Total	261,966.99	82,491,392.99	82,651,500.18	101,859.80

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VII. Notes to items of the consolidated financial statements (Cont'd)

27. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	83,606,695.96	128,785,997.13
Enterprise income tax	260,063,782.98	304,239,481.46
Individual income tax	5,682,477.79	5,296,935.04
Urban maintenance and construction tax	3,827,212.43	7,324,998.53
Land use tax	14,103,299.10	15,556,098.12
Property tax	17,136,201.06	25,352,235.76
Educational surcharges and others	6,611,693.23	5,702,856.39
Stamp duty	1,894,295.84	4,367,412.25
Total	392,925,658.39	496,626,014.68

28. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	83,798,000.01	85,480,380.32
Interest on medium-term notes	35,592,579.90	
Total	119,390,579.91	85,480,380.32

29. Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
Ordinary dividend	1,161,843,280.20	
Dividends of preference shares/perpetual bonds classified as equity instruments	464,716,006.80	
Total	1,626,559,287.00	

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VII. Notes to items of the consolidated financial statements (Cont'd)

30. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	1,707,405,020.37	1,146,432,000.75
1-2 years	331,107,831.91	222,321,364.69
2-3 years	49,287,570.61	33,093,992.06
Over 3 years	36,908,627.83	24,782,187.91
Total	2,124,709,050.72	1,426,629,545.41

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
LIAONING BEIHAI INDUSTRY GROUP LTD.	42,905,085.89	Debt investment by a shareholder of a subsidiary as agreed
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT CO., LTD.	42,189,702.27	Debt investment by a shareholder of a subsidiary as agreed
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Deposit
SHANDONG YINGLI INDUSTRIAL CO., LTD. (DEPOSIT)	6,000,000.00	Deposit
WENZHOU DONGDA MINE CONSTRUCTION ENGINEERING CO., LTD.	5,450,000.00	Deposit
Total	105,344,788.16	—

31. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	4,321,258,031.95	3,625,430,347.40
Total	4,321,258,031.95	3,625,430,347.40

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VII. Notes to items of the consolidated financial statements (Cont'd)

32. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	10,160,767,686.35	10,797,248,631.76
Total	10,160,767,686.35	10,797,248,631.76

33. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings		275,000,000.00
Secured borrowings	3,393,472,000.00	3,592,342,000.00
Guaranteed borrowings	7,711,012,847.78	6,530,519,307.37
Credit borrowings	423,692,035.94	873,692,035.94
Less: long-term borrowings due within 1 year	-4,321,258,031.95	-3,625,430,347.40
Total	7,206,918,851.77	7,646,122,995.91

Including:

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	4,321,258,031.95	3,625,430,347.40
Long-term borrowings due within 1-2 years	2,086,132,311.50	1,833,951,514.00
Long-term borrowings due within 2-5 years	2,260,094,504.33	2,577,564,445.97
Long-term borrowings due over 5 years	2,860,692,035.94	3,234,607,035.94
Total	11,528,176,883.72	11,271,553,343.31

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VII. Notes to items of the consolidated financial statements (Cont'd)

34. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming Bond 01- Chenming Paper	1,198,530,000.00	1,198,305,304.75
17 Chenming Bond 01- Financial Leasing Company		997,955,974.82
18 Chenming Bond 01	898,717,500.00	
Total	2,097,247,500.00	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
17 Chenming Bond 01- Chenming Paper	1,200,000,000.00	2017/8/22	5 years	1,198,200,000.00	1,198,305,304.75		39,000,000.00			224,695.25	1,198,530,000.00
17 Chenming Bond 01- Financial Leasing Company	1,000,000,000.00	2017/3/21	3 years	997,000,000.00	997,955,974.82				1,000,000,000.00	2,044,025.18	
18 Chenming Bond 01	900,000,000.00	2018/3/29	5 years	898,650,000.00		898,650,000.00	16,414,666.68			67,500.00	898,717,500.00
Total	—	—	—	3,093,850,000.00	2,196,261,279.57	898,650,000.00	55,414,666.68		1,000,000,000.00	2,336,220.43	2,097,247,500.00

35. Long-term payables

(1) Long-term payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	235,190,103.51	245,190,103.51
Specific capital for China Development	622,500,000.00	700,000,000.00
Equipment leaseback	4,143,834,948.98	4,605,691,332.13
Total	5,001,525,052.49	5,550,881,435.64

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VII. Notes to items of the consolidated financial statements (Cont'd)

36. 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	25,000,000.00		706,039,716.66	
Total	681,039,716.66	25,000,000.00		706,039,716.66	—

37. Provision

Unit: RMB

Item	Closing balance	Opening balance	Reason
Pending litigation	325,259,082.28	325,259,082.28	Losses from Arjo's lawsuit
Total	325,259,082.28	325,259,082.28	—

38. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,452,717,833.55	11,194,100.00	43,038,926.19	1,420,873,007.36	
Total	1,452,717,833.55	11,194,100.00	43,038,926.19	1,420,873,007.36	—

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VII. Notes to items of the consolidated financial statements (Cont'd)

38. Deferred income (Cont'd)

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	Include in other income for the period	Amount charged against cost expenses	Other changes	Closing balance	Asset-related/ income-related
Special subsidy funds for environmental protection	816,090,223.99			24,800,367.35			791,289,856.64	Asset-related
Project fund for National technological support scheme	1,781,924.68			82,350.00			1,699,574.68	Asset-related
Sewage treatment and water conservation reconfiguration project	6,131,402.52			596,341.43			5,535,061.09	Asset-related
Financial grants for technological modification project	192,900,814.51			7,199,237.13			185,701,577.38	Asset-related
Zhanjiang integrated forestry, pulp and paper project	271,889,991.56	8,615,100.00		7,281,506.19			273,223,585.37	Asset-related
Interest subsidy	95,580,066.97			2,729,749.09			92,850,317.88	Asset-related
Railway line change compensation	13,705,208.33			184,375.00			13,520,833.33	Asset-related
Logistics park project	53,626,701.00	2,579,000.00					56,205,701.00	Asset-related
Others	1,011,499.99			165,000.00			846,499.99	Asset-related
Total	1,452,717,833.55	11,194,100.00		43,038,926.19			1,420,873,007.36	—

39. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
The first phase of financial management	250,000,000.00	250,000,000.00
Medium-term notes	1,680,000,000.00	
Unamortised issue expenses	-10,461,871.24	
Total	1,919,538,128.76	250,000,000.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

40. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the period (+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	1,936,405,467.00			968,202,733.00		968,202,733.00	2,904,608,200.00

Other explanation:

Pursuant to the profit distribution plan of the Company for 2017 approved at the 2017 annual general meeting convened on 13 June 2018, 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 was distributed to ordinary shareholders and a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held.

