



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



2019 ANNUAL REPORT

* For identification purposes only

I Important Notice, Table of Contents and Definitions

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

Chen Hongguo, head of the Company, Dong Lianming, 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 report in the annual report.

All directors have attended the board meeting to review this report.

Notice of non-standard audit opinion

Applicable Not applicable

Notice of material deficiencies in internal control

Applicable Not applicable

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

No

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

The proposed dividend distribution plan or the proposed plan on conversion of capital reserves into share capital for the reporting period was considered and passed by the Board:

Applicable Not applicable

Whether there is an increase of share capital from reserves

Yes No

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

The audited consolidated net profit attributable to equity holders of the Company for 2019 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB1,656,566,584.88. When deducting the interest on perpetual bonds of RMB194,000,000.00 for 2019 and the fixed dividend on preference shares of RMB214,425,000.00, the distributable profit realised for 2019 amounted to RMB1,248,141,584.88.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2019, a cash dividend of RMB1.5 (tax inclusive) per 10 shares will be distributed to ordinary shareholders, a cash dividend of RMB1.5 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB435,691,230 will be distributed to holders of ordinary shares and a variable cash dividend of RMB174,418,604.70 will be distributed to holders of preference shares. In other words, a cash dividend of RMB3.87 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

I Important Notice, Table of Contents and Definitions

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I Important Notice, Table of Contents and Definitions

Definitions

Item	means	Definition
Company, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Shanghai Chenming	means	Shanghai Chenming Industry Co., Ltd.
Huanggang Chenming	means	Huanggang Chenming Pulp & Paper 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.
Chenming Leasing	means	Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries
Chenming GDR Fund	means	Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Chenrong Fund	means	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Hongtai Real Estate	means	Shanghai Hongtai Real Estate Co., Ltd.
reporting period or the year	means	The period from 1 January 2019 to 31 December 2019
the beginning of the year or the period	means	1 January 2019
the end of the year or the period	means	31 December 2019
the prior year	means	The period from 1 January 2018 to 31 December 2018

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業	Stock code	000488
	晨鳴B		200488
	晨鳴優01		140003
	晨鳴優02		140004
	晨鳴優03		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	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province		
Postal code of registered address	262700		
Office address	No.2199 Nongsheng East Road, Shouguang City, Shandong Province		
Postal code of office address	262705		
Website of the Company	http://www.chenmingpaper.com		
Email address	chenmmpingpaper@163.com		

II. Contact persons and contact methods

	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Correspondence Address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	+852-21629600
Facsimile	(86)-0536-2158977	+852-25010028
Email address	chenmmpingpaper@163.com	liamchu@li-partners.com

III. Information disclosure and places for inspection

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

IV. Change in registration

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

II Company Profile and Key Financial Indicators

V. Other relevant information

CPAs engaged by the Company

Name of CPAs	Grant Thornton (Special General Partnership)
CPAs' Office Address	Floor 11, Building No. 4, HuaChuang GuanLi Center, 219 Shunhai Road, Lixia District, Jinan
Name of the Signing Certified Public Accountants	Hu Naizhong and Liu Nana

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

Applicable Not applicable

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

Applicable Not applicable

VI. Major accounting data and financial indicators

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

Yes No

	2019	2018	Increase/decrease for the year as compared to the prior year	2017
Revenue (RMB)	30,395,434,073.35	28,875,756,163.56	5.26%	29,472,453,563.98
Net profit attributable to shareholders of the Company (RMB)	1,656,566,584.88	2,509,828,858.47	-34.00%	3,769,325,450.93
Net profit after extraordinary gains or losses attributable to shareholders	702,329,086.29	1,953,699,849.75	-64.05%	3,425,779,016.95
Net cash flows from operating activities (RMB)	12,232,707,222.94	14,099,701,887.04	-13.24%	23,766,042.93
Basic earnings per share (RMB per share)	0.33	0.51	-35.29%	1.13
Diluted earnings per share (RMB per share)	0.33	0.51	-35.29%	1.13
Rate of return on weighted average net assets	5.57%	8.51%	Decreased by 2.94 percentage points	15.80%

	As at the end of 2019	As at the end of 2018	Increase/decrease as at the end of the year compared to the end of the prior year	As at the end of 2017
Total assets (RMB)	97,958,909,935.15	105,318,734,827.82	-6.99%	105,625,096,076.92
Net assets attributable to shareholders of the Company (RMB)	25,169,743,863.75	25,048,731,454.79	0.48%	27,778,529,074.90

Note: Data specification for basic earnings per share, diluted earnings per share, and rate of return on weighted average net assets:

The net profit attributable to shareholders of the Company does not exclude the effect of the interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments and the effect of the dividends on preference shares under other equity instruments that have been considered and approved for distribution. When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on perpetual bonds of RMB194,000,000.00 and the dividends on preference shares of RMB493,494,767.52 during the reporting period are deducted.

II Company Profile and Key Financial Indicators

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

Whether corporate bonds exist

Yes No

Whether the Company has made losses in recent two years

Yes No Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

II Company Profile and Key Financial Indicators

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	6,159,836,579.24	7,188,811,534.46	8,665,530,249.94	8,381,255,709.71
Net profit attributable to shareholders of the Company	38,223,111.21	471,572,461.08	557,960,253.43	588,810,759.16
Net profit after extraordinary gains or losses attributable to shareholders of the Company	-23,652,252.85	326,797,249.06	447,511,508.11	-48,327,418.03
Net cash flows from operating activities	1,424,685,047.04	1,275,085,844.65	3,799,453,249.81	5,733,483,081.44

Note: Data specification of Q4 net profit after extraordinary gains or losses attributable to shareholders of the Company:

According to the requirements of New Standards for Financial Instruments, out of consideration for the principle of prudence, the Company made full provision for impairment during the annual audit, including credit impairment loss of RMB1,033,867,928.73 and loss on impairment of assets of RMB120,991,683.19, which was the primary cause of the Q4 net profit after extraordinary gains or losses attributable to shareholders of the Company being a negative number.

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

Yes No

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

Unit: RMB' 0,000

	2019	2018	For the year ended 31 December				2015	
			2017		2016		Before adjustment	After adjustment
			Before adjustment	After adjustment	Before adjustment	After adjustment		
Revenue	3,039,543	2,887,576	2,985,174	2,947,245	2,290,711	2,256,692	2,024,191	2,019,264
Profit before tax	204,848	320,632	453,648	453,648	258,317	258,317	141,017	141,017
Tax	29,518	64,158	77,752	77,752	56,056	62,597	43,224	36,683
Profit for the current period attributable to shareholders of the Company	165,657	250,983	376,933	376,933	206,399	199,858	102,122	108,663
Minority interests	9,673	5,491	-1,036	-1,036	-4,138	-4,138	-4,329	-4,329
Basic earnings per share (RMB/share)	0.33	0.51	1.13	1.13	0.99	0.95	0.50	0.53
Rate of return on weighted average net assets (%)	5.57%	8.51%	15.80%	15.80%	9.59%	9.23%	6.73%	7.17%

Unit: RMB' 0,000

	2019	2018	For the year ended 31 December				2015	
			2017		2016		Before adjustment	After adjustment
			Before adjustment	After adjustment	Before adjustment	After adjustment		
Total assets	9,795,891	10,531,873	10,562,510	10,562,510	8,228,535	8,228,535	7,796,170	7,796,116
Total liabilities	7,161,914	7,944,704	7,535,092	7,535,092	5,972,050	5,972,050	6,070,277	6,063,736
Minority interests	117,003	82,296	249,565	249,565	34,605	34,605	38,743	38,743
Equity attributable to shareholders of the Company	2,516,974	2,504,873	2,777,853	2,777,853	2,221,881	2,221,881	1,687,149	1,693,690
Net current assets (liabilities)	-774,633	-1,344,718	-783,090	-783,090	-1,094,182	-1,094,182	-1,347,029	-1,340,488
Total assets less current liabilities	4,526,014	4,390,405	4,837,646	4,837,646	3,557,671	3,557,671	2,932,756	2,939,242

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Item	Amount for 2019	Amount for 2018	Unit: RMB Amount for 2017
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	135,669,108.82	17,149,722.72	65,853,273.77
Government grants (except for the government grants closely related to the normal operation of the company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	623,277,014.49	535,691,291.26	392,774,230.02
Gain arising from investment costs for acquisition of subsidiaries, associates and joint ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition	364,597,001.77		143,867,008.14
Profit or loss from debt restructuring	-55,792,548.82		24,309.62
Gains/losses from contingencies irrelevant to the normal operations of the Company			-325,259,082.28
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments		61,750,000.00	94,000,000.00

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses (Cont'd)

Item	Amount for 2019	Amount for 2018	Amount for 2017
Gain or loss on external entrusted loans			13,312,368.97
Gain or loss from changes in fair value of consumable biological assets and other non-current financial assets subsequently measured at fair value	26,692,741.61	-21,464,400.65	-21,000,042.33
Other non-operating income and expenses other than the above items	24,876,982.31	23,291,720.22	33,659,216.99
Less: Effect of income tax	131,148,729.27	52,960,460.82	50,196,013.15
Effect of minority interests (after tax)	33,934,072.32	7,328,864.01	3,488,835.77
Total	954,237,498.59	556,129,008.72	343,546,433.98

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

Applicable Not applicable

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

III Chairman's Report

Dear Shareholders,

I am pleased to present to all shareholders the report of the Company for the financial year ended 31 December 2019. On behalf of the Board, I express my sincere gratitude to all shareholders for their concern and support rendered to the Company.

During the reporting period, facing the complicated and changing domestic and international macroeconomic landscape, the corporate spirit of “uniting in solidarity, willingness to dedicate, striving for excellence, and working diligently” was manifested at all levels within the Group. Following the guidelines of “innovating management, strengthening skills, making major breakthroughs, and persevering”, the Company overcome all difficulties and mitigated the risks by using every means with strong determination. While the results did turn around, a strategic layout of the pulp and paper integration of the Company was formed, thus further consolidating the Company's leading position.

I. Results of Operations

In 2019, the Company completed the production of machine-made paper of 5.01 million tonnes and achieved sales of 5.25 million tonnes, representing a year-on-year increase of 9.63% and 21.53%, respectively. The Company achieved revenue of RMB30,395 million, representing a year-on-year increase of 5.26%. Total profit and net profit attributable to equity holders of the Company were RMB2,048 million and RMB1,657 million respectively, down by 36.11% and 34.00% year on year. The Company's total assets amounted to RMB97,959 million.

II. Corporate Governance

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

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

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

III Chairman's Report

III. Dividend Distribution

Consistent with its long-term goal of pursuing the maximisation of corporate values, the Company has always placed much emphasis on the benefits of and returns to its shareholders. The audited consolidated net profit attributable to equity holders of the Company for 2019 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB1,656,566,584.88. When deducting the interest on perpetual bonds of RMB194,000,000.00 and the fixed dividend on preference shares of RMB214,425,000.00 for 2019, the distributable profit realised for 2019 amounted to RMB1,248,141,584.88. In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, the proposed profit distribution plan of the Company for 2019 is as follows:

Based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2019, a cash dividend of RMB1.5 (tax inclusive) per 10 shares will be distributed to holders of ordinary shares; a cash dividend of RMB1.5 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB435,691,230 will be distributed to holders of ordinary shares and a variable cash dividend of RMB174,418,604.70 will be distributed to holders of preference shares. In other words, a cash dividend of RMB3.87 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

IV. Future Development

Although the paper making industry has maintained a steady development in recent years, paper making enterprises experienced challenges as most brick-and-mortar enterprises in China in the face of the complicated and changing domestic and international economic landscape. From the fourth quarter of 2018 to the first quarter of 2019, the paper making industry was not booming in general with a significant decline in paper prices due to the macroeconomic situation. However, since the second quarter, the prices of major paper types of the Company had been on the rise. Moreover, guided by market demand, the Company continued to strengthen its research and development and innovation in technology and product and develop high-margin products. The overall profitability greatly improved. Furthermore, the pulp and paper integration strategic layout of the Company has basically completed this year. The Company has basically enjoyed paper and pulp self-sufficiency. The gross profit margin of its products significantly improves, further enhancing the profitability and risk aversion ability of the Company.

Looking forward, the Company will continue to adhere to the main theme of emphasising on environmental protection, low carbon, recycling and sustainable development. Following the "Made in China 2025 Plan" and the principles of scientific development and quality and efficiency enhancement, the Company will further reorganise methodology and restructure, while comprehensively enhancing quality, efficiency, management level, technology application, sense of happiness and brand image, and concentrating on its principal activities, pushing the Company to be stronger, better and greater, with a view to becoming a globally competitive world-class paper-making enterprise.

Chen Hongguo
Chairman

27 March 2020

IV Business Overview

I. Principal activities of the Company during the Reporting Period

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

No

(I) Principal activities of the Company during the reporting period

1. Business overview

The Company is a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, forestry, logistics and construction materials. The Company is the only listed company with A shares, B shares and H shares in China. Its key indicators in respect of business and economic efficiency have been in a leading position in the industry in China for over 20 consecutive years. The machine-made paper business is the principal activity and the major source of revenue and profit of the Company. During the reporting period, there was no significant change in the principal activity of the Company.

The Company has committed itself to implementing a pulp and paper integration strategy, introduced world-leading pulp production and paper making technology and equipment. Its product series include high-end offset paper, white paper board, coated paper, light weight coated paper, household paper, electrostatic copy paper, thermal paper and glassine paper, with each major product ranking among the highest in terms of market share in China. 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 213 national patents including 18 patents for invention, with 7 products selected as national new products. The Company has obtained 13 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 54 provincial technological innovation projects. The Company has pioneered to obtain the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification among its industry peers.

IV Business Overview

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

(I) Principal activities of the Company during the reporting period (Cont'd)

2. Main products

Category	Major brands and types	Characteristics of products	Product illustration	Range of application
Culture paper	BIYUNTIAN, CLOUDY MIRROR, and CLOUDY LEOPARD all-wood pulp offset paper; "CLOUDY LION" and "CLOUDY CRANE" offset paper; and "CEDAR" and "GREEN PINE" light weight paper.	High whiteness, good stiffness, high intensity index, smooth surface, accurate registering and clear printing		Suitable for printing publications, textbooks, magazines, covers, illustrations, notebooks, test papers, teaching materials, reference books, etc.
Coated paper	"SNOW SHARK" and "EAGLE" one-sided coated paper; "SNOW SHARK", "EAGLE", "RABBIT" and "SNOW SWALLOW" double-sided coated paper, and EAGLE, RABBIT and SNOW SWALLOW matte coated paper.	Good glossiness and bulk, high stiffness and printing quality grade; even and fine coating, good reduction for the printing dot and bright colour; and high intensity, good whiteness, strong layering sense and verisimilitude image.		Double-side coated paper is suitable for high quality printing, such as high-grade picture albums, picture, magazines and so on. One-side coated paper is suitable for large format printing and business printing, such as upscale tobacco package paper, adhesive sticker, shopping bags, slipcases, envelopes, gift wrapping and so on.
White cardboard	White cardboard and ivory cardboard of ZITAN series and POPLAR series, super high bulk cardboard, Chenming cigarette cardboard, fluid inclusion cardboard, and base paper for mugs.	Consistent substance and callipers, high bulk with good stiffness, good die-cutting box performance; high whiteness, stable hue, even and fine coating, good reproduction of printing dot, smooth and fine paper surface, high folding endurance, in favour of securing bulking without damage.		High-end gift boxes, cosmetics boxes, tags, shopping bags, publicity pamphlets, high-end postcards; cigarette package printing of medium and high quality; milk package, beverage package, disposable paper cups, milk tea cups, and noodle bowls.
Light weight coated paper	Jinzhou high-grade light weight coated paper and refined light weight coated paper	The brightness of product and printing is high, and the printed products are bright and beautiful; and the paper has good uniformity, good bulk, high opacity, and clear print dot.		Mainly suitable for printing advertisements, high-end publications, magazine inner pages, and picture albums; suitable for high-speed sheet-fed press or high-speed rotary speed press.

IV Business Overview

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

(I) Principal activities of the Company during the reporting period (Cont'd)

2. Main products (Cont'd)

Category	Major brands and types	Characteristics of products	Product illustration	Range of application
Industrial paper	High-grade yellow anti-sticking base paper, ordinary yellow/white anti-sticking base paper, bill base paper, cast coated base paper, PE paper, stripping base paper, and white kraft paper	Good evenness, high bursting strength, good surface smoothness, and compound and crosscutting performance.		Anti-stick base paper is mainly used for producing the paper base of stripping paper or anti-sticking base paper. Cast coated base paper is suitable for producing adhesive paper or playcard compound paper after coating.
Copy paper	GOLDEN MINGYANG and GOLDEN CHENMING copy paper, BOYA and BIYUNTIAN copy paper, MINGYANG, LUCKY CLOUDS, BOYANG, and SHANYIN copy paper, and GONGHAO, and TIANJIAN copy paper	Soft whiteness and visually comfortable; flat and smooth surface, and clear writing and vivid colour in printing and copying; suitable for double-sided use, energy saving and environmental protection; and durable printing and copying effect.		Suitable for printing and copying business documents, training materials, and writing.
Special paper	Thermal paper and glassine paper	High density of colour development, clear coloration; made of base paper of all wood pulp, good in appearance and texture; strong surface intensity, good adaptability to printing and processing; good wear resistance, non-stick to printing head, stable quality; smooth and fine surface; and high-grade.		Mainly used in electronics, medicine, food, washing supplies, supermarket labels, double-sided tape and other high-end adhesive base paper.
Household paper	Toilet paper, facial tissue, pocket tissue, napkin, paper towels, "XINGZHILIAN", "FOREST LOVE", and "BEIYING"	Fine Wrinkles and good water absorption; soft and comfortable enough for maternal and infant skin; and fine wrinkles, and good feeling without scraps after wiping.		Daily toilet supplies; used in restaurants and other catering industries, and used in public toilets in hotels, guesthouses, and office buildings, and also suitable for home and other environment.

IV Business Overview

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

(I) Principal activities of the Company during the reporting period (Cont'd)

3. Operation model

(1) Purchase model

The Company strives to promote the construction of procurement information systems, establishes an enterprise network bidding platform, improves the contract management module, optimises the SAP three-level authority approval process, and effectively establishes a standardised procurement management system. Meanwhile, the Company cooperates with financial institutions and third parties in the supply chain financial business to enhance business reputation, establishes synergistic relationships, leverages core enterprise scale advantages, and improves the competitiveness of the supply chain; establishes futures hedging management structures and institutional systems, and formulates hedging business processes and risk management and control processes; uses futures tools to optimise raw material pricing, prevents price risks, and improves corporate management and anti-risk capabilities.

(2) Production model

The Company strives for a new production model with high technology content, low energy consumption and less pollution. It puts great efforts in the implementation of green low-carbon strategy. In addition, the Company endeavours to facilitate business development in line with ecological development, enhance its competitiveness in economic development and environmental protection, and establish its economic and ecological culture.

The Company adheres to the clean production model and relies on advanced production technology and manufacturing equipment to achieve low emissions with low consumption and achieve the reduction in consumption through recycling. The Company adheres to energy conservation and emission reduction, and pays close attention to the “three wastes” treatment. The Company has built a wastewater treatment system and middle water reuse system, establishing itself as a resource-saving and environmentally friendly benchmarking enterprise. The Company adheres to the pulp and paper integration strategy with the four major projects put into operation, which effectively alleviates the pressure on raw materials and improves its core competitiveness.

(3) Marketing model

At present, the Company has a relatively mature sales network, and has set up specialised sales companies responsible for the development of domestic and overseas markets, product sales, and formulation of sales policies and selling prices. Since 2018, the Company has changed its sales network from regional division to product line division in order to provide more professional sales services. The sales companies are divided into product companies of cultural paper series, coated paper series and household paper series according to product line. Each product company has its administrative district. A regional general manager is responsible for his administrative district, under which branch companies are set up. The chief representatives of the branch companies have full authority to deal with branch business.

In 2019, the Company innovated a three-level scheduling mechanism for implementation. Branch offices, administrative districts, and sales companies assign specialised personnel to schedule task indicators daily to ensure the effective implementation of the plans.

IV Business Overview

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

(I) Principal activities of the Company during the reporting period (*Cont'd*)

3. Operation model (*Cont'd*)

(4) Research and development management model

The Company has strong research and development capabilities and rank among the first in the industry. The Company has set up scientific research institutions including the state certified enterprise technology centre, the postdoctoral working station as well as state certified CNAS pulp and paper testing centre. The Company owns a national technology development centre. In addition to its own technological innovation, the Company has also established technology development and talent training cooperation relationships with domestic and overseas units such as Nanjing Forestry University, China Pulp and Paper Research Institute and The Dow Chemical Company.

The Company has obtained 213 national patents including 18 patents for invention, with 7 products selected as national new products. The Company has obtained 13 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 54 provincial technological innovation projects. The Company has pioneered to obtain the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification among its industry peers.

(II) Performance drivers

1. Prominent industry concentration

Environmental protection policies have been issued intensively in recent years, which further phases out outdated production capacity, and significantly increases industrial concentration. The elimination of outdated production capacity provides scope for concentration among leading enterprises. With strong financial strength, advanced production equipment and economies of scale in production, large paper making enterprises in the industry continue to increase entry barriers and enjoy huge profits from the industry's new profit cycle. The industry will continue to boom.

2. Perfect marketing model and leading market share in China

The Company has a relatively mature sales network, and has set up specialised sales companies responsible for the development of domestic and foreign markets, product sales, and formulation of sales policies and selling prices. Relying on the customer resources established for many years and good sales networks, the Company has successfully expanded its overseas markets. The major sales areas include the United States, Hong Kong, Japan, South Africa and other countries and regions.

At present, the Company offers the widest product range in the paper making industry, and its major products, including culture paper, electrostatic paper, white paper board and coated paper ranking among the highest in terms of market share in China.

IV Business Overview

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

(II) Performance drivers (Cont'd)

3. Focus on principal activities to achieve perfect complementary pulp and paper production capacity

The paper making industry is a large-scale industry with large inflows and outflows. Whoever controls the raw materials has the market initiative. As the chemical wood pulp projects of Huanggang Chenming and Shouguang Meilun commence production, the Company currently has three major pulp mills in Zhanjiang, Huanggang and Shouguang. It has become the first domestic paper making enterprise to have fully complementary pulp and paper production capacity, and has absolute competitiveness in terms of cost.

At present, the advantages of the Company's self-produced pulp have not been fully utilised, and there is still much scope and potential for development. As the market price of wood pulp gradually returns to normal, the core advantages of the Company's pulp and paper balance will be further brought into play, and corporate efficiency will be greatly improved.

4. Strong research and development capabilities

The Company had been closely following the economic and market conditions in China and in the industry since 2019. Driven by customers' demand with a view to enhancing economic benefits, the Company continued to put more efforts into technical innovation and developed new technology-based products with more economic benefits. The Company was also committed to researching and developing for the purpose of product differentiation and refining. 5 R&D projects including the "technology development of highly stiff book and paper" and "technology development of coated paper for high temperature labels" were listed on the technological innovative project plans of Shandong Province. The Company also collaborated with Qilu University of Technology for industry-university innovation, and their organised and declared "Key Technology and Application of Green Preparation of High Performance Wood Chemical Pulp" was awarded the First Prize of Science and Technology Progress Award by the Ministry of Education. The new products and new achievements including the "high-end social cardboard" and the "baby base paper" were awarded three Excellent New Product and Outstanding Achievement Second Prizes in the 2019 Shandong Province Technological Innovation Award. Meanwhile, the Company strengthened the protection of intellectual property rights. In 2019, the Company applied for 19 patents and obtained 26 licences, which accelerated the restructuring of its product mix and facilitated the corporate restructuring and upgrade.

5. Strengthening social responsibility works and fulfilling environmental protection obligations

As a leading paper making enterprise in China, the Company has the world's most advanced paper making production lines. While ensuring production efficiency and product quality, the Company always adheres to the concept of "placing green development and environmental protection as the first" and regards environmental protection as a life project. As of the end of 2019, the Company had invested more than RMB8,000 million in environmental protection projects. The Group comprehensively implemented environmental protection governance, actively promoted clean production, vigorously implemented energy conservation and emission reduction, and embarked on the road of green, clean, and low-carbon development. At present, the Company adopts the world's most advanced "ultrafiltration membrane+reverse osmosis membrane" technology to complete the reclaimed water recycling membrane treatment project. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water every day 170,000 cubic meters.

IV Business Overview

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

(III) General information of the industries where the Company operated in, business cycle characteristics and the Company's position in the industries during the reporting period

As an important basic raw material industry, the paper making industry plays an important role in the national economy, and is related to, among others, the economy, culture, production and national defence of a country. Its products are used in various sectors including culture, education, technology and the national economy. The paper making industry has the typical characteristics of large-scale industrial production, such as continuous and efficient operation, and significant economies of scale: more raw material requirements, larger equipment investment, and longer industrial chains, involves forestry, agriculture, chemicals, publishing, packaging, printing, machinery manufacturing, and environmental protection, and is relatively intensive in terms of technology, capital, resources, and energy.

The Chinese government stated in the report delivered at the 19th National Congress that “the focus must be placed on the real economy and priority must be given to the improvement of the quality of the supply system in the development of a modernised economy”. Facing this major strategic decision based on the overall current and future situation, the paper making industry has to play a role in enhancing Chinese economic quality advantages. However, the development of the paper making industry is obviously characterised by its cyclical nature. Cyclical macroeconomic fluctuations will cause fluctuations in the supply and demand of paper products.

As a leading player in the paper making industry of China, the Company offers the widest product range in the paper making industry, and its major products, including culture paper, electrostatic paper, white paper board and coated paper rank among the highest in terms of market share in China. At present, the domestic wood pulp production capacity is more than 11 million tonnes, and the Company's pulp production capacity exceeds 4.2 million tonnes. The Company's advantages of pulp and paper integration are obvious. The Company is currently the only paper making enterprise in China that achieves a complementary paper and pulp production capacity.

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	During the reporting period, the Company increased 16.62% equity interest in Guangdong Nanyue Bank Co., Ltd., 49% equity interest in Shouguang Meite Environmental Technology Co., Ltd. (壽光美特環保科技有限公司), 44.45% equity interest in Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and 35.43% equity interest in Goldtrust Futures Co., Ltd.
Financial leasing assets	During the reporting period, the Company continuously reduced the scale of the financial leasing business, which decreased to 13,600 million, with net recovery of RMB5.9 billion.
Fixed assets	During the reporting period, the assets of Shouguang Headquarters cultural paper transformation project and the Shouguang Meilun 510,000 tonne high-end cultural paper project and chemical pulp project were transferred.
Construction in progress	During the reporting period, the assets of Shouguang Headquarters cultural paper transformation project and the Shouguang Meilun 510,000 tonne high-end cultural paper project and chemical pulp project were transferred.
Inventories	During the reporting period, the Company strengthened internal management, increased inventory turnover and reduced capital occupation.

2. Major Assets Overseas

Applicable Not applicable

IV Business Overview

III. Analysis of Core Competitiveness

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

No

The Company is a leading player in the paper making industry of China. After innovation and development for more than half a century, it has developed into a large conglomerate principally engaging in pulp production and paper making with synergistic development in finance, forestry, logistics and construction materials. It is also the first company in the paper making industry to own a financial company, as well as the only listed company in China with three types of shares in issue, namely A shares, B shares and H shares. Compared with other enterprises in the industry, the Company has the following advantages:

1. Advantages of pulp and paper integration

The Company has basically enjoyed wood pulp self-sufficiency due to the completion of the pulp and paper integration layout during the year. As at the end of 2019, the Company had 4,200,000-tonne wood pulp production capacity on its own. 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

2. 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 11 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.