41. 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	5,570,800,000.00			5,570,800,000.00
Preference shares	4,477,500,000.00			4,477,500,000.00
Total	10,048,300,000.00			10,048,300,000.00

2) Changes in perpetual bonds outstanding at the end of the period

Unit: RMB

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	5,570,800,000.00			5,570,800,000.00

Notes: ① Particulars of issue: The Company issued 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 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 million.

② Particulars of the notes as perpetual bonds

VII. Notes to items of the consolidated financial statements (Cont'd)

41. Other equity instruments (Cont'd)

2) Changes in perpetual bonds outstanding at the end of the period (Cont'd)

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.

(3) Changes in preference shares outstanding at the end of the period

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.

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VII. Notes to items of the consolidated financial statements (Cont'd)

41. Other equity instruments (Cont'd)

(3) Changes in preference shares outstanding at the end of the period (Cont'd)

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.

42. 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		1,026,305,329.81	4,452,629,947.88
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,257,784.90		1,026,305,329.81	5,122,952,455.09

Other particulars, including changes (increase or decrease) during the period and reasons for such changes:

- ① On 30 January 2018, the Company issued the Announcement on the Receipt of 30% equity interest in Hongtai Real Estate held by Guangdong Dejun and Guangdong Dejun's Debt to Hongtai Real Estate and Related Party Transaction in relation to the acquisition of 30% equity interest in Shanghai Hongtai Real Estate Co., Ltd., a subsidiary held by Guangdong Dejun Investment Co., Ltd., at a consideration of RMB1,171,960,000.
- ③ On 23 May 2018, the Company issued the Announcement on Acquisition of Minority Interest in Subsidiaries in relation to the acquisition of 14.2742% equity interest in Wuhan Chenming, a subsidiary of the Company, held by Hubei Hanyang Paper Mill, a minority shareholder of Wuhan Chenming, at a consideration of RMB60,896,600.
- ③ Pursuant to the profit distribution plan of the Company for 2017 approved at the 2017 annual general meeting convened on 13 June 2018, 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 was distributed to ordinary shareholders and a capitalisation issue to ordinary shareholders was made out of the capital reserves of 5 shares for every 10 shares held.

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VII. Notes to items of the consolidated financial statements (Cont'd)

43. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before income tax for the period	During the period		Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: income tax expenses			
II. Other comprehensive income to be reclassified to profit or loss in subsequent periods	-354,165,127.80	-103,234,110.38			-103,234,110.38		-457,399,238.18
Exchange differences on translation of foreign operations	-354,165,127.80	-103,234,110.38			-103,234,110.38		-457,399,238.18
Total other comprehensive income	-354,165,127.80	-103,234,110.38			-103,234,110.38		-457,399,238.18

44. 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

45. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior period before adjustment	8,866,614,844.40	6,745,974,781.02
Retained profit as at the beginning of the period after adjustment	8,866,614,844.40	6,745,974,781.02
Plus: Net profit for period attributable to shareholders		
of the parent company	1,784,631,025.31	1,745,514,838.23
Ordinary dividend payable	1,161,843,280.20	1,161,843,280.20
Preferred shares dividend payable	562,816,006.80	217,377,107.35
Retained profit as at the end of the period	8,926,586,582.71	7,112,269,231.70

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VII. Notes to items of the consolidated financial statements (Cont'd)

46. Revenue and operating costs

Unit: RMB

Item	Amount for the reporting period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	15,339,402,308.23	10,223,566,613.79	13,563,143,834.69	9,109,268,921.26
Other activities	211,931,731.66	36,318,305.07	186,091,172.55	61,798,067.23
Total	15,551,334,039.89	10,259,884,918.86	13,749,235,007.24	9,171,066,988.49

47. Taxes and surcharges

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Urban maintenance and construction tax	29,431,549.79	22,398,860.35
Education surcharges	21,947,084.97	14,388,582.42
Property tax	26,787,098.32	26,916,701.19
Land use tax	25,666,645.17	24,234,332.85
Vehicle and vessel tax	502,934.38	34,306.91
Stamp duty	11,344,290.23	13,148,327.87
Water engineering funds	1,937,359.03	3,177,917.53
Environmental tax	4,354,733.37	
Water resource tax	6,163,044.01	
Others	1,374,472.71	1,660,983.24
Total	129,509,211.98	105,960,012.36

48. Selling and distribution expenses

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Wages and surcharges	66,498,765.40	65,953,852.36
Depreciation expenses	6,739,186.02	6,409,390.78
Office expenses	2,024,990.87	1,835,605.09
Transportation expenses	438,096,633.12	453,538,636.06
Selling commissions	9,527,198.46	6,775,566.23
Cargo handling charges	6,447,682.56	9,619,073.45
Travel expenses	14,287,350.75	10,999,160.71
Business hospitality expenses	27,355,797.58	36,623,061.92
Warehouse expenses	1,622,562.73	714,169.93
Rental expenses	4,783,613.45	4,580,600.56
Others	28,079,544.77	44,449,158.26
Total	605,463,325.71	641,498,275.35

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VII. Notes to items of the consolidated financial statements (Cont'd)

49. General and administrative expenses

Item	Unit: RMB	
	Amount for the reporting period	Amount for the prior period
Wages and surcharges	135,226,780.34	91,040,324.67
Welfare expenses	21,985,234.28	20,103,576.01
Labour insurance premium	22,172,367.80	6,102,709.36
Insurance premium	12,675,862.00	9,518,602.13
Depreciation expenses	106,354,515.61	33,612,163.11
Waste disposal expenses	5,684,105.91	9,214,959.75
Hospitality expenses	29,705,889.73	23,024,208.87
Amortisation of intangible assets	16,360,689.72	16,315,486.42
Technological development expenses	478,014,854.10	446,835,957.44
Production interruption loss	372,715.95	32,610,068.28
Repair fees	13,562,056.75	25,429,045.13
Others	130,741,450.46	142,547,898.00
Total	972,856,522.65	856,354,999.17

50. Finance expenses

Item	Unit: RMB	
	Amount for the reporting period	Amount for the prior period
Interest expenses	1,720,741,207.21	1,072,958,458.60
Less: Interest income	159,096,591.34	117,395,792.54
Capitalised interest amount	162,960,177.00	90,133,011.27
Foreign exchange gains and losses	-16,373,292.86	107,381,433.91
Bank charges	116,517,298.68	82,585,417.66
Total	1,498,828,444.69	1,055,396,506.36

51. Loss on impairment of assets

Item	Unit: RMB	
	Amount for the reporting period	Amount for the prior period
I. Loss on bad debts	150,455,669.97	50,382,322.12
II. Loss on inventory impairment		-571,669.04
Total	150,455,669.97	49,810,653.08

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VII. Notes to items of the consolidated financial statements (Cont'd)

52. Gain on change in fair value

	Unit: RMB	
Source of gain on change in fair value	Amount for the reporting period	Amount for the prior period
Gain on change in fair value of financial assets measured at fair value through profit or loss	-94,000,000.00	
Consumable biological assets measured at fair value	-23,973,841.55	-11,009,851.10
Total	-117,973,841.55	-11,009,851.10

53. Investment income

	Unit: RMB	
Item	Amount for the reporting period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-17,153,503.00	-4,154,293.30
Investment gain on disposal of long-term equity investments	13,717,571.88	480,189.88
Investment gain on disposal financial assets measured at fair value through profit or loss	114,233,300.00	
Investment gain on holding of available-for-sale financial assets	41,516,700.00	56,226,406.81
Income on external entrusted loans		13,312,368.97
Total	152,314,068.88	65,864,672.36

54. Asset disposal income

	Unit: RMB	
Source of asset disposal income	Amount for the reporting period	Amount for the prior period
Net income from disposal of non-current assets	-2,210,048.63	344,802.99
Total	-2,210,048.63	344,802.99

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VII. Notes to items of the consolidated financial statements (Cont'd)

55. Other income

Unit: RMB

Source of other income	Amount for the reporting period	Amount for the prior period
Government grants - amortised deferred income included in profit or loss	43,038,926.19	
Government grants - directly included in profit or loss	16,633,350.69	
Total	59,672,276.88	

56. Non-operating income

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Government grants	184,555,864.82	140,637,717.90	184,555,864.82
Others	7,076,692.53	16,058,652.83	7,076,692.53
Total	191,632,557.35	156,696,370.73	191,632,557.35

57. Non-operating expenses

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Donation	5,000.00	450,000.00	5,000.00
Others	441,221.32	1,622,581.46	441,221.32
Total	446,221.32	3,550,702.42	446,221.32

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VII. Notes to items of the consolidated financial statements (Cont'd)

58. Income tax expenses

(1) Particulars of income tax expenses

	Unit: RMB	
Item	Amount for the reporting period	Amount for the prior period
Income tax expenses for the period	443,275,831.48	351,541,417.73
Deferred income tax expenses	-9,073,718.98	-20,288,090.65
Total	434,202,112.50	331,253,327.08

59. Other comprehensive income

For details, please see Notes.

60. Items on statements of cash flow

(1) Cash received relating to other operating activities

	Unit: RMB	
Item	Amount for the reporting period	Amount for the prior period
Finance support fund	196,283,019.84	93,044,281.20
Interest income	216,272,935.89	117,395,792.54
External security deposit of the Financial Leasing Company	90,523,468.41	4,000,000.00
Open credit, and income from default penalty and fine		16,058,652.87
Net return of principal receivables relating to finance lease business	2,057,052,794.71	
Total	2,560,132,218.85	230,498,726.61

(2) Cash paid relating to other operating activities

	Unit: RMB	
Item	Amount for the reporting period	Amount for the prior period
Expense and open credit	1,261,413,440.86	1,541,645,097.56
Net increase in principal receivables relating to finance lease business		5,445,458,445.68
External security deposit of the Leasing Company	10,000,000.00	
Total	1,271,413,440.86	6,987,103,543.24

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VII. Notes to items of the consolidated financial statements (Cont'd)

58. Income tax expenses (Cont'd)

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Asset-related government grants	11,194,100.00	72,391,073.00
Entrusted loans		900,000,000.00
Total	11,194,100.00	972,391,073.00

(4) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Investment compensation liability	103,042,210.54	
Total	103,042,210.54	

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
MTX and short-term commercial paper, etc.	8,204,965,097.95	6,990,741,096.00
Equipment financing	500,000,000.00	729,259,498.49
Debt financing receivable	135,622,410.95	
Loan from the Finance Company	100,000,000.00	
Total	8,940,587,508.90	7,720,000,594.49

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Repayment of short-term commercial paper and MTN, etc.	7,911,542,642.29	7,159,436,554.95
Repayment of matured bonds	579,511,229.15	
Repayment of equipment leaseback	1,086,203,289.95	
Increase in restricted bank deposits for the period	5,922,955,877.94	3,036,117,632.05
Total	15,500,213,039.33	10,195,554,187.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

61. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	1,783,122,625.14	1,747,717,658.87
Plus: Provision for impairment of assets	150,455,669.97	199,810,653.08
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	784,191,510.41	816,376,614.37
Amortisation of intangible assets	24,059,444.29	25,214,975.98
Amortisation of long-term prepaid expenses	16,218,441.95	10,052,618.57
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	2,210,048.63	-344,802.99
Loss on changes in fair value (“-” denotes gain)	117,973,841.55	11,087,873.76
Finance expenses (“-” denotes gain)	1,584,988,775.97	1,072,958,458.60
Investment loss (“-” denotes gain)	-152,438,125.48	-65,864,672.36
Decrease in deferred income tax assets (“-” denotes increase)	3,621,648.17	-20,288,090.65
Decrease in inventories (“-” denotes increase)	-385,938,273.77	-1,194,720,554.52
Decrease in operating receivables (“-” denotes increase)	-3,833,188,190.12	-3,414,834,472.92
Increase in operating payables (“-” denotes decrease)	4,649,760,504.20	-3,300,108,028.18
Net cash flows from operating activities	4,745,037,920.91	-4,112,941,768.39
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Closing balance of cash	3,530,985,289.73	2,421,491,422.53
Less: Opening balance of cash	2,804,408,374.46	1,979,861,045.62
Net increase in cash and cash equivalents	726,576,915.27	441,630,376.91