3. Product advantages

The Company has implemented the "forestry, pulp and paper integration" strategy, introduced world-leading pulp and paper production technology, and set up the largest integrated forestry, pulp and paper project with the most advanced technology in the world. The Company is the enterprise that offers the widest product range in the paper making industry, and its five largest product series include high-end offset paper, white paper board, coated paper, 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.

4. Advantages in technical equipment

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

The technical equipment used by the Company generally reflects the characteristics of being technology-intensive and the integration of mechanical and electrical in the paper making industry nowadays. The degassing technology, wet end chemical technology, intelligent sheet lateral control technology, coating preparation technology, free-jet coating technology, multi-nip pressure balanced calender technology and the technical processes independently developed by the Company of the pulp systems have all reached the international advanced level.

IV Business Overview

III. Analysis of Core Competitiveness (Cont'd)

5. Advantages in research and innovation and new product development

The Company, Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming and Jilin Chenming are high and new-technology enterprises and are able to give full play to their 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 213 national patents including 18 patents for invention and 7 products selected as national new products. The Company has obtained 13 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 54 provincial technological innovation projects. The Company has pioneered to obtain the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification among its industry peers. The Company 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.

6. Team advantages

The key management members and the core personnel of the Company remain stable. In the business 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 production, sales, financial, legal, financial management backgrounds through its advanced management philosophy and ample room for development. The high quality and professional team secures the sustainable development of the Company with a solid supply of talents.

7. Advantages in environmental governance capacity

In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in the country and in the world. At present, the Company adopts the world’s most advanced “ultrafiltration membrane+reverse osmosis membrane” technology to complete the reclaimed water recycling membrane treatment project. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water every day 170,000 cubic meters.

V Discussion and Analysis of Operations

I. Overview

During the reporting period, although the general operation of the Company was in good condition, the Company experienced huge challenges as other paper making enterprises in the face of the complicated and changing domestic and international economic landscape. Affected by various factors such as economic downturn, reduced market demand, and tight supply and rising prices of raw materials, the paper making industry experienced a decline in economic returns, increased difficulties in production and operation, and falling paper prices. Accordingly, the Company achieved net profit of only RMB38.22 million in the first quarter. Since the second quarter, the market improved significantly. The prices of the major paper types had been on the rise, and the benefits of the paper price rise were obvious. The Shouguang Meilun 510,000 tonne high-ended cultural paper project, the Shouguang Headquarters cultural paper transformation project, the Shouguang Meilun 1,000,000 tonne chemical pulp project, the Huanggang Chenming chemical pulp project and others invested and constructed by the Company were successively put into operation with smooth operation in the second quarter, and gradually began to play their role. The profitability of the Company improved significantly in the second quarter with a quarter-on-quarter increase of 1,157.95%.

As the traditional peak season in the printing industry in the third and fourth quarter approached, the market demand for paper further increased. The Company raised the prices and recorded quarter-on-quarter growth in net profit during the third and fourth quarter.

In 2019, the Company produced 5.01 million tonne machine-made paper with sales of 5.25 million tonne, representing a year-on-year increase of 9.63% and 21.53% respectively. The Company recorded revenue of RMB30,395 million, representing a year-on-year increase of 5.26%. Total profit and net profit attributable to equity holders of the Company amounted to RMB2,048 million and RMB1,657 million respectively, representing a year-on-year decrease of 36.11% and 34.00%. Total asset of the Company amounted to RMB97,959 million. The operation and management results were mainly reflected in the following aspects:

(I) Strengthening finance management

As affected by financial policies and unsatisfactory results in the first quarter, corporate financing was affected to a certain extent. Under such circumstances, the Company enhanced leadership and management. It adopted effective measures to proactively broaden financing channels. The gearing ratio dropped to 73.11% from 75.43% as at the beginning of the year. This not only secured the normal operation of the Company but greatly improved its financial position. Firstly, the Company adjusted and reinforced the financial team. Financial meetings were held on a regular basis to discuss and formulate financing proposals. Meanwhile, the Company put greater efforts into assessment, and fully revitalised initiative in work. Hence, the management works were further enhanced. Secondly, the Company deepened its connection with banks, thus creating an excellent financing environment and having a better relationship with banks. Thirdly, the scale of leasing business continued to shrink. Net recovery of proceeds realised during the year amounted to RMB5,900 million. The scale of the financial leasing business was reduced to approximately RMB13.6 billion, which effectively put risk exposures under control.

V Discussion and Analysis of Operations

I. Overview (Cont'd)

(II) Innovating sales management

In 2019, the sales work achieved satisfactory results. Inventories were further reduced and returns were improved due to the rising prices. A historical highest monthly recovery of proceeds was recorded. The progress was mainly reflected in the following aspects:

1. The Company proactively implemented the strategy of price rising, enhanced market operation, and rose prices on a continuous basis. It enhanced customer management and facilitated capital flows. The Company implemented new methods for order acceptance, which released the limits in existing order acceptance mode, facilitated business development and deepened the relationship with customers. The Company screened out leading and quality major agencies, and increased its trading volume with them. In addition, the Company put greater efforts into scheduling management, and implemented three-level scheduling mechanism, thus ensuring effective implementation of its plans.
2. The Company enhanced team building, and trained and assigned senior positions for young employees, thus stimulating vitality of its team. The Company reserved stand-by talents at different levels, and eliminated mediocre employees, thereby establishing a quality marketing team. The Company also put greater efforts into assessment and incentive, fully implemented regular assessment, and incentivised balanced distribution. The Company implemented numerous incentive assessment measures, which greatly enhanced employees' initiative in work.

(III) Enhancing production management

In 2019, the production system achieved improvement to a certain extent while generally remained stable, which was mainly reflected in: stable operation in production, gradual reduction in cost and increasing production volume. During the year, the Company completed the production of machine-made paper of 5.01 million tonnes, which increased by more than 400,000 tonnes. The Company mainly implemented the following measures:

1. The Company fully implemented major measures at all levels of work. It strictly implemented the assessment and appraisal measures, thereby promoting employees with excellent performance, improving the performance of employees with poor performance or eliminating such employees. The Company also optimised and amended management systems and controlling procedures, thereby making procedures more simple, effective and easy to implement. The Company conducted comprehensive inspection and optimisation on production procedures. Hence, the level of production scheduling, management and operation automation and informationisation were improved.
2. The Company adjusted product structure, and focused on the production of products with high profit margin. The Company also optimised the proportion of paper pulp, reduced chemical usage, and actively promoted new technology and raw materials application. The Company strictly implemented production based on orders made, scientific production and strict control over inventory, thus greatly reducing capital utilisation.
3. During the reporting period, the four major projects were put into production upon construction completion. The projects in respect of membrane treatment for reclaimed water recycling in Shouguang, Huanggang and Zhanjiang were put into production, which ensured clean water utilisation remaining basically steady while adding new projects. The social and economic benefits were obvious.

V Discussion and Analysis of Operations

I. Overview (Cont'd)

(IV) Strictly implementing corporate management

Corporate management is essential. In 2019, the Company further standardised its corporate management, which mainly reflected in:

1. Basic management further improved: The Company improved its corporate system, making it more simple and practical. The Company also developed several working procedures, and implemented online operation for training examination and assessment, thus greatly improved efficiency. The Company strived to conduct regular meetings and reschedule key work on weekly basis, thus ensure implementation of various works. Leveraging the functions of different departments, the Company enhanced supervision and inspection, defined scope of inspection for different departments, and conducted key inspection on several violations of laws and negligence of duty, which posted deterrent effects of disciplining.
2. Team building was enhanced: Adhering to the philosophy of “eliminating employees that are lagged behind, refusing mediocre employees, and incentivising talents”, the Company stimulated the vitality of its management team. By introducing quality professions, the Company enriched its technology and management capability. The Company refined standards and focused on appraisal, thus achieving better incentive effects. The Company also proactively optimised remuneration system, and put greater efforts into offering incentives, which significantly increased the motivation of senior management.

(V) Significant effects of supply chain management

The Company explored quality customers at source, and established strategic cooperation with quality major suppliers, thereby stabilising supply channels of raw materials. The Company closely monitored market conditions, kept an eye on market low, and maintained efficient source procurement. The Company greatly promoted the use of corporate commercial notes and financial institution notes. The Company also put greater efforts in handling idle equipment and overstock. While minimising the effects of tariff rise as a result of the trade war between China and the United States, the Company timely optimised and adjusted import channels. The Company studied the new policy of “Simplification of Administrative Procedures, Decentralization of Powers, Combination of Decentralization with Appropriate Control, and Optimization of Services” implemented by the government, and established centralised custom monitor model on group basis. Hence, the Company became the first pilot enterprise in Shandong Province.

V Discussion and Analysis of Operations

II. Analysis of principal operations

1. Overview

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

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2019		2018		Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	30,395,434,073.35	100%	28,875,756,163.56	100%	5.26%
By industry					
Machine-made paper	25,911,568,864.47	85.25%	24,303,557,365.13	84.17%	6.62%
Financial leasing	1,815,459,714.28	5.97%	2,202,061,690.16	7.63%	-17.56%
Construction materials	311,264,909.38	1.02%	288,669,257.79	1.00%	7.83%
Magnesite mining	278,633,403.31	0.92%	416,152,447.97	1.44%	-33.05%
Electricity and steam	143,725,243.14	0.47%	154,541,407.23	0.54%	-7.00%
Chemicals	126,550,115.28	0.42%	110,998,714.22	0.38%	14.01%
Others	1,808,231,823.48	5.95%	1,399,775,281.06	4.76%	29.18%
By product					
Duplex press paper	7,728,877,039.07	25.43%	6,155,644,742.23	21.32%	25.56%
White paper board	6,908,899,578.15	22.73%	6,440,247,745.66	22.30%	7.28%
Coated paper	3,779,487,348.44	12.43%	4,697,177,229.03	16.27%	-19.54%
Electrostatic paper	3,270,064,358.54	10.76%	2,404,374,935.48	8.33%	36.00%
Anti-sticking raw paper	1,238,578,315.18	4.07%	1,208,193,494.70	4.18%	2.51%
Household paper	620,993,038.46	2.04%	749,151,937.19	2.59%	-17.11%
Other machine-made paper	2,364,669,186.64	7.78%	2,648,767,280.84	9.17%	-10.73%
Financial leasing	1,815,459,714.28	5.97%	2,202,061,690.16	7.63%	-17.56%
Construction materials	311,264,909.38	1.02%	288,669,257.79	1.00%	7.83%
Magnesite mining	278,633,403.31	0.92%	416,152,447.97	1.44%	-33.05%
Electricity and steam	143,725,243.14	0.47%	154,541,407.23	0.54%	-7.00%
Chemicals	126,550,115.28	0.42%	110,998,714.22	0.38%	14.01%
Others	1,808,231,823.48	5.95%	1,399,775,281.06	4.76%	29.18%
By geographical segment					
Mainland China	26,788,134,394.76	88.13%	24,560,408,181.92	85.06%	9.07%
Other countries and regions	3,607,299,678.59	11.87%	4,315,347,981.64	14.94%	-16.41%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

Applicable Not applicable

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

No

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/decrease of revenue as compared to the corresponding period of the prior year	Increase/decrease of operating costs as compared to the corresponding period of the prior year	Increase/decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	25,911,568,864.47	19,455,165,308.40	24.92%	6.62%	8.99%	-1.64%
Financial leasing	1,815,459,714.28	119,934,602.87	93.39%	-17.56%	-28.56%	1.02%
By product						
Duplex press paper	7,728,877,039.07	5,734,589,199.80	25.80%	25.56%	26.91%	-0.79%
White paper board	6,908,899,578.15	5,755,130,694.57	16.70%	7.28%	6.67%	0.47%
Coated paper	3,779,487,348.44	2,722,530,177.96	27.97%	-19.54%	-20.09%	0.50%
Electrostatic paper	3,270,064,358.54	2,295,436,749.00	29.80%	36.00%	59.40%	-10.30%
Anti-sticking raw paper	1,238,578,315.18	846,933,499.50	31.62%	2.51%	16.32%	-8.12%
Financial leasing	1,815,459,714.28	119,934,602.87	93.39%	-17.56%	-28.56%	1.02%
By geographical segment						
Mainland China	26,788,134,394.76	18,498,557,678.96	30.94%	9.07%	17.54%	-4.98%
Other countries and regions	3,607,299,678.59	3,275,326,606.43	9.20%	-16.41%	-20.27%	4.40%

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

Applicable Not applicable

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

Yes No

By industry	Item	Unit	2019	2018	Increase/ decrease
Machine-made paper	Sales	'0,000 tonnes	525	432	21.53%
	Production output	'0,000 tonnes	501	457	9.63%
	Inventories	'0,000 tonnes	24	48	-50%

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

Applicable Not applicable

As at the end of 2019, the inventories of machine-made paper decreased by 50% from 480,000 tonnes to 240,000 tonnes at the end of 2018, primarily due to that the Company strengthened internal management and increased inventory turnover during the reporting period.

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

Applicable Not applicable

(5) Composition of operating costs

By industry

Unit: RMB

By industry	Item	2019		2018		Increase/ decrease
		Amount	% of operating costs	Amount	% of operating costs	
Machine-made paper	Raw materials	11,895,067,318.85	61.14%	10,868,034,213.18	60.89%	9.45%
	Chemicals	2,919,986,264.98	15.01%	2,809,021,253.78	15.74%	3.95%
	Energy and power	2,258,151,625.63	11.61%	1,969,433,608.33	11.03%	14.66%
	Depreciation	998,944,171.58	5.13%	803,728,940.46	4.50%	24.29%
	Labour costs	302,162,995.36	1.55%	252,589,989.30	1.42%	19.63%
	Other production costs	1,080,852,932.00	5.56%	1,147,065,909.50	6.43%	-5.77%
	Subtotal	19,455,165,308.40	100.00%	17,849,873,914.56	100.00%	8.99%
Power and steam	Raw materials	93,231,639.91	81.42%	94,793,908.60	81.90%	-1.65%
	Depreciation	8,188,723.61	7.15%	8,307,708.78	7.18%	-1.43%
	Labour costs	3,266,996.70	2.85%	3,443,963.29	2.98%	-5.14%
	Energy and power	3,133,240.96	2.74%	2,875,214.19	2.48%	8.97%
	Chemicals	201,122.01	0.18%	246,573.81	0.21%	-18.43%
	Other production costs	6,485,517.59	5.66%	6,072,545.25	5.25%	6.80%
	Subtotal	114,507,240.78	100.00%	115,739,913.92	100.00%	-1.07%
Construction materials	Raw materials	186,642,183.80	73.98%	171,263,506.98	74.83%	8.98%
	Energy and power	22,421,006.56	8.89%	21,374,540.73	9.34%	4.90%
	Labour costs	15,055,767.95	5.97%	14,460,145.11	6.32%	4.12%
	Depreciation	7,047,835.66	2.79%	6,626,767.96	2.90%	6.35%
	Other production costs	21,130,132.76	8.38%	15,148,057.14	6.62%	39.49%
	Subtotal	252,296,926.73	100.00%	228,873,017.91	100.00%	10.23%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

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

Yes No

During the reporting period, the scope of consolidation had 4 newly established subsidiaries, namely Shanghai Sales Co., Ltd., Meilun (BVI) Limited, Guangdong Chenming Panels Co., Ltd. and Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership).

During the reporting period, 3 companies were reduced from the scope of consolidation: The Company disposed of 60% equity interest in Haicheng Haiming Mining Co., Ltd., 100% equity interest in Beijing Chenming Meilun Technology Co., Ltd. and 100% equity interest in Wuxi Song Ling Paper Co., Ltd., and such companies, was excluded from the scope of consolidation.

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

Applicable Not applicable

(8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	3,193,575,635.94
Total sales to top 5 customers as a percentage of the total sales for the year	10.51%
Sales to top 5 customers who are related parties as a percentage of the total sales for the year	0.00%

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	Customer A	1,004,528,563.37	3.30%
2	Customer B	737,221,427.15	2.43%
3	Customer C	534,837,371.02	1.76%
4	Customer D	484,962,677.88	1.60%
5	Customer E	432,025,596.52	1.42%
Total	—	3,193,575,635.94	10.51%

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	4,006,266,255.83
Total purchases from top 5 suppliers as a percentage of the total purchases for the year	18.40%
Total purchases from top 5 suppliers who are related parties as a percentage of the total purchases for the year	0.00%

Information on top 5 suppliers of the Company

No.	Name of supplier	Purchases (RMB)	As a percentage of the total purchases for the year (%)
1	Supplier A	1,264,301,570.06	5.81%
2	Supplier B	948,050,347.89	4.35%
3	Supplier C	678,659,115.97	3.12%
4	Supplier D	577,531,818.77	2.65%
5	Supplier E	537,723,403.14	2.47%
Total	—	4,006,266,255.83	18.40%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

3. Expenses

Unit: RMB

	2019	2018	Increase/ Decrease (%)	Reasons for material changes
Selling and distribution expenses	1,297,196,188.84	1,190,499,238.49	8.96%	Mainly due to the increase in employee's salary during the reporting period.
General and administrative expenses	1,134,725,391.84	967,840,641.90	17.24%	
Finance expenses	2,916,029,154.37	2,741,486,438.03	6.37%	
Research and development expenditure	992,312,956.74	929,873,688.40	6.71%	

4. Research and development expenditure

Applicable Not applicable

The Company had been closely following the economic and market conditions in China and in the industry since 2019. Driven by customers' demand with a view to enhancing economic benefits, the Company continued to put more efforts into technical innovation, develop new products with high level of technology applied and more economic benefits, and proactively enhance the research on product differentiation and refining. In particular, 5 R&D projects, including the "technical development of bulk coated paper for sketching books" and the "technical development of special coated paper for thermostat tags", were listed on the technological innovative project plans of Shandong Province. The Company also collaborated with Qilu University of Technology for industry-university innovation, and their organised and declared "Key Technology and Application of Green Preparation of High Performance Wood Chemical Pulp" was awarded the First Prize of Science and Technology Progress Award by the Ministry of Education. The new products and new achievements including the "high-end social cardboard" and the "baby base paper" were awarded three Excellent New Product and Outstanding Achievement Second Prizes in the 2019 Shandong Province Technological Innovation Award. Meanwhile, the Company strengthened the protection of intellectual property rights. In 2019, the Company applied for 19 patents and obtained 26 licences, which accelerated the restructuring of its product mix and facilitated the corporate restructuring and upgrade.

Research and development expenditure of the Company

	2019	2018	Percentage of change
R&D headcount	1,925	1,863	3.33%
Ratio of R&D personnel	14.07%	12.26%	1.81%
R&D expenditure (RMB)	992,312,956.74	929,873,688.40	6.71%
R&D expenditure to revenue	3.26%	3.22%	0.04%

V Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

4. Research and development expenditure (Cont'd)

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

Applicable Not applicable

Reasons for and reasonableness of the significant change of the capitalisation rate of R&D expenditure

Applicable Not applicable

5. Cash flows

Item	2019	2018	Unit: RMB
			Increase/ decrease (%)
Subtotal of cash inflows from operating activities	41,633,562,986.95	39,069,129,483.14	6.56%
Subtotal of cash outflows from operating activities	29,400,855,764.01	24,969,427,596.10	17.75%
Net cash flows from operating activities	12,232,707,222.94	14,099,701,887.04	-13.24%
Subtotal of cash inflows from investing activities	1,135,086,731.00	2,785,950,020.88	-59.26%
Subtotal of cash outflows from investing activities	3,160,639,742.95	4,564,941,039.27	-30.76%
Net cash flows from investing activities	-2,025,553,011.95	-1,778,991,018.39	-13.86%
Subtotal of cash inflows from financing activities	34,920,351,820.10	61,785,793,427.64	-43.48%
Subtotal of cash outflows from financing activities	44,407,779,477.64	74,638,951,528.02	-40.50%
Net cash flows from financing activities	-9,487,427,657.54	-12,853,158,100.38	26.19%
Net increase in cash and cash equivalents	508,769,784.89	-422,850,131.94	220.32%

Explanation on main effects of material changes in relevant data year-on-year

Applicable Not applicable

- (1) Net cash flows from operating activities decreased by 13.24% as compared to the corresponding period of the prior year mainly due to decrease in the profit of the Company during the reporting period.
- (2) Net cash flows from investing activities decreased by 13.86% as compared to the corresponding period of the prior year mainly due to the disposal of the equity interest in Guangdong Dejun Investment Co., Ltd. by the Company during the corresponding period of the prior year.
- (3) Net cash flows from financing activities increased by 26.19% mainly due to less reduction of the Company's financing scale compared with the corresponding period of the prior year.

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

Applicable Not applicable

The main reason is the continuous reduction of the scale of the Company's financial leasing business, with net recovery of proceeds of RMB5.9 billion.

III. Analysis of non-principal operations

Applicable Not applicable

V Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

	As of the end of 2019		As of the beginning of 2019		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Accounts receivable	2,525,083,311.03	2.58%	3,404,487,004.59	3.23%	-0.65%	Mainly due to the Company stepping up its efforts to recover its receivables and increased its account receivable turnover rate.
Prepayments	603,573,549.08	0.62%	863,739,020.74	0.82%	-0.20%	Mainly due to the decrease of the Company's raw material prepayment.
Inventories	4,774,430,110.81	4.87%	6,771,488,433.74	6.43%	-1.56%	Mainly due to the Company strengthening internal management, increasing inventory turnover and reducing capital occupation.
Non-current assets due within one year	6,974,539,613.30	7.12%	4,007,503,281.86	3.81%	3.31%	Mainly due to the increase in lease receivables due within one year.
Other current assets	8,108,707,394.70	8.28%	10,281,312,825.13	9.76%	-1.48%	Mainly due to reduction of the scale of the financial leasing business.
Long-term receivables	1,200,575,810.95	1.23%	7,926,610,770.86	7.53%	-6.30%	Increase in lease receivables due within one year, and reclassified to non-current assets due within one year.
Long-term equity investments	3,606,339,023.74	3.68%	484,674,282.77	0.46%	3.22%	Mainly due to the increase in equity investment of Nanyue Bank and other companies in the current period.
Construction in progress	5,476,122,928.95	5.59%	11,871,350,821.55	11.27%	-5.68%	Mainly due to the assets of Shouguang Headquarters cultural paper transformation project and the Shouguang Meilun 510,000 tonne high-end cultural paper project and chemical pulp project being transferred.
Other non-current assets	173,875,826.67	0.18%	1,522,493,129.66	1.45%	-1.27%	Mainly due to the obtaining of the Reply on the Qualification of Shareholders of Zhanjiang Chenming Pulp & Paper Co., Ltd. (關於湛江晨鳴漿紙有限公司股東資格的批復) from the Guangdong Bureau of China Banking and Insurance Regulatory Commission during the reporting period being approved and transferred to long-term equity investments.
Contract liabilities	968,082,063.13	0.99%	419,540,133.74	0.40%	0.59%	Mainly due to the increase in prepayment for the period.
Other payables	2,594,249,626.54	2.65%	1,777,718,017.48	1.69%	0.96%	Mainly due to the increase in financial assistance provided by Chenming Holdings to the Company during the reporting period.
Other current liabilities	222,402,500.00	0.23%	2,816,956,481.68	2.67%	-2.44%	Mainly due to the repayment of the matured short-term commercial paper.
Bonds payable	1,258,270,909.49	1.28%	2,097,562,500.00	1.99%	-0.71%	Mainly due to the repayment of the matured corporate bonds.
Other non-current liabilities	3,042,841,328.86	3.11%	2,047,948,069.73	1.94%	1.17%	This is mainly due to the issue of RMB1,200 million of medium-term notes.

V Discussion and Analysis of Operations

IV. Assets and liabilities (Cont'd)

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Increase in breeding during the period	Disposal during the period	Closing balance
Consumable biological assets measured at fair value	1,511,542,610.36	-19,752,911.94	41,743,320.41		79,652,771.18	30,437,836.18	1,541,004,633.42

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

Item	Carrying amount as at the end of the year	Reasons for such restriction
Other monetary funds	16,176,241,805.78	As deposits for bank acceptance bills and letters of credit, and deposit reserves
Bills receivable/Accounts receivable financial	152,714,290.24	As collateral for letters of guarantee and letters of credit
Fixed assets	10,573,696,190.50	As collateral for bank borrowings and long-term payables
Intangible assets	880,676,428.58	As collateral for bank borrowings and long-term payables
Investment properties	4,519,487,976.25	As collateral for bank borrowings
Total	32,302,816,691.35	

V Discussion and Analysis of Operations

V. Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
3,601,194,479.24	6,770,571,000.00	-46.81%

2. Material equity investments during the reporting period

Applicable Not applicable

Unit: RMB

Name of investee	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Involvement in lawsuit	Date of disclosure (if any)	Disclosure index (if any)
Huanggang Chenming Pulp & Paper Co., Ltd.	Pulp production and paper making	Capital increase	1,000,000,000.00	100.00%	Self-owned funds	Subsidiary	26 September 2008 - 26 September 2008	Pulp, cogeneration project, viscose fibre and ancillary chemicals	Completed	—	-146,423,436.09	No	22 January 2019	http://www.cninfo.com.cn
Shanghai Pulp & Paper Sales Co., Ltd.	Sales of pulp and paper products	Newly established	100,000,000.00	100.00%	Funds	Wholly-owned subsidiary	29 January 2019 - Long-term	Sale of pulp products	Completed	—	20,463,811.04	No	22 January 2019	http://www.cninfo.com.cn
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Equity investment	Newly established	158,000,000.00	79%	Self-owned funds	Weifang Hengxin Capital Management Co., Ltd., Weifang Financial Holding Group Co., Ltd., Shouguang Jintou Asset Management Co., Ltd. and Chenming (Qingdao) Asset Management Co., Ltd.	7 March 2019 - 6 March 2026	Equity investment, investment consultancy business	Incomplete	—	319,602.78	No	7 March 2019	http://www.cninfo.com.cn
Guangdong Nanryue Bank Co., Ltd.	Banking financial services	Acquisition	2,333,194,479.24	16.62%	Self-owned funds	Guangdong Nanryue Bank Co., Ltd., China Delixi Holding Group Co., Ltd., Shandong Hexin Chemical Group Co., Ltd., Chibi Chenli Paper Co., Ltd., Foshan Nanhai Quanhui Metal Materials Trading Co., Ltd.	5 May 2018 - no fixed deadline	Banking financial services	Incomplete	—	364,597,001.77	No	19 December 2019	http://www.cninfo.com.cn
Guangdong Chenming Panels Co., Ltd. (廣東晨鳴板材有限責任公司)	Production and sales of panels	Newly established	10,000,000.00	100.00%	Self-owned funds	A wholly-owned subsidiary	Long-term	Chipboard, furniture, wood products	Completed	—	1,154,263.89	No	Not applicable	Not applicable
Total	—	—	3,601,194,479.24	—	—	—	—	—	—	—	240,111,243.39	—	—	—

V Discussion and Analysis of Operations

V. Investments (Cont'd)

3. Material non-equity investments during the reporting period

Applicable Not applicable

Unit: RMB

Project name	Form of investment	Fixed assets investment or not	Industry in which the investment project operates	Investment amount during the reporting period	Accumulated actual amount invested as of the end of 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	Disclosure index
Chemical pulp project in Huanggang	Self-constructed	Yes	Pulp production	102,758.38	460,184.46	Self-owned funds and borrowings	100%	RMB400 million/year	—	Trial production phase	2 August 2013	http://www.cninfo.com.cn
Total	—	—	—	102,758.38	460,184.46	—	—	—	—	—	—	—

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.

5. Use of proceeds

Applicable Not applicable

The Company did not use any proceeds during the reporting period.