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	3,530,985,289.73	2,804,408,374.46
Of which: Cash on hand	2,104,950.30	2,344,438.45
Bank deposits readily available for payment	3,528,880,339.43	2,802,063,936.01
III. Balance of cash and cash equivalent as at end of period	3,530,985,289.73	2,804,408,374.46

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VII. Notes to items of the consolidated financial statements (Cont'd)

62. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	14,690,489,964.91	As guarantee deposits for bank acceptance bills, letter of credit, and bank borrowings deposits, and deposit reserves.
Bills receivable	1,902,685,841.26	As collateral for short-term borrowings, bills payable, letters of guarantee and letters of credit.
Fixed assets	7,882,378,100.81	As collateral for bank borrowings and long-term payables.
Intangible assets	631,997,196.06	As collateral for bank borrowings and long-term payables.
Investment properties	4,750,494,168.51	As collateral for bank borrowings.
Total	29,858,045,271.55	—

63. 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	56,889,559.23	6.6166	376,415,457.62
EUR	1,309,235.94	7.6515	10,017,618.78
HKD	100,012.70	0.8431	84,320.71
GBP	7,121.62	8.6551	61,638.34
KRW	480,926,937.11	0.005903	2,839,001.99
JPY	1,922,880.96	0.059914	115,207.49
Accounts receivable			
Of which: USD	49,762,699.96	6.6166	329,259,880.55
EUR	4,823,704.06	7.6515	36,908,571.62
JPY	146,931,581.93	0.059914	8,803,258.80
Accounts payable			
Of which: USD	86,705,165.98	6.6166	573,693,401.25
EUR	22,322,987.38	7.6515	170,804,337.97
Short-term borrowings			
Of which: USD	699,374,376.26	6.6166	4,627,480,497.94
EUR	151,982,691.53	7.6515	1,162,895,564.23
Long-term borrowings			
Of which: USD	297,425,200.00	6.6166	1,967,943,578.32
EUR	57,799,998.62	7.6515	442,256,689.46
Non-current liabilities due within one year			
Of which: USD	161,500,000.00	6.6166	1,068,580,900.00

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VII. Notes to items of the consolidated financial statements (Cont'd)

63. 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.

VIII. Change in scope of consolidation

1. Others

During the year, the scope of consolidation included a newly established subsidiary, namely Beijing Chenming Financial Leasing Co., Ltd.. For details, please see Note VIII. 1 "Interest in subsidiaries".

During the year, the scope of consolidation excluded 1 company: as the shareholding of Shandong Chenming Paper Holdings Limited in Xuchang Chenming Paper Co. Ltd. decreased from 60% to 30%, Xuchang Chenming Paper Co. Ltd. was changed to an associate of Shandong Chenming Paper Holdings Limited. For details, please see Note VIII. 2 "Interest in joint ventures or associates".

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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		
				Direct	Indirect	Acquisition
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
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	62.50%		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

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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 Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal		100.00%	Merger and acquisition
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and 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
Shouguang Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board		100.00%	Merger and acquisition
Shouguang Chenming Cement Co., Limited	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 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
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai, China	Shanghai, China	Real estate		75.00%	Merger and acquisition
Shanghai Hongtai Property Management Co., Ltd.	Shanghai, China	Shanghai, China	Property Management		75.00%	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
Beijing Chenming Financial Leasing Co., Ltd.	Beijing, China	Beijing, China	Financial leasing		100.00%	Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	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.	34.80%	4,201,695.95		72,308,687.04
Wuhan Chenming Qianneng Electric Power Co., Ltd.	49.00%	-3,701,067.99		36,647,300.58
Shouguang Chenming Art Paper Co., Ltd.	25.00%	14,350,961.48		65,965,253.05
Shandong Grand View Hotel Co., Ltd	30.00%	-3,154,708.98		-40,635,798.66
Haicheng Haiming Mining Co., Ltd.	40.00%	24,819,683.23		118,584,728.38
Guangdong Huirui Investment Co., Ltd.	49.00%	-1,463,010.47		110,879,094.98
Shanghai Hongtai Real Estate Co., Ltd.	25.00%	-36,223,139.89		918,181,377.04
Shandong Chenming Commercial Factoring Co., Ltd.	49.00%	-338,813.50		-338,425.02
Hailaer Chenming Paper Co., Ltd.	25.00%			9,135,357.41
Total		-1,508,400.17		1,290,727,574.80

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 of subsidiary	Closing balance				Opening balance							
	Current assets	Non-current assets	Total assets	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities		
	Wuhan Chemming Hanyang Paper Holdings Co., Ltd.	653,704,473.75	1,081,751,428.47	1,745,455,902.22	1,479,238,400.31	51,551,946.89	1,530,790,347.20	489,799,209.30	1,241,278,595.22	1,731,077,804.52	1,438,701,718.23	53,182,469.27
Shouguang Chemming Art Paper Co., Ltd.	645,529,959.77	638,864,460.17	1,284,194,419.94	1,020,333,407.76	0.00	1,020,333,407.76	371,586,385.81	662,367,808.01	1,033,953,193.82	827,496,027.57	827,496,027.57	827,496,027.57
Shandong Grand View Hotel Co., Ltd.	18,507,208.71	211,791,792.46	230,299,001.17	365,751,663.38	0.00	365,751,663.38	16,747,494.79	214,555,206.74	231,302,701.53	356,239,867.14	356,239,867.14	356,239,867.14
Hai Cheng Haining Mining Co., Ltd.	173,535,098.17	1,250,462,354.86	1,423,997,453.03	1,127,535,632.07	0.00	1,127,535,632.07	75,944,788.92	1,181,346,911.13	1,257,291,680.05	1,022,879,867.16	77,980,000.00	1,022,879,867.16
Guangdong Huirui Investment Co., Ltd.	309,979,131.51	305,452.41	310,284,583.92	6,020,716.64	77,980,000.00	84,000,716.64	310,035,149.57	356,083.09	310,391,232.66	3,141,629.72	77,980,000.00	81,121,629.72
Shanghai Hongtai Real Estate Co., Ltd.	71,353,496.24	2,589,307,292.35	2,660,660,788.59	735,624,861.84	1,620,000,000.00	2,355,624,861.84	13,682,144.36	2,621,645,742.81	2,635,327,887.39	595,911,653.75	1,670,000,000.00	2,265,911,653.75