V Discussion and Analysis of Operations

VI. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

2. Disposal of material equity interest

Applicable Not applicable

Counterparty(ies)	Equity interest 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	Net profit contribution to the Company on equity disposal as a percentage of total net profit (%)	Pricing basis of disposal of equity interest	Related party transaction or not	Relationship with counterparty(ies)	Relevant asset 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
Jiangsu Fuda Enterprise Investment Co., Ltd.	Haicheng Haiming Mining Company Limited	31 August 2019	42,100.00	3,829.45	Beneficial for resources integration of the Company, asset portfolio optimisation, and concentration of competitive edges on principle businesses to improve quality and efficiency.	7.35%	Appraised value	No	Not related party	Yes	Transfer completed	9 August 2019	http://www.cninfo.com.cn

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

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 duplex press paper, electrostatic paper, and white paper board	5,550,000,000.00	24,415,081,134.28	8,955,402,187.59	10,405,501,722.56	944,692,174.89	1,210,677,444.05
Shandong Chenming Group Finance Co., Ltd.	Subsidiary	Financial services	5,000,000,000.00	13,533,122,320.21	5,587,449,519.99	493,267,441.06	315,799,274.74	278,016,515.92
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, cultural paper, household paper and chemical pulp	3,261,000,000.00	21,624,765,003.88	5,390,385,684.21	5,199,154,922.05	237,079,007.60	264,128,840.64
Shandong Chenming Financial Leasing Co., Ltd.	Subsidiary	Financial leasing	5,872,000,000.00	17,078,476,784.93	9,965,490,962.02	1,867,418,251.74	365,560,396.41	326,022,791.24

Unit: RMB

V Discussion and Analysis of Operations

VII. Analysis of major subsidiaries and investees (Cont'd)

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Name of company	Methods to acquire and dispose of subsidiaries during the reporting period	Impact on overall production and operation and results
Shanghai Pulp & Paper Sales Co., Ltd.	Newly established	Net profit increased by RMB20.46 million.
Meilun BVI Co., Ltd.	Newly established	Net profit increased by RMB4.97 million.
Guangdong Chenming Panels Co., Ltd.	Newly established	Net profit increased by RMB1.15 million.
Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership)	Newly established	Net profit increased by RMB0.32 million.
Haicheng Haiming Mining Co., Ltd.	Transfer of 60% equity interest	Net profit increased by RMB121.7502 million.
Beijing Chenming Meilun Technology Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB4.992 million.
Wuxi Song Ling Paper Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB5.3176 million.

Particulars of major subsidiaries and investees

- For the integrated forestry, pulp and paper project of Zhanjiang Chenming, the gross profit margin of its main products, electrostatic paper and culture paper, reached a high level, showing strong profitability.
- The Finance Company, as the financial institution serving the Group's companies, saved financial costs for the Company and recorded sound profitability.
- Shouguang Meilun is responsible for the production and sales of coated paper and culture paper, and its profitability will further improve after its 1,000,000 tonne chemical pulp project commences operation.
- The Financial Leasing Company strengthened its business management with stable profitability.

VIII. Structured entities controlled by the Company

Applicable Not applicable

V Discussion and Analysis of Operations

IX. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

China is the world's largest producer of paper and board, as well as the world's largest consumer. Despite the strong overall demand, the concentration of the domestic paper making industry is still significantly lower than that of developed countries in Europe and the United States. With reference to the historical development and current situation of the paper making industry in developed markets such as Europe and the United States, the domestic paper making enterprises still enjoy economies of scale. However, the supply of pulp, a raw material, is an obvious shortcoming which prevents a paper making behemoth to emerge in China.

On the other hand, the supply-side reform prompts the market to phase out outdated production capacity and accelerate the elimination of redundant production capacity. With the implementation of more stringent environmental protection measures, the licensing system for pollutant discharge and the external waste control policy, the pollution control of the paper making industry is strengthened from various aspects. Relevant policies on the supply side of the industry remained tight in 2019. Due to continuous investments in environmental protection and advantages in raw material cost and production scale, large factories will become more competitive, which can promote the centralised management and scale of enterprises, and accelerate the concentration of production capacity.

With the completion of the pulp and paper integration strategy, the Company's self-sufficiency rate of wood pulp will be further increased, which will reduce production costs significantly, address the constraints of raw materials, enhance the core competitiveness of the Company, and provide strong support and safeguarding for the Company's future development.

(II) Development strategy

The Company will adhere to the main theme of emphasising on environmental protection, low carbon, recycling and sustainable development. Following the "Made in China 2025 Plan" and the principles of scientific development and quality and efficiency enhancement, the Company will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the incorporation of smart technology into its industrial activities, reorganised methodology and restructuring so as to expand and improve itself and strive to become one of the world-class companies with the highest growth rate.

Transformation and upgrade strategy: The Company will comprehensively improve the industrial structure and regional layout; emphasise on the development of its leading businesses, namely, among other things, pulp production, paper making and forestry; and construct an efficient industrial system with synergies.

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

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

V Discussion and Analysis of Operations

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

(II) Development strategy (Cont'd)

Operational excellence strategy: By adhering to the management policy of “efficient management, structural adjustment, market development and risk control”, the Company will constantly heighten its whole process management including production and operation, marketing, financial costs and project construction, effectively integrate its systems and resources, and strive to upgrade the Company’s management capacity and profitability.

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

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

(III) Operation plans for 2020

2020 is a turning point year for the development of the Company. Through cultivating the new operating philosophy of “maintaining steady operation and quality development” across the Company, adhering to the working direction of “innovating management, strengthening skills, making major breakthroughs, and persevering”, and carrying forward its corporate style of “tackling problems once discovered”, the Company will focus on fundamental management, fully enhance corporate management and strive to create a new chapter for quality corporate development. The specific measures are as follows:

1. Further enhance financial segment management

Firstly, the Company will enhance credit management and deepen its cooperation with banks, especially the cooperation with policy banks, state-owned banks and joint-stock banks. Secondly, the Company will optimise financing structure, reduce gearing ratio, implement debt-to-equity swaps and GDR Fund, and continue to reduce the scale of the financial leasing business. Thirdly, the Company will enhance capital plan management, thereby improving capital utilisation efficiency. Fourthly, the Company will strengthen team building and training, recruit talents, and broaden financing channels, thus improving business standard of the whole team and ensuring orderly performance of various works.

2. Further improve sales quality

Adhering to the new operation management concept of “achieving targets, setting time schedule, defining responsibility, and focusing on implementation”, the Company will enhance scheduling functions, improve business skills, optimise appraisal incentives, and further revitalise initiative of all employees. Firstly, the Company will optimise appraisal allocation, define appraisal directions, and conduct appraisal on key indicators. Secondly, the Company will improve the scheduling standards, and treat 3-level scheduling mechanism as an important mean for business enhancement indicator. Thirdly, the Company will focus on key businesses, further facilitate the plant-trader-bank business, and increase business cooperation. Fourthly, the Company will strengthen team building, and duly conduct talent appraisal and allocation. Fifthly, the Company will increase training on risk and legal knowledge, thereby enhancing risk control capability.

V Discussion and Analysis of Operations

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

(III) Operation plans for 2020 (Cont'd)

3. Further enhance production management level

For production system, the Company will strictly implement the concept of “stabilising operation, increasing production capability, improving quality and reducing costs”. The Company will focus on basic management, and improve skills of its employees, thus ensuring significant improvement in production management standards. Firstly, the Company will strengthen its basic management, strictly control management at different levels of the Company, and define scope of duty. Secondly, the Company will follow the standards of leading international peers. Through enhancing the level of automation and informationisation of equipment, the Company will consolidate job duties, thereby reducing labour cost. Thirdly, the Company will strengthen business skills, and focus on training on production operation, cost auditing, production quality, paper printing and other aspects. Fourthly, the Company will strengthen its safety and environmental friendly works, enhance operation and management of environmental friendly equipment, and strictly conduct hazard inspection, ratification and assessment, thus ensuring zero environment-related accident. Fifthly, the Company will focus on effective management, optimise product portfolio, and produce high value-added products.

4. Further improve corporate management efficiency

Targeting on current management problems, we will adhere to the management philosophy of “strengthening fundamentals, strictly focusing on appraisal, enhancing skills and coordinating services”, and fully enhance the level of corporate management. Firstly, the Company will focus on basic management, and conduct comprehensive optimisation on corporate systems, aiming to achieve simple, effective management. Secondly, the Company will improve appraisal and incentive mechanism, and optimise the performance appraisal measures for different business units. Thirdly, the Company will strengthen service coordination, enhance employees’ awareness on management coordination, and conduct works actively and in a responsible manner. Fourthly, the Company will introduce talents and enhance its staff trainings.

5. Further enhance supply chain management

Adhering to the supply chain management philosophy of “strengthening fundamentals, improving skills, maintaining effective services, and reducing costs while enhancing efficiency”, the Company will focus on supply chain construction, expand business scope and improve service quality, thus creating benefits. Firstly, the Company will enhance basic management, and put greater efforts on facilitating procurement information system construction, thereby effectively establish standardised procurement management system. Thirdly, the Company will innovate procurement model. It will conduct supply chain financing business cooperation with financial institutions, give play to core corporate scaling edges, and enhance competitiveness of supply chain. Fourthly, the Company will control key business, focus on procurement at source, optimise supplier team and procurement channels, and reduce procurement cost. Fifthly, the Company will enhance logistic management, and expand multi-model transportation business. Leveraging the edges on self-owned resources, the Company will explore in-depth logistic cooperation.

V Discussion and Analysis of Operations

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

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

The Company has established itself as a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, forestry, logistics and construction materials. With the further development of the existing principal businesses of the Company, the future capital requirements of the Company will be: consistent investment in the existing production facilities because of technological transformation or production expansion; and business expansion and general working capital requirements.

In order to meet the business development requirements of the Company and further extend and expand the industry chain, the Company will establish diversified financing channels, enhance credit management, deepen cooperation with banks and increase the proportion of refinancing. The Company will also enrich its financing channels and improve its debt structure through diversified financing channels such as corporate bonds, perpetual bonds, short-term commercial paper, cross-border financing, GDR Fund and introduction of third-party strategic investors, thus providing stable financial support for the operation and development of the Company.

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

1. Policy risk

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

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

2. 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 on the strength and capital accumulated over the years, domestic enterprises have further expanded their size and improved their technological levels and product quality. Well-known paper making enterprises overseas have also directly set up production bases in China through sole proprietorship or joint ventures so as to participate in the domestic market competition by virtue of their advantages in size and technology. Besides, tariff reduction on China after accession to the WTO has also further intensified the impact on the international market.

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

V Discussion and Analysis of Operations

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

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

3. Risk of overcapacity and slowdown in demand

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

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

4. Risk of price fluctuation of raw materials

Wood pulp is a major raw material in the Company. The market price of wood pulp fluctuates 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 pulp and paper integration development path and focus on the construction of the Zhanjiang Chenming pulp project, the Huanggang Chenming pulp project and the Shouguang Meilun chemical pulp project, thereby eliminating the limitations of raw materials on the Company's development and enhancing the Company's sustainable development.

5. Risk of change in environmental protection policies

China has been raising the standards for environmental protection in recent years. More stringent environmental protection policies have been implemented in the paper making industry with successive implementation of environmental inspections and licensing system for pollutant discharge. A multi-pronged approach has been adopted to promote industrial restructuring, and the paper making industry has entered into an important transitional period of development. A higher emission standard is bound to increase the environmental protection costs in the industry 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 environmentally friendly projects and strive to achieve its waste emission target. At present, the Company adopts the world's most advanced "ultrafiltration membrane+reverse osmosis membrane" technology to complete the reclaimed water recycling membrane treatment project. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water every day 170,000 cubic meters.

V Discussion and Analysis of Operations

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

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

6. Risk on financial leasing business

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 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.

At present, Financial Leasing Company has changed its general operation strategies and continued to reduce its business scale. Its business scale has reduced to approximately RMB13.6 billion, with net recovery of proceeds of RMB5.9 billion realized in 2019, which effectively put risk exposures under control.

X. Reception of research investigations, communications and interviews

1. Reception of research investigations, communications and interviews during the reporting period

Applicable Not applicable

During the reporting period, the Company did not conduct any research investigation, communication or interview.

VI Directors' Report

The Directors (the "Directors") of the Company hereby present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2019.

I. Principal activities

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

II. Results and profit distribution

Please refer to section XIII "Financial Report" for the results of the Group for the year ended 31 December 2019.

III. Dividends

After the end of the reporting period, the Board proposed to pay a final dividend for the year ended 31 December 2019 ("final dividend") of RMB1.5 in cash for every 10 Shares (tax inclusive) (2018: dividend of RMB2.4 in cash for every 10 Shares (tax inclusive)) to the ordinary shareholders of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM") of the Company held on 19 June 2020. Upon approval of shareholders of the Company at the AGM, the Company is expected to pay the final dividend on or by 19 August 2020 to shareholders whose names appear on the register of members of the Company on 24 June 2020.

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

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

VI Directors' Report

IV. Closure of register of members

The register of members of the Company will be closed from 12 June 2020 (Friday) to 19 June 2020 (Friday), (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on 19 June 2020 (Friday), all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 11 June 2020 (Thursday).

V. Five-year financial summary

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

VI. Donations

During the year, the Company donated RMB11,947,836.00 (2018: RMB8,740,500.00) to non-profit making organisations.

VII. Subsidiaries

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

VIII. Property, plant and equipment

Please refer to "II. Financial Statements 1. Consolidated Balance Sheet" under section XIII "Financial Report" for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2019.

IX. Share capital

Please refer to "I. Changes in shares" under section VIII "Changes in Share Capital and Shareholders" for details of changes in share capital of the Company for the year ended 31 December 2019.

X. Pre-emptive rights

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

VI Directors' Report

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Law. As at 31 December 2019, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB9,792,126,677.35 (2018: RMB9,530,159,552.96) as set out in "II. Financial Statements 1. Consolidated Balance Sheet" under section XIII "Financial Report".

XII. Directors

As at 31 December 2019, the Directors of the Company were:

1. Executive Directors

Mr. Chen Hongguo
Mr. Hu Changqing
Mr. Li Xingchun

2. Non-executive Directors

Mr. Han Tingde
Mr. Li Chuanxuan

3. Independent Non-executive Directors

Ms. Yin Meiqun
Mr. Yang Biao
Mr. Sun Jianfei

According to the Articles of Association of the Company, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from June 2019 to June 2022. They may be re-elected for another term upon expiry of tenure.

VI Directors' Report

XIII. Directors' service contracts

All Directors have entered into service contracts with the Company for a term from 11 June 2019 to 11 June 2022.

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

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

Details of Directors and the Senior Management's remuneration and the five highest paid individuals of the Company or/and its subsidiaries are set out in "V. Personnel of the Company" in section X "Directors, Supervisors and Senior Management and Staff" and "XII Related parties and related party transactions" in section XIII "Financial Report".

In 2019, the Company had 22 Senior Management members in total, which included directors, supervisors and the Senior Management. The remuneration of the Senior Management falls within the following ranges:

Range of remuneration (RMB)	Number
4.8 million to 5.2 million	2
3.6 million to 4.0 million	0
3.2 million to 3.6 million	0
2.8 million to 3.2 million	1
2.4 million to 2.8 million	1
2.0 million to 2.4 million	2
1.6 million to 2.0 million	3
1.2 million to 1.6 million	0
0.8 million to 1.2 million	2
Below 0.8 million	21

XV. Independent Non-executive Directors

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

VI Directors' Report

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

As at 31 December 2019, interests of the Company or its associated corporations (within the meaning of Part XV of SFO) held by each of the Directors, Supervisors and Chief Executives of the Company under section 352 of the SFO are set out as follows:

Associated corporations

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman	11,080,044
Hu Changqing	Executive Director and Vice Chairman	42,857
Li Xingchun	Executive Director and Vice Chairman	—
Han Tingde	Non-executive Director	—
Li Chuanxuan	Non-executive Director	—
Sun Jianfei	Independent non-executive Director	—
Yin Meiqun	Independent non-executive Director	—
Yang Biao	Independent non-executive Director	—
Supervisors		
Li Dong	Supervisor	75,000
Pan Ailing	Supervisor	—
Zhang Hong	Supervisor	—
Li Xinggui	Supervisor	—
Qiu Lanju	Supervisor	—

Associated corporations

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

Note 1: Save for the 11,080,044 A shares held personally, Chen Hongguo is deemed to be interested in the 861,322 A shares held by his spouse, Li Xueqin.

Note 2: Chen Hongguo and his spouse, Li Xueqin, collectively hold 76.79% equity interests in Shouguang Henglian Enterprise Investment Co. Ltd., (hereinafter referred to as "Shouguang Henglian"), as a result, Shouguang Henglian is deemed to be controlled by Chen Hongguo. As a result, the 231,000,000 shares in Chenming Holdings (approximately 18.65% of the total share capital of Chenming Holdings) held by Shouguang Henglian is also deemed to be held by Chen Hongguo.

VI Directors' Report

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

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules").

As at 31 December 2019, none of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

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

As at 31 December 2019, the following shareholders (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Chenming Holdings Co., Ltd.	445,396,128 A shares (L)	15.33	26.67
Chenming Holdings (Hong Kong) Limited	210,717,563 B shares (L)	7.25	29.83
Chenming Holdings (Hong Kong) Limited	153,414,000 H shares (L)	5.28	29.04
The National Social Security Fund Council	40,614,750 H shares (L)	1.40	7.69

(L) – Long position

(S) – Short position

(P) – Lending pool

Save as disclosed above, as at 31 December 2019, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

XVIII. Relationship with employees, customers and suppliers

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

XIX. Directors' interests in material contracts and indemnity provision

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

VI Directors' Report

XX. Interests in competing business

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

XXI. Directors' rights to purchase shares or debentures

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

XXII. Preference shares

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

XXIII. Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2019.

XXIV. Major risk factors

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

XXV. Material matters

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

XXVI. Future development

Please refer to "(I) Competition overview and development trend of the industry", "(II) Development strategy", "(III) Operating plan for 2020" and "(IV) Future capital requirements, source of funds and plan for use" of "IX. Outlook on the future development of the Company" under section V "Discussion and Analysis of Operations" for details of future development of the Company.

XXVII. Environment, social and governance report and social responsibility

Please refer to XVIII. Fulfilment of Social Responsibility under section VII "Material Matters" for details of fulfilment of social responsibility. Please refer to the environment, social and governance report as required by the Hong Kong Listing Rules, which will be issued separately by the Company before 29 June 2020.

XXVIII. Purchase, sale and redemption of shares

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

XXIX. Sufficiency of public float

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

VI Directors' Report

XXX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2019 has been reviewed by the Audit Committee of the Company.

XXXI. Gearing ratio

As at 31 December 2019, the Company's gearing ratio (including minority interest) was 62.16%, representing a decrease of 0.45% from 62.61% for 2018, mainly due to the increase of long-term borrowings and short-term borrowings of the Company.

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

XXXII. Going Concern Basis

The Company is a large conglomerate principally engaged in pulp production and paper making with synergistic development in finance, forestry, logistics and construction materials. It is also the first company in the paper making industry to own a financial company, as well as the only listed company in China with three types of shares in issue, namely A shares, B shares and H shares. The Group has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and others, which deliver annual pulp and paper production capacity of over 11,000,000 tonnes.

The Company has good sustainable profitability. In 2019, the Company achieved revenue of RMB30,395 million, net profit of RMB1,753 million and net cash inflows from operating activities of RMB41,634 million. Meanwhile, the Company always places emphasis on the interests of and return to shareholders, and has paid generous cash dividends for several years. With the commencement of operation of several major pulp production projects during and subsequent to the reporting period, the future performance of the Company is worth looking forward to.

The auditor of the Company has prepared the 2019 annual financial report on a going concern basis, and has issued a standard unqualified audit opinion (see Financial Report section).

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

XXXIII. Connected Transactions

During the year ended 31 December 2019, the Group did not conduct any connected transaction as defined in the Listing Rules of the Stock Exchange.

VI Directors' Report

XXXIV. Major Investment, Acquisition and Disposal

During the year ended 31 December 2019, the Group entered into the following major transaction agreements.

1. Entering into of limited partnership agreement for the establishment of investment fund

On 6 March 2019, the Company (as a limited partner) has entered into the Limited Partnership Agreement with Chenming (Qingdao) Asset Management Co., Ltd. (as the general partner), Weifang Hengxin Capital Management Co., Ltd. (as a limited partner), Weifang Financial Holding Group Co., Ltd. (as a limited partner) and Shouguang Jintou Asset Management Co., Ltd. (as a limited partner) for the establishment of the investment fund. For details, please refer to the announcements of the Company dated 6 March 2019 and 10 March 2019.

2. Disposal of 60% equity interest in Haicheng Haiming Mining Company Limited

On 16 August 2019 (after trading hours), the Company and Jiangsu Fuda Enterprise Investment Company Limited entered into the Equity and Loan Transfer Agreement, pursuant to which, the Company conditionally agreed to sell, and Jiangsu Fuda Enterprise Investment Company Limited conditionally agreed to acquire the 60% equity interest in aggregate in Haiming Mining held by the Company and the loan due from Haiming Mining amounting to RMB1,527,670,000 in aggregate held by the Company at a total consideration of RMB1,948,670,000. For details, please refer to the announcements of the Company dated 19 August 2019, 21 August 2019 and 3 September 2019.

3. Progress of major transaction: the subscription of shares in Guangdong Nanyue Bank Co., Ltd. and the share transfer of Guangdong Nanyue Bank Co., Ltd.

The industrial and commercial registration of 356,000,000 shares in Guangdong Nanyue Bank Co., Ltd. subscribed by Zhanjiang Chenming Pulp & Paper Co., Ltd. under private placement has completed. The Guangdong Bureau of China Banking and Insurance Regulatory Commission issued the Reply on the Qualification of Shareholders of Zhanjiang Chenming Pulp & Paper Co., Ltd. (Yue Yin Bao Fu [2019] No. 1002) 《關於湛江晨鳴漿紙有限公司股東資格的批復》(粵銀保監複[2019]1002 號)), approving the transfer by Zhanjiang Chenming of 953,405,634 shares of Nanyue Bank held by certain shareholders including China Delixi Holding Group Co., Ltd. (中國德力西控股集團有限公司). For details, please refer to the announcement of the Company dated 18 December 2019.

VII Material Matters

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

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

Applicable Not applicable

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

Implementation of the 2018 profit distribution plan for ordinary shareholders: Based on the number of the ordinary shares as at the dividend distribution registration date of 2,904,608,200 shares, a cash dividend of RMB2.4 (tax inclusive) was paid to ordinary shareholders for every 10 shares held and there was no increase of share capital from reserves. The total cash dividend distributed amounted to RMB697,105,968. The dividend distribution was implemented and completed on 9 August 2019. For details, please refer to the Payment of Final Dividend and Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders published on Hong Kong Stock Exchange on 4 August 2019, and the Announcement on the Implementation of the 2019 Profit Distribution Plan for A Shares and B Shares published on CNINFO on 5 August 2019.

Particulars of Cash Dividend Policy

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

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

(1) The 2019 profit distribution plan for ordinary shares

On 27 March 2020, the Company convened the fourth meeting of the ninth session of the Board, at which the proposed 2019 profit distribution plan was considered and approved. Based on the total number of ordinary shares of the Company as at the end of 2019 of 2,904,608,200 shares, a cash dividend of RMB1.5 (tax inclusive) was to be paid to ordinary shareholders for every 10 shares held. No bonus shares would be issued and there was no increase of share capital from reserves. The cash dividend distributed to ordinary shareholders amounted to RMB435,691,230.

VII Material Matters

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

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

(2) The 2018 profit distribution plan for ordinary shares

On 11 June 2019, the Company convened the 2018 annual general meeting, at which the 2018 profit distribution plan was considered and approved: based on the number of the shares as at the end of 2018 of 2,904,608,200 shares, a cash dividend of RMB2.4 (tax inclusive) was to be paid to all ordinary shareholders for every 10 shares held. The total cash dividend distributed to ordinary shareholders amounted to RMB697,105,968 (tax inclusive) in 2018.

(3) The 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 ordinary 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 ordinary shareholders amounted to RMB1,161,843,280.20 (tax inclusive) in 2017.

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

Unit: RMB

Year of distribution	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statements during the year of distribution	Amount of cash dividend as a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Amount of cash dividends distribution through other means such as share repurchase	Ratio of cash Dividends distribution through other means in net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Total cash dividend (including through other means)	Total cash dividend as a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements
2019	435,691,230.00	1,656,566,584.88	26.30%	0.00	0.00%	435,691,230.00	26.30%
2018	697,105,968.00	2,509,828,858.47	27.78%	0.00	0.00%	697,105,968.00	27.78%
2017	1,161,843,280.20	3,769,325,450.93	30.82%	0.00	0.00%	1,161,843,280.20	30.82%

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

Applicable Not applicable

VII Material Matters

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

Applicable Not applicable

Numbers of bonus share per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	Cash dividend of RMB1.5 (tax inclusive) per 10 shares to ordinary shareholders and cash dividend of RMB1.5 (tax inclusive) per 10 simulated shares converted from preference shares into ordinary shares to holders of preference shares
Conversion per 10 shares (share(s))	No increase of share capital from reserves
Share base of the distribution proposal (shares)	2,904,608,200 ordinary shares and 1,162,790,698 simulated shares converted from preference shares on a conversion ratio of 1 preference share valued at RMB3.87; the share base of the distribution proposal was 4,067,398,898 shares.
Cash dividend (RMB) (tax inclusive)	610,109,834.70
Amount of cash dividend distribution through other means such as share repurchase (RMB)	0.00
Total cash dividend including other means (RMB)	610,109,834.70
Distributable profits (RMB)	9,306,269,617.38
Percentage of cash dividend (including other means) to total profits distribution	100%

Cash dividend policy

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

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

The audited consolidated net profit attributable to shareholders of the Company for 2019 prepared in accordance with Accounting Standards for Business Enterprises by the Company amounted to RMB1,656,566,584.88. When deducting the interest on perpetual bonds of RMB194,000,000.00 and fixed dividend on preference shares of RMB214,425,000.00 for 2019, the distributable profit realised for 2019 amounted to RMB1,248,141,584.88.

In accordance with the requirements of the Articles of Association and the Prospectus of Non-public Issuance of Preference Shares, based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2019, a cash dividend of RMB1.5 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB1.5 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB435,691,230 will be distributed to ordinary shareholders and a variable cash dividend of RMB174,418,604.70 will be distributed to holders of preference shares. In other words, a cash dividend of RMB3.87 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

VII Material Matters

III. Performance of undertakings

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

Applicable Not applicable

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

VII Material Matters

III. Performance of undertakings (Cont'd)

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

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

Equity incentive undertakings

Whether undertakings performed on time Yes

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

Applicable Not applicable

VII Material Matters

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

Change in accounting policies due to implementation of new standards

On 13 December 2018, the Ministry of Finance issued the Notice on Printing and Distributing the Amendments (Cai Kuai [2018] No. 35), which amended the Accounting Standard for Business Enterprises No. 21 – Leases. Such amendments shall be implemented from 1 January 2019 for the enterprises listed both domestically and overseas, as well as the enterprises listed overseas and adopting the International Financial Reporting Standards or the Accounting Standards for Business Enterprises to prepare their financial statements, and from 1 January 2021 for other enterprises adopting the Accounting Standards for Business Enterprises. On 30 April 2019, the Ministry of Finance issued the Notice on Amending, Printing and Distributing the General Format of the Financial Statements of Enterprises for 2019 (Cai Kuai [2019] No. 6), which amended the general format of the financial statements of enterprises, required non-financial enterprises adopting the Accounting Standards for Business Enterprises to prepare their interim financial statements and annual financial statements for 2019 and the financial statements for subsequent periods in accordance with the Accounting Standards for Business Enterprises and Cai Kuai [2019] No. 6. On 9 May 2019, the Ministry of Finance issued the Notice on Printing and Distributing the Amendments (Cai Kuai [2019] No. 8), which amended the Accounting Standard for Business Enterprises No. 7 – Exchange of Non-monetary Assets. Such amendments shall be implemented from 10 June 2019 for the enterprises adopting the Accounting Standards for Business Enterprises. On 16 May 2019, the Ministry of Finance issued the Notice on Printing and Distributing (Cai Kuai [2019] No. 9), which amended the Accounting Standard for Business Enterprises No. 12 – Debt Restructuring. Such amendments shall be implemented from 17 June 2019 for the enterprises adopting the Accounting Standards for Business Enterprises. As approved at the eleventh meeting of the eighth session of the Board of the Company on 25 October 2018, the Company began to adopt the above accounting standards within the timeframe as required by the Ministry of Finance.