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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 (Cont'd)

Unit: RMB

Name of subsidiary	Amount for the reporting period				Amount for the prior period			
	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.	748,479,359.87	12,815,547.34	12,815,547.34	-1,234,776.51	600,890,033.83	6,940,887.35	6,940,887.35	-6,556,195.80
Shouguang Chenming Art Paper Co., Ltd.	469,197,828.15	57,403,845.93	57,403,845.93	16,911,656.33	315,445,237.82	20,062,006.83	20,062,006.84	857,026.40
Shandong Grand View Hotel Co., Ltd.	17,218,894.98	-10,515,696.60	-10,515,696.60	-5,150,398.08	16,349,994.57	-9,880,170.88	-9,880,170.88	-1,592,519.03
Haicheng Haiming Mining Co., Ltd.	194,803,343.16	62,049,208.07	62,049,208.07	-47,931,813.80		-4,206,980.88	20,062,006.84	-19,856,846.14
Guangdong Huirui Investment Co., Ltd.	0.00	-2,985,735.66	-2,985,735.66	-56,018.06		-811,026.55	-811,026.55	181,814.34
Shanghai Hongtai Real Estate Co., Ltd.	437,721.38	-82,830,427.25	-82,830,427.25	205,540,229.39				

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang, China	Shouguang, China	Construction materials	50.00%		Equity method
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	30.00%		Equity method
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Nanchang, China	Nanchang, China	Printing	21.15%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	50.00%		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 reporting period		Opening balance/Amount for the prior period	
	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	48,110,251.53	76,446,763.09	873,137.05	104,769,683.99
Of which: Cash and cash equivalents	154,968.76	71,926,049.62	357,810.87	20,253,054.23
Non-current assets	12,918,942.03	475,915,953.16	12,234,041.68	325,782,379.60
Total assets	61,029,193.56	552,362,716.25	13,107,178.73	430,552,063.59
Current liabilities	58,648,287.69	14,610,058.20	6,932,585.26	32,781,806.73
Non-current liabilities		343,620,042.41		201,622,321.84
Total liabilities	58,648,287.69	358,230,100.61	6,932,585.26	234,404,128.57
Equity interest attributable to shareholders of the parent company	2,380,905.87	194,132,615.64	6,174,593.47	196,147,935.02
Share of net assets based on shareholding	1,190,452.94	97,066,307.82	3,087,296.74	98,073,967.51
Carrying amount of investment in joint ventures	2,935,220.64	103,777,262.72	3,087,296.74	104,784,922.41
Revenue	22,351,679.01		10,319,610.53	
Finance expenses	-4,791.68	-26,820.55	99,894.57	-308,457.69
Income tax expenses	226,431.31		138,833.84	
Income tax expenses	-304,152.16	-2,015,319.38	-502,366.61	-2,578,637.02
Total comprehensive income	-304,152.16	-2,015,319.38	-502,366.61	-2,578,637.02

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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 reporting period				Opening balance/Amount for the prior period			
	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai 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)	Zhuhai 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	107,992,539.19	12,322,021.15	1,716,557,593.45	13,026,292.85	146,452,805.16	14,081,866.81	1,672,497,092.07	13,757,478.48
Non-current assets	92,000,000.00	91,750,000.00	33,844,444.17	105,389,783.79	51,000,000.00	89,760,000.00	33,671,226.11	107,795,608.88
Total assets	199,992,539.19	104,072,021.15	1,750,402,037.62	118,416,076.64	197,452,805.16	103,841,866.81	1,706,168,318.18	121,553,087.36
Current liabilities	16,169.83	5,000.00	1,662,041,605.80	108,888,991.99		5,000.00	1,588,523,379.45	109,241,036.37
Total liabilities	16,169.83	5,000.00	1,662,041,605.80	108,888,991.99		5,000.00	1,588,523,379.45	109,241,036.37
Equity interest attributable to shareholders of the parent company	199,976,369.36	104,067,021.15	88,360,431.82	9,527,084.65	197,452,805.16	103,836,866.81	117,644,938.73	12,312,050.99
Share of net assets based on shareholding	79,990,547.74	52,028,307.22	35,344,172.73	3,810,833.86	78,977,173.01	51,918,433.41	47,057,975.49	4,924,820.40
Carrying amount of investment in associates	200,264,158.51	52,033,510.58	14,456,740.67	3,810,833.86	198,981,173.01	51,918,433.41	47,057,975.49	4,927,893.82
Revenue			3,714,369.42	7,072,800.51				
Net profit	3,207,463.76	230,154.34	-29,895,789.87	-2,784,966.34	-2,547,194.84	1,266,311.79	56,434,545.15	-2,614,181.59
Total comprehensive income	3,207,463.76	230,154.34	-29,895,789.87	-2,784,966.34	-2,547,194.84	1,266,311.79	56,434,545.15	-2,614,181.59

(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. Fair value

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

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement at fair value	—	—	—	—
1. Consumable biological assets			1,067,432,724.07	1,067,432,724.07
Total assets continuously measured at fair value			1,067,432,724.07	1,067,432,724.07
II. Non-continuous measurement at fair value	—	—	—	—

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X. Fair value (Cont'd)

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

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 2018

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

Consumable biological assets

Opening carrying amount	1,212,770,435.34
Sapling increase during the year	
Sales decrease during the year	121,363,869.72
Change in fair value through profit or loss for the year	-23,973,841.55
Closing carrying amount	1,067,432,724.07

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 30 June 2018, the Company had no financial instruments measured at fair value (30 June 2017: Nil).

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XI. 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
Chenming Holdings Co., Ltd.	Shouguang City	Investment in manufacture of paper, electricity, steam, arboriculture	1,238,787,700.00	27.67%	27.67%

Explanation on the parent company of the Company

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office.

2. Subsidiaries of the Company

Please refer to Note IX. 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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XI. 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.	A company invested by the Directors and senior management of the Company
Shouguang Chenming Guangyuan Real Property Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Qingdao Chenming Nonghai Investment Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Nanchang Chenjian New-style Wall Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Hengde Enterprises Investment Co., Ltd.	A company invested by the Directors and senior management of the Company
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
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors and senior management served by
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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XI. 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 for the reporting period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Procurement of natural gas and heavy oil, etc.	170,147,411.87	350,000,000.00	No	84,339,429.95

Table on sales of goods/providing of services

Unit: RMB

Related party	Details of related party transaction	Amount for the reporting period	Amount for the prior period
Anhui Time Source Corporation	Sales of paper	0.00	122,403,067.72

(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.	135,000,000.00	20 December 2017	20 December 2027	No
Shandong Chenming Paper Sales Co., Ltd.	420,000,000.00	19 July 2017	20 July 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.	160,721,218.99	4 January 2018	4 July 2018	No
Shandong Chenming Paper Sales Co., Ltd.	350,000,000.00	24 February 2018	21 February 2019	No
Shandong Chenming Paper Sales Co., Ltd.	254,085,821.34	15 March 2018	12 September 2018	No
Shandong Chenming Paper Sales Co., Ltd.	250,000,000.00	10 April 2018	10 April 2019	No
Shandong Chenming Paper Sales Co., Ltd.	420,045,058.10	10 May 2018	7 November 2018	No
Shandong Chenming Paper Sales Co., Ltd.	575,717,671.60	10 May 2018	7 November 2018	No
Shandong Chenming Paper Sales Co., Ltd.	300,000,000.00	10 May 2018	6 November 2018	No
Shandong Chenming Paper Sales Co., Ltd.	500,000,000.00	29 June 2018	29 June 2019	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	17 October 2017	16 October 2018	No
Jiangxi Chenming Paper Co., Ltd.	45,000,000.00	27 March 2018	23 September 2018	No
Jiangxi Chenming Paper Co., Ltd.	76,500,000.00	29 May 2018	24 May 2019	No
Jiangxi Chenming Paper Co., Ltd.	22,500,000.00	20 June 2018	20 June 2019	No
Jiangxi Chenming Paper Co., Ltd.	16,563,394.57	29 March 2018	25 September 2018	No
Jiangxi Chenming Paper Co., Ltd.	6,539,190.65	20 April 2018	17 October 2018	No
Jiangxi Chenming Paper Co., Ltd.	18,319,448.14	10 May 2018	6 November 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	1 April 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	12 June 2017	12 June 2019	No

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XI. 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.	150,000,000.00	29 November 2017	29 November 2019	No
Shouguang Meilun Paper Co., Ltd.	57,450,000.00	19 January 2018	18 January 2019	No
Shouguang Meilun Paper Co., Ltd.	100,000,000.00	17 January 2018	16 July 2018	No
Shouguang Meilun Paper Co., Ltd.	100,000,000.00	1 February 2018	25 July 2018	No
Shouguang Meilun Paper Co., Ltd.	100,000,000.00	23 April 2018	17 October 2018	No
Shouguang Meilun Paper Co., Ltd.	101,306,798.49	22 June 2018	18 December 2018	No
Shouguang Meilun Paper Co., Ltd.	500,000,000.00	30 March 2018	16 July 2018	No
Jilin Chenming Paper Co., Ltd.	40,000,000.00	1 February 2018	25 December 2018	No
Chenming (HK) Limited	91,573,744.00	1 March 2017	18 March 2019	No
Chenming (HK) Limited	218,347,800.00	14 July 2017	26 July 2018	No
Chenming (HK) Limited	158,798,400.00	26 July 2017	10 August 2018	No
Chenming (HK) Limited	83,435,326.00	8 September 2017	2 August 2018	No
Chenming (HK) Limited	86,644,372.10	25 October 2017	24 September 2018	No
Chenming (HK) Limited	234,161,474.00	27 October 2017	11 October 2018	No
Chenming (HK) Limited	96,271,530.00	31 October 2017	8 October 2018	No
Chenming (HK) Limited	99,249,000.00	22 December 2017	10 December 2018	No
Chenming (HK) Limited	70,135,960.00	22 December 2017	10 December 2018	No
Chenming (HK) Limited	281,205,500.00	3 January 2018	13 December 2018	No
Chenming (HK) Limited	238,197,600.00	23 March 2018	20 March 2019	No
Chenming (HK) Limited	178,648,200.00	9 April 2018	8 October 2018	No
Chenming (HK) Limited	310,980,200.00	28 May 2018	15 May 2019	No
Chenming (HK) Limited	165,415,000.00	6 June 2018	6 December 2018	No
Chenming (HK) Limited	33,083,000.00	6 June 2018	6 December 2018	No
Chenming (HK) Limited	30,000,000.00	22 December 2017	22 December 2018	No
Chenming (HK) Limited	72,000,000.00	29 November 2017	29 November 2018	No
Chenming (HK) Limited	130,000,000.00	11 June 2018	11 June 2019	No
Chenming (HK) Limited	37,700,000.00	22 June 2018	20 December 2018	No
Chenming (HK) Limited	188,573,100.00	6 October 2016	30 August 2018	No
Chenming (HK) Limited	277,897,200.00	2 November 2016	10 September 2019	No
Chenming (HK) Limited	350,679,800.00	18 January 2017	8 April 2019	No
Chenming (HK) Limited	271,280,600.00	7 November 2017	30 September 2019	No
Chenming (HK) Limited	197,408,689.46	12 January 2017	14 December 2019	No
Chenming (HK) Limited	137,727,000.00	24 May 2017	27 April 2019	No
Chenming (HK) Limited	161,445,040.00	23 April 2018	7 April 2021	No
Chenming (HK) Limited	92,632,400.00	4 May 2018	6 April 2021	No
Chenming (HK) Limited	92,632,400.00	11 May 2018	11 April 2020	No
Chenming (HK) Limited	58,226,080.00	17 May 2018	5 May 2021	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	18 October 2017	17 October 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.	100,000,000.00	6 September 2017	5 September 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.	80,000,000.00	16 October 2017	15 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	6 November 2017	5 November 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	450,000,000.00	30 March 2017	29 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	75,000,000.00	29 March 2018	28 December 2018	No