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

Applicable Not applicable

VII Material Matters

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

Applicable Not applicable

During the reporting period, the scope of consolidation had 4 newly established subsidiaries, namely Shanghai Sales Co., Ltd., Meilun (BVI) Limited, Guangdong Chenming Panels Co., Ltd. and Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership).

During the reporting period, 3 companies were reduced from the scope of consolidation: The Company disposed of 60% equity interest in Haicheng Haiming Mining Co., Ltd., 100% equity interest in Beijing Chenming Meilun Technology Co., Ltd. and 100% equity interest in Wuxi Song Ling Paper Co., Ltd., and such companies, was excluded from the scope of consolidation.

IX. Engagement or dismissal of accounting firms

Current accounting firm engaged

Name of the domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration of the domestic accounting firm (RMB' 0,000)	330
Continued term of service of the domestic accounting firm	1
Name of certified public accountants of the domestic accounting firm	Hu Naizhong and Liu Nana
Continued term of service of certified public accountants of the domestic accounting firm	1

Whether to appoint another accounting firm during the period

Yes No

Whether to appoint another accounting firm during the audit period

Yes No

Whether the change of accounting firm was implemented according to the approval procedures

Yes No

Details on the reappointment and change of accounting firm

The Resolution on Change of the Auditor was approved at the fourth extraordinary meeting of the ninth session of the Board and the second extraordinary meeting of the ninth session of the Supervisory Committee of the Company held on 16 September 2019. The Board proposed to reappoint Grant Thornton (Special General Partnership) ("Grant Thornton") as the auditor for the financial audit and internal control of the Company for 2019.

Ruihua Certified Public Accountants ("Ruihua"), the former auditor of the Company, had consecutively provided auditing service for the Company for many years. In the course of practice, it adhered to the principle of independent auditing, objectivity, fairness, and justness, reflecting the Company's financial position, and earnestly performed its duties as the auditor.

VII Material Matters

IX. Engagement or dismissal of accounting firms (Cont'd)

Based on the business development and audit needs of the Company, and upon due and careful consideration, the Audit Committee of the Board of the Company, proposed to appoint Grant Thornton licensed to engage in securities business as the auditor for the financial audit and internal control of the Company for 2019 for a term of one year.

On 23 October 2019, the resolution in respect of the engagement of Grand Thornton was considered and approved at the Company's 2019 second extraordinary general meeting.

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

Applicable Not applicable

The Company engaged Grand Thornton as the auditor for internal control of the Company for 2019. The Company paid RMB800,000 as internal control audit fees during the period.

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

Applicable Not applicable

XI. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

XII. 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

XIII. 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.	Subsidiary	Excessive discharge of water pollutants and air pollutants	General administrative penalties	In 2019, Nanchang Ecological Environment Bureau conducted on-site sampling at the main water drain and unorganised exhaust emission at Jiangxi Chenming. The monitor report indicated that the suspended solid concentration in the discharge water and odor concentration of Jiangxi Chenming exceeded the limit, and a total of four administrative penalties with penalty amount of RMB1.304 million were imposed. Jiangxi Chenming had conducted rectification based on the rectification notices and had good results.	Not applicable	Not applicable

Rectification

Applicable Not applicable

VII Material Matters

XIII. Punishment and rectification (Cont'd)

1. Jiangxi Chenming conducted the following rectifications regarding the issue of excessive suspended solid concentration in the discharge water:
 - (1) Since January 2019, Jiangxi Chenming adjusted its water treatment technique, refined dosing operation, increased sludge press quality, and established, among others, monitoring response mechanism for water quantity and water standard at the middle water section designed to respond to changes in BTMP ingredient ratio and load. As a result, Jiangxi Chenming proved qualified on all indicators during two spontaneous sampling inspections conducted by Nanchang Ecological Environment Bureau and the environmental monitor station as well as a scheduled sampling inspection conducted by a third party. Based on such results, Nanchang Ecological Environment Bureau determined in June 2019 that the rectification for out-of-limit waste water (SS standard) of Jiangxi Chenming had been completed, and conducted post-inspection withdrawal for the non-compliance.
 - (2) In July 2019, after installing 50 surface aerators at the south and north aeration tanks, Jiangxi Chenming further installed 10 jet aeration devices for both tanks in order to increase dissolved oxygen, which was completed in early August. Testing indicated that effluent COD of the two tanks dropped to approximately 60, and fluctuations of suspended solid concentration of discharge water at the main water drain significantly improved.
 - (3) Since 26 August 2019, Jiangxi Chenming began to carry out in-depth technical modifications to the aeration tanks to increase efficient jet aeration. The modifications were completed by 9 December 2019. All indicators were above-standard after multiple sampling and monitoring, and the rectifications received good results.
2. Jiangxi Chenming conducted the following rectifications regarding the issue of excessive odor concentration:
 - (1) Each shift shall check the addition amount of caustic soda in the odor treatment system, ensuring that the PH value remained between 11 and 12, in order to maximise the removal and absorption of odor components.
 - (2) The bacterial activity in the odor biological filter box was monitored each quarter to ensure maximum absorption of odor components.
 - (3) The odor treatment facilities (fans, pipes, alkaline towers, biological filters, etc.) were inspected every two hours to ensure that the odor treatment system operates normally and compile inspection records.
 - (4) Management and technical measures such as packing replacement for the anaerobic odor treatment system were carried out. All indicators were above-standard after multiple sampling and monitoring by the municipal environment monitoring station, and the rectifications received good results.

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

Applicable Not applicable

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

Applicable Not applicable

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

VII Material Matters

XVI. Significant related party transactions

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

Applicable Not applicable

Related party	Related party relationship	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transaction	Related party transaction price	Amount of related party transactions (RMB' 0,000)	Percentage	Amount of transactions approved (RMB' 0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
							as the amount of similar transactions						
Jiangxi Jiuyu Energy Co., Ltd.	Director and senior management of the Company served as the director and senior management of the company during the past twelve months	Procurement	Natural gas, heavy oil, etc.	Market price	Market price	38,112.42	1.75%	60,000.00	No	Bank acceptance and telegraphic transfer	Not applicable	20 July 2019	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

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

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

Yes No

Debts payable to any related party:

Related party	Relationship with the Company	Reason	Opening balance (RMB' 0,000)	Amount	Amount	Interest rate	Interest for the current period (RMB' 0,000)	Closing balance (RMB' 0,000)
				increased during the current period (RMB' 0,000)	recovered during the current period (RMB' 0,000)			
CHENMING HOLDINGS COMPANY LIMITED	The controlling shareholder of the Company	Financial support	37,600	140,190.51	106,946.62	market rate	2,790.51	70,844.09
Effect of related debts on the operating results and financial position of the Company	Financial support is provided by Chenming Holdings without requiring any pledge or guarantee, which is a testament to its support and confidence in the future development of the Company, and helps the Company promote project construction and satisfy its needs for working capital.							

VII Material Matters

XVI. Significant related party transactions (Cont'd)

5. Other significant related party transactions

Applicable Not applicable

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

XVII. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

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

(3) Leasing

Applicable Not applicable

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

2. Significant guarantees

Applicable Not applicable

(1) Guarantees

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB8,587.4904 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB1,286.9090 million.

As at 31 December 2019, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB12,912.2032 million, representing 51.30% of the equity attributable to shareholders of the Company as at the end of 2019.

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

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Unit: RMB' 0,000

Name of obligee	Date of the related Announcement disclosing the guarantee amount	External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)					Term	Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee				
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)					0	
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	

Name of obligee	Date of the related Announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries					Term	Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee				
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14 June 2018	200,000	27 July 2018	429,063.93	General guarantee	3 years	No	No	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	1,088,000			General guarantee	5 years	No	No	
Shandong Chenming Group Finance Co., Ltd.	30 March 2019	500,000			General guarantee	5 years	No	No	
Shandong Chenming Paper Sales Co., Ltd.	30 March 2019	600,000	29 May 2019	172,423.65	General guarantee	5 years	No	No	
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	21 September 2017	7,500	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 Pulp & Paper Co., Ltd.	26 March 2015	400,000	24 June 2016	84,967.34	General guarantee	7 years	No	No	
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000			General guarantee	7 years	No	No	
Jiangxi Chenming Paper Co., Ltd.	14 June 2018	50,000			General guarantee	3 years	No	No	
Jiangxi Chenming Paper Co., Ltd.	30 March 2019	350,000	7 January 2019	153,919.55	General guarantee	5 years	No	No	
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	6 August 2019	75,107.26	General guarantee	10 years	No	No	
Shouguang Meilun Paper Co., Ltd.	30 March 2019	100,000			General guarantee	5 years	No	No	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	18 October 2019	100,000			General guarantee	3 years	No	No	
Chenming (HK) Limited	14 June 2018	250,000	26 March 2019	101,625.22	General guarantee	3 years	No	No	
Chenming (HK) Limited	30 March 2019	500,000			General guarantee	5 years	No	No	
Shouguang Chenming Import and Export Trade Co., Ltd	30 March 2019	50,000			General guarantee	5 years	No	No	
Jilin Chenming Paper Co., Ltd.	30 March 2019	150,000	3 September 2019	13,802.50	General guarantee	5 years	No	No	
Zhanjiang Chenming Arboriculture Development Co., Ltd	30 March 2019	10,000			General guarantee	5 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	
Shanghai Chenming Industrial Co., Ltd.	11 October 2018	400,000			General guarantee	3 years	No	No	
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2019	300,000	27 December 2019	3,000	General guarantee	5 years	No	No	
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		3,748,000	Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)					858,749.04	
Total amount of guarantee provided for subsidiaries during the reporting period (B2)		8,211,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,041,409.46	

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related Announcement disclosing the guarantee amount	Guarantees between subsidiaries						Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	
Chenming (HK) Limited	30 March 2019	200,000	2 April 2019	199,789.51	General guarantee	5 years	No	No
Chenming (HK) Limited	30 March 2019	100,000	30 July 2019	24,521.34	General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 June 2019	12,000	27 June 2019	12,000	General guarantee	1 year	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		312,000	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					128,690.90
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		312,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					236,310.86
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)		4,060,000	Total amount of guarantee during the reporting period (A2+B2+C2)					987,439.94
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		8,540,500	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)					1,291,220.32
The percentage of total amount of guarantee provided (i.e. 4+B4+C4) to the net assets of the Company								51.30%
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)								586,327.08
Total amount of guarantee provided in excess of 50% of net assets (F)								32,733.13
Sum of the above three amount of guarantee (D+E+F)								619,060.21

(2) External guarantees against the rules and regulations

Applicable Not applicable

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

3. Entrusted cash and asset management

(1) Entrusted wealth management

Applicable Not applicable

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

(2) Entrusted loans

Applicable Not applicable

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

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

4. Other material contracts

Applicable Not applicable

XVIII. Fulfilment of Social Responsibility

1. Fulfilment of social responsibility

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

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

Centering on the corporate spirit of "Learning, Surpass and Leading", Chenming Group comprehensively elevates the corporate management capacity and operation quality, with a view to becoming a globally competitive world-class enterprise.

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

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

1. Fulfilment of social responsibility (Cont'd)

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

The Company has strictly implemented in-depth corporate governance. It has put great efforts and huge investments in promoting the management of “the three kinds of waste” so as to facilitate energy conservation and emission reduction, aiming to become a low energy consumption and environment-friendly enterprise. In respect of wastewater treatment, the Company has established world-class wastewater treatment system. It has over 10 wastewater treatment facilities for various purposes, including the “ultrafiltration membrane+reverse osmosis membrane” technology to complete the reclaimed water recycling membrane treatment project. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water every day 170,000 cubic meters. In respect of solid waste treatment, the Company has discontinued the traditional landfilling treatment. It has enhanced its technology innovation, strengthened comprehensive resources utilisation, as well as expanded its industrial chain, thereby achieving recycling and harmless utilisation of solid waste. In respect of waste gas treatment, the Company has introduced advanced international environmental protection equipment and technology for desulphurisation, denitrification and de-dusting, smelly gas treatment and closure of coal plants. It has adopted scientific waste gas treatment to ensure its waste gas emission is in compliance with all relevant environmental protection standards and requirements in China.

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

2. Fulfilment of social responsibility regarding targeted poverty relief

The Company did not commence any work regarding targeted poverty relief.