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XI. 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.	80,000,000.00	15 January 2018	14 July 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	1 January 2018	31 December 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2 January 2018	1 January 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	18 January 2018	17 January 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	9 February 2018	8 February 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	1 January 2018	24 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	14 March 2018	27 July 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,969,000.00	9 April 2018	8 July 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	32,000,000.00	25 June 2018	18 June 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	43,000,000.00	2 April 2018	25 September 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	327,031,740.77	7 January 2018	8 January 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	160,397,500.00	30 August 2017	30 August 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	32,500,000.02	3 April 2018	2 July 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,999,600.00	27 April 2018	26 April 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,872,720.00	28 April 2018	27 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	36,738,643.18	2 May 2018	2 August 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.	39,500,000.00	3 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	20 June 2017	20 June 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	44,331,220.00	5 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	66,166,000.00	26 October 2016	26 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	132,332,000.00	21 December 2017	20 December 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	1,240,000,000.00	26 March 2018	25 March 2029	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	13 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	23 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	26 February 2018	11 February 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	28 February 2018	11 February 2020	No
Shouguang Chenming Import and Export Trade Co., Ltd.	150,000,000.00	30 September 2017	29 September 2018	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30,000,000.00	17 October 2017	16 October 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	535,605,000.00	17 December 2015	16 December 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	303,764,550.00	2 March 2016	17 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	303,764,550.00	18 March 2016	2 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	155,412,580.00	28 July 2016	12 July 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	225,000,000.00	21 September 2017	21 September 2020	No
Shandong Chenming Financial Leasing Co., Ltd.	500,000,000.00	31 May 2018	29 February 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	11,280,000.00	17 August 2015	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,100,000.00	14 December 2015	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	16,380,000.00	14 December 2015	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	21,840,000.00	14 December 2015	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	21,840,000.00	14 December 2015	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,770,000.00	14 December 2015	26 September 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	27,070,000.00	14 December 2015	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,700,000.00	24 June 2016	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,770,000.00	24 June 2016	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	530,000.00	24 June 2016	26 June 2020	No

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XI. 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.	32,240,000.00	5 January 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	5 January 2017	26 September 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	5 January 2017	26 December 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	5 January 2017	26 March 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	5 January 2017	26 June 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	5 January 2017	26 September 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	3 February 2017	26 September 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	3 February 2017	26 December 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	3 February 2017	26 March 2022	No
Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	3 February 2017	26 June 2022	No
Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 December 2015	29 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	52,932,800.00	23 September 2016	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	52,932,800.00	23 September 2016	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	52,932,800.00	23 September 2016	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	16,708,238.32	23 September 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	39,634,770.00	5 December 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	65,037,750.00	5 December 2016	26 September 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,705,980.00	5 December 2016	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	24,331,770.00	12 April 2017	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	65,037,750.00	12 April 2017	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	10,099,980.00	12 April 2017	26 June 2020	No

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XI. 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	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	1,196,178.34	60,641.83	2,995,456.40	149,772.82
	Total	1,196,178.34	60,641.83	2,995,456.40	149,772.82
Prepayments	Jiangxi Chenming Natural Gas Co., Ltd.	32,810,399.15		18,519,096.64	
	Total	32,810,399.15		18,519,096.64	
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
	Guangdong Dejun Investment Co., Ltd.			128,291,400.00	6,414,570.00
	Weifang Sime Darby West Port Co., Ltd.	19,093,750.00	954,687.50		
	Total	20,285,455.08	2,146,392.58	129,483,105.08	7,606,275.08

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	43,120,873.70	42,189,702.27
	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	29,968,574.22	
	Total	73,089,447.92	42,189,702.27

XII. Undertaking and contingency

1. Significant commitments

(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	3,440,480,605.28	3,826,992,695.73
Huirui BT Project	2,500,000,000.00	2,500,000,000.00
Total	5,940,480,605.28	6,326,992,695.73

(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	10,107,309.66	4,382,201.43
The second year after balance sheet date	10,384,627.74	4,777,714.37
The third year after balance sheet date	10,138,378.13	5,133,887.63
In the years thereafter	201,656,182.21	179,556,362.24
Total	232,286,497.74	193,850,165.67

XII. Undertaking and contingency (Cont'd)

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.

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 10:00 am 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.

The Company issued the Indicative Announcement on 14 August 2018. A hearing for the Garnishee Order is scheduled to be heard before a Master in Chambers at the High Court of HKSAR at 10:30 a.m. on 31 August 2018, among Arjowiggins HKK2 Ltd. as the Judgment Creditor, the Company as the Judgment Debtor and Bank of Communications Trustee Limited as the Garnishee.

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XIII. Post-balance sheet date event

1. Profit distribution

Unit: RMB

Proposed profit or dividend for distribution	0.00
Profit or dividend approved for distribution	1,626,559,287.00

2. Other post-balance sheet date event

On 11 July 2018, the resolution on the debt transfer of portion of the financial leasing business in Financial Leasing Companies was considered and approved at the 27th extraordinary meeting of the eighth session of the Board of the Company. In order to facilitate the capital collection in financial leasing business and enhance capital utilisation rate, the Company proposed to transfer the debt of not more than RMB2,000 million in aggregate in financial leasing business held to Shenzhen Qianhai Ruili Asset Management Co., Ltd. or other qualified transferee. The specific sale of debt and the transfer expenses will be executed in accordance with the agreement of both parties.

XIV. Other material matters

1. 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	13,160,393,022.74	137,513,641.61	1,329,045,532.12	1,086,258,948.17	161,877,104.75	15,551,334,039.89
Costs	9,406,171,649.42	110,291,082.62	126,471,923.24	798,109,948.57	181,159,684.99	10,259,884,918.86
Total assets	127,127,670,045.32	404,371,534.26	44,700,868,452.68	21,811,619,848.62	86,968,050,627.96	107,076,479,252.92
Total liabilities	95,706,290,453.86	163,306,056.31	31,248,668,911.29	15,115,194,407.81	64,124,872,257.17	78,108,587,572.10

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XV. 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 collectively assessed for impairment based on credit risk characteristics	2,204,627,636.92	100.00%	874,798.47	0.04%	2,203,752,838.45	8,860,393.90	100.00%	671,643.45	7.58%	8,188,750.45
Total	2,204,627,636.92	100.00%	874,798.47	0.04%	2,203,752,838.45	8,860,393.90	100.00%	671,643.45	7.58%	8,188,750.45

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

Age	Accounts receivable	Closing balance		Percentage
		Accounts receivable	Bad debt provision	
Within 1 year				
1-90 days	7,046,346.04		352,317.30	5.00%
Subtotal within 1 year	7,046,346.04		352,317.30	5.00%
1 to 2 years	4,422,600.00		442,260.00	10.00%
Over 3 years	80,221.17		80,221.17	100.00%
Total	11,549,167.21		874,798.47	

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

Bad debt provision for the current period amounted to RMB567,705.25. The amount for bad debt provision recovered or reversed for during the current period was RMB0.00.

(3) 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 RMB2,204,627,302.37, which accounted for 99.99% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB767,567.42.

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

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	
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
Other receivables that are collectively assessed for impairment based on credit risk characteristics	23,446,291,278.90	100.00%	65,260,961.73	0.28%	23,381,030,317.17	22,388,938,155.65	99.86%	37,734,670.82	0.17%	22,351,203,484.83
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
Total	23,446,291,278.90	100.00%	65,260,961.73	0.28%	23,381,030,317.17	22,420,079,842.70	100.00%	68,876,357.87	0.31%	22,351,203,484.83

Other receivables that are individually significant but assessed individually for impairment as at the end of the period:

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Age	Other receivables	Closing balance Bad debt provision	Percentage
Within 1 year			
Subtotal within 1 year	83,786,457.20	4,189,322.86	5.00%
1 to 2 years	13,115,224.13	1,311,522.41	10.00%
2 to 3 years	8,829,671.91	1,765,934.38	20.00%
Over 3 years	57,994,182.08	57,994,182.08	100.00%
Total	163,725,535.32	65,260,961.73	

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

The amount for bad debt provision provided for during the period was RMB631,054.18. The amount for bad debt provision recovered or reversed during the period was RMB4,246,450.32.

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

2. Other receivables (Cont'd)

(3) 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	12,329,587,568.32	Within 1 year, 1-2 years	52.59%	
Shanghai Chenming Industry Co., Ltd.	Open credit	2,524,590,908.99	Within 1 year	10.77%	
Guangzhou Chenming Financial Leasing Co., Ltd.	Open credit	1,412,691,908.92	Within 1 year	6.03%	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Open credit	1,192,174,755.48	Within 1 year	5.09%	
Shouguang Meilun Paper Co., Ltd.	Open credit	1,029,765,932.66	Within 1 year	4.39%	
Total	—	18,488,811,074.37	—	78.86%	

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	19,691,904,966.48		19,691,904,966.48	18,313,508,366.48		18,313,508,366.48
Interest in associates and joint ventures	377,944,022.24		377,944,022.24	360,525,877.01		360,525,877.01
Total	20,069,848,988.72		20,069,848,988.72	18,674,034,243.49		18,674,034,243.49

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

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

(1) Interest in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
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	50,000,000.00		1,250,000,000.00		
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	60,896,600.00		263,721,316.34		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,000,000,000.00	27,500,000.00		5,027,500,000.00		
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		
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31			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.	250,000,000.00			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.	3,730,000.00			3,730,000.00		
Shandong Chenming Group Finance Co., Ltd.	2,400,000,000.00			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		
Shanghai Chenming Industry Co., Ltd.	1,000,000,000.00	1,300,000,000.00		2,300,000,000.00		
Xuchang Chenming Paper Co., Ltd.	60,000,000.00		60,000,000.00			
Total	18,313,508,366.48	1,438,396,600.00	60,000,000.00	19,691,904,966.48		

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

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

(2) Interest in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period				Closing balance	Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision		
I. Joint ventures										
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.										
	3,087,296.72			-152,076.08						2,935,220.64
Weifang Sime Darby West Port Co., Ltd										
	104,784,922.41			-1,007,659.69						103,777,262.72
Subtotal	107,872,219.13			-1,159,735.77						106,712,483.36
II. Associates										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.										
	1,754,051.46			-480,140.21						1,273,911.25
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)										
	51,918,433.41			115,077.17						52,033,510.58
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)										
	198,981,173.01			1,282,985.50						200,264,158.51
Xuchang Chenming Paper Co., Ltd.										
	0.00	21,496,272.32		-3,836,313.78						17,659,958.54
Subtotal	252,653,657.88	21,496,272.32		-2,918,391.32						271,231,538.88
Total	360,525,877.01	21,496,272.32		-4,078,127.09						377,944,022.24

4. Revenue and operating costs

Unit: RMB

Item	Amount for the reporting period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	2,300,997,002.45	1,522,148,043.23	3,098,374,716.53	2,056,980,676.10
Other activities	515,297,483.37	452,213,569.85	584,195,592.39	503,718,576.99
Total	2,816,294,485.82	1,974,361,613.08	3,682,570,308.92	2,560,699,253.09

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

5. Investment income

Unit: RMB

Item	Amount for the reporting period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-4,078,127.09	-30,620.30
Investment gain on disposal of financial assets measured at fair value through profit or loss	114,233,300.00	
Investment return on available-for-sale financial assets held	41,516,700.00	56,208,200.00
Gain from entrusted loans		13,312,368.97
Total	151,671,872.91	69,489,948.67

XVI. 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	11,507,523.25	
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	239,364,403.83	
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	61,750,000.00	
Non-operating gains and losses other than the above items	6,630,471.21	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-23,973,841.55	
Less: Effect of income tax	48,149,545.22	
Effect of minority interest	394,751.65	
Total	246,734,259.87	—

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

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XVI. Supplementary information (Cont'd)

2. Returns on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	5.77%	0.36	0.36
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	4.41%	0.28	0.28

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

XI Documents Available for Inspection

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



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