VII Material Matters

VIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters

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

Yes

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Huanggang Chenming Pulp & Paper Co., Ltd.	Smoke	Continuous	2	Within factory area	Alkali furnace: 10.68 mg/m ³ Lime kiln: 7.24 mg/m ³	Alkali furnace: 30 mg/m ³ Lime kiln: 200 mg/m ³	Alkali furnace: 5.59t Lime kiln: 2.74t	Alkali furnace: 124.357 t Lime kiln: 26.44 t	No
	Sulphur dioxide	Continuous	2	Within factory area	Alkali furnace: 4.05 mg/m ³ Lime kiln: 51.07 mg/m ³	Alkali furnace: 200 mg/m ³ Lime kiln: 850 mg/m ³	Alkali furnace: 3.595t Lime kiln: 13.7 t	Alkali furnace: 321.193 t Lime kiln: 158.304 t	No
	Nitrogen oxide	Continuous	1	Within factory area	164.55 mg/m ³	200 mg/m ³	117.75t	950.882 t	No
	COD	Continuous	1	Within factory area	50.66 mg/m ³	150 mg/L	45.75t	563.72 t	No
	Ammonia nitrogen	Continuous	1	Within factory area	0.809 mg/m ³	14 mg/L	1.92t	40.12 t	No
Shandong Chenming Paper Holdings Limited	COD	Organised emission	2	Within Chenming Industrial Park	153mg/m ³	300mg/L	3254t	6510.74t	No
	Ammonia nitrogen	Organised emission	2	Within Chenming Industrial Park	5.59mg/m ³	30mg/L	130.7t	650.7t	No
	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	Power plant: 4.58mg/m ³ Alkali recovery: 3.99mg/m ³	Power plant: 35mg/m ³ Alkali recovery: 200mg/m ³	Power plant: 3.29t Alkali recovery: 0.94t	Power plant: 160.32t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	Power plant: 39.05mg/m ³ Alkali recovery: 101mg/m ³	Power plant: 100 mg/m ³ Alkali recovery: 300mg/m ³	Power plant: 31.7t Alkali recovery: 24.2t	Power plant: 458.05t Alkali recovery: 236t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	Power plant: 0.82mg/m ³ Alkali recovery: 9.4mg/m ³	Power plant: 10mg/m ³ Alkali recovery: 20mg/m ³	Power plant: 0.63t Alkali recovery: 2.07t	Power plant: 45.81t	No
Shouguang Meilun Paper Co., Ltd.	Sulphur dioxide	Organised emission	4	Within Chenming Industrial Park	Power plant: 6.9mg/m ³ Alkali recovery: 1.44mg/m ³ Lime kiln: 7.79mg/m ³	Power plant: 35mg/m ³ Alkali recovery: 50mg/m ³ Lime kiln: 50mg/m ³	Power plant: 69.1t Alkali recovery: 4.58t Lime kiln: 2.61t	Power plant: 303.6t Alkali recovery: 119.51t	No
	Nitrogen oxide	Organised emission	4	Within Chenming Industrial Park	Power plant: 36.55mg/m ³ Alkali recovery: 78.9mg/m ³ Lime kiln: 16.2mg/m ³	Power plant: 50mg/m ³ Alkali recovery: 100mg/m ³ Lime kiln: 100 mg/m ³	Power plant: 382t Alkali recovery: 261t Lime kiln: 5.23t	Power plant: 618.64t Alkali recovery: 747.57t	No
	Smoke	Organised emission	4	Within Chenming Industrial Park	Power plant: 0.84mg/m ³ Alkali recovery: 1.56mg/m ³ Lime kiln: 2.2mg/m ³	Power plant: 5mg/m ³ Alkali recovery: 10mg/m ³ Lime kiln: 10mg/m ³	Power plant: 7.7t Alkali recovery: 5.17t Lime kiln: 0.554t	Power plant: 64.69t Alkali recovery: 73.37t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. 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
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	COD	Organised emission	1	East of the factory area	42mg/l	80mg/L	33.96t	184.30t	No
	Ammonia nitrogen	Organised emission	1	East of the factory area	3.17mg/l	8 mg/L	1.37t	17.30t	No
	Sulphur dioxide	Organised emission	2	Within Qianneng thermal power plant area	130t/h furnace: 24.8mg/m ³ 75t/h furnace: 29.7mg/m ³	50mg/m ³	6.4t	102.58t	No
	Nitrogen oxide	Organised emission	2	Within Qianneng thermal power plant area	130t/h furnace: 27.8mg/m ³ 75t/h furnace: 58.1mg/m ³	100 mg/m ³	42.62t	205.16t	No
	Smoke	Organised emission	2	Within Qianneng thermal power plant area	130t/h furnace: 12.2mg/m ³ 75t/h furnace: 10.5mg/m ³	20mg/m ³	5.6t	41.03t	No
Jiangxi Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	42.75mg/L	90mg/L	184.904t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	2.25mg/L	8mg/L	8.772t	112t	No
	Sulphur dioxide	Organised emission	2	Within factory area	0	200mg/m ³	310.327t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	102.41mg/m ³	200 mg/m ³	390.018t	806t	No
	Smoke	Organised emission	2	Within factory area	11.05mg/m ³	30mg/m ³	35.992t	135t	No
Jilin Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	53.4mg/L	90mg/L	313.83t	357t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.45mg/L	8mg/L	17.83t	34t	No
	Sulphur dioxide	Organised emission	1	Within factory area	3.75mg/m ³	100mg/m ³	2.883t	97t	No
	Nitrogen oxide	Organised emission	1	Within factory area	36.9mg/m ³	100mg/m ³	21.813t	213t	No
	Smoke	Organised emission	1	Within factory area	13.02mg/m ³	30mg/m ³	8.895t	51.66t	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	1	Within factory area	35.57mg/L	90mg/L	860.03t	1943t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
	Ammonia nitrogen	Organised emission	1	Within factory area	1.01mg/L	90mg/L	28.49t	43.90t	No
	Sulphur dioxide	Organised emission	6	Within factory area	Lime kiln: 5.44mg/m ³ Alkali recovery: 124mg/m ³ Power plant 1#: 60.91mg/m ³ Power plant 2#: 50.55mg/m ³ Power plant 3#: 56.89mg/m ³ Power plant 4#: 17.97mg/m ³	Lime kiln: 400mg/m ³ Alkali recovery: 200mg/m ³ 1#, 2# & 3# circulating fluidised bed boilers: 100mg/m ³ 4# circulating fluidised bed boilers: 35mg/m ³	317.26t	620t	No
	Nitrogen oxide	Organised emission	6	Within factory area	Lime kiln: 154.75mg/m ³ Alkali recovery: 154.75mg/m ³ Power plant 1#: 14.26mg/m ³ Power plant 2#: 10.71mg/m ³ Power plant 3#: 10.22mg/m ³ Power plant 4#: 12.57mg/m ³	Lime kiln: 300mg/m ³ Alkali recovery: 200mg/m ³ 1#, 2# & 3# circulating fluidised bed boilers: 100mg/m ³ 4# circulating fluidised bed boilers: 50mg/m ³	1634.36t	2169.70t	No

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly 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 wastewater. Moreover, subsidiaries are equipped with recycling system for process effluent, and reuse treated wastewater to the greatest extent in order to minimise pollution. The Company has constructed a total of 9 water treatment plants, with daily treatment capacity of 350,000 m³. 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 organised 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 SCR or 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 the national and local execution standards. Other alkali recovery boilers and lime kilns are also in compliance with the emission standards.

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.

VII Material Matters

XVIII. Fulfilment of Social Responsibility (Cont'd)

3. Environmental protection matters (Cont'd)

Emergency plan for emergency environmental incidents

The Company has strictly implemented emergency regulations for emergency environmental incidents, and formulated 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. Automatically 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.

VII Material Matters

XIX. Other matters of significance

Applicable Not applicable

1. Issue of medium-term notes with a total amount of RMB1,200 million

The public issue of the 2019 first tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 15 July 2019. The amount of the issue was RMB700 million with a nominal value of RMB100 each at the interest rate of 6.50%.

The public issue of the 2019 second tranche of medium-term notes in the national inter-bank bond market was launched by the Company on 9 August 2019. The amount of the issue was RMB500 million with a nominal value of RMB100 each at the interest rate of 6.50%.

For details, please refer to the relevant announcements (announcement no.: 2019-068 and 2019-087) of the Company published on CNINFO on 19 July 2019 and 15 August 2019, respectively.

2. Re-elections of the Company

The 37th extraordinary meeting of the eighth session of the Board and the 13th extraordinary meeting of the eighth session of the Supervisory Committee held on 20 May 2019 considered and passed the resolution in relation to the re-election of the Board and the resolution in relation to the re-election of the Supervisory Committee. The above resolutions in relation to the re-elections were considered and approved at the annual general meeting convened on 11 June 2019. The new session of the Board and the new session of the Supervisory Committee will serve for a term of three years.

On 11 June 2019, the ninth session of the Board considered and passed the resolution in relation to the election of the chairman, vice chairman, general manager, secretary to the Board and the senior management of the Company. The ninth session of the Supervisory Committee considered and passed the resolution in relation to the election of the chairman of the Supervisory Committee.

For details, please refer to the relevant announcements (announcement no.: 2019-039, 2019-040, 2019-055, 2019-056 and 2019-057) of the Company published on CNINFO on 21 May and 12 June 2019.

VII Material Matters

XIX. Other matters of significance (Cont'd)

3. Information disclosure index for 2019

Announcement No.	Subject matter	Date of publication	Publication website and index
2019-001	Announcement on Result of the Issue of 2018 Second Tranche of Medium-term Notes	3 January 2019	http://www.cninfo.com.cn
2019-002	Announcement on the Receipt of the Decision on the Administrative Supervision Measures of the Shandong Securities Regulatory Commission of the China Securities Regulatory Commission	7 January 2019	http://www.cninfo.com.cn
2019-003	Announcement on the Acquisition of Mining License by Haiming Mining, a Subsidiary of the Company	7 January 2019	http://www.cninfo.com.cn
2019-004	Announcement on Signing Strategic Cooperation Agreement with Great Wall Glory Securities	17 January 2019	http://www.cninfo.com.cn
2019-005	Announcement in respect of Resolutions of the Thirty-fifth Extraordinary Meeting of the Eighth Session of the Board of Directors	22 January 2019	http://www.cninfo.com.cn
2019-006	Announcement on External Investment (I)	22 January 2019	http://www.cninfo.com.cn
2019-007	Announcement on Huanggang Chenming's Application for Bank Loan and Provision of Guarantee and Asset Pledge	22 January 2019	http://www.cninfo.com.cn
2019-008	Announcement on External Investment (II)	22 January 2019	http://www.cninfo.com.cn
2019-009	Announcement on Result of the Issue of 2019 First Tranche of Super & Short-term Commercial Paper	22 January 2019	http://www.cninfo.com.cn
2019-010	Announcement in respect of Resolutions of the Thirty-Sixth Extraordinary Meeting of the Eighth Session of the Board of Directors	7 March 2019	http://www.cninfo.com.cn
2019-011	Announcement on Cooperation on the Initiation of the Establishment of Weifang Chenming Growth Driver Replacement Equity Investment Fund	7 March 2019	http://www.cninfo.com.cn
2019-012	Announcement on the Progress of Initiation of the Establishment of Weifang Chenming Growth Driver Replacement Equity Investment Fund	11 March 2019	http://www.cninfo.com.cn
2019-013	Announcement on the Progress of Intended Increase in Shareholding by the Company's Largest Shareholder	11 March 2019	http://www.cninfo.com.cn
2019-014	Announcement on the Distribution of Dividend of Preference Share	12 March 2019	http://www.cninfo.com.cn
2019-015	Announcement on Resignation of Senior Management	16 March 2019	http://www.cninfo.com.cn
2019-016	Announcement on Obtaining High-tech Enterprise Certificates by the Company and its wholly-owned subsidiaries	19 March 2019	http://www.cninfo.com.cn
2019-017	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	19 March 2019	http://www.cninfo.com.cn
2019-018	Announcement on payment of 2019 interest with respect to the first tranche of corporate bonds publicly issued to qualified investors in 2018	26 March 2019	http://www.cninfo.com.cn
2019-019	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	26 March 2019	http://www.cninfo.com.cn
2019-020	Announcement in respect of Resolutions of the Twelfth Meeting of the Eighth Session of the Board of Directors	30 March 2019	http://www.cninfo.com.cn
2019-021	2018 Annual Report Summary	30 March 2019	http://www.cninfo.com.cn

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XIX. Other matters of significance (Cont'd)

3. Information disclosure index for 2019 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2019-022	Announcement in Respect of Resolutions of the Thirteenth Meeting of the Eighth Session of the Supervisory Committee	30 March 2019	http://www.cninfo.com.cn
2019-023	Announcement on Provision of Guarantees for General Facilities of Relevant Subsidiaries by the Company	30 March 2019	http://www.cninfo.com.cn
2019-024	Announcement on Correction of Previous Accounting Errors and Retrospective Restatement	30 March 2019	http://www.cninfo.com.cn
2019-025	Announcement on the Appointment of the Auditor for 2019	30 March 2019	http://www.cninfo.com.cn
2019-026	Announcement on the Commencement of Financial Leasing Business	30 March 2019	http://www.cninfo.com.cn
2019-027	Notice of 2018 Annual General Meeting	30 March 2019	http://www.cninfo.com.cn
2019-028	Announcement on Result of the Issue of 2019 Third Tranche of Super & Short-term Commercial Paper	30 March 2019	http://www.cninfo.com.cn
2019-029	Announcement on Receipt of Government Subsidy by Wholly-owned Subsidiaries of the Company	2 April 2019	http://www.cninfo.com.cn
2019-030	Announcement on Pledge of Shares held by Shareholders	11 April 2019	http://www.cninfo.com.cn
2019-031	Announcement on Estimated Results for First Quarter of 2019	15 April 2019	http://www.cninfo.com.cn
2019-032	Announcement on Release of Pledge of Shares held by Shareholders	19 April 2019	http://www.cninfo.com.cn
2019-033	Announcement in respect of Resolutions of the Thirteenth Meeting of the Eighth Session of the Board of Directors	30 April 2019	http://www.cninfo.com.cn
2019-034	2019 First Quarterly Report	30 April 2019	http://www.cninfo.com.cn
2019-035	Announcement on the Commencement of Financial Leasing Business of Subsidiary	30 April 2019	http://www.cninfo.com.cn
2019-036	Announcement on Receipt of Government Subsidy by Subsidiaries of the Company	6 May 2019	http://www.cninfo.com.cn
2019-037	Announcement on Result of the Issue of 2019 Fourth Tranche of Super & Short-term Commercial Paper	6 May 2019	http://www.cninfo.com.cn
2019-038	Announcement on Progress of external investment and Operation Commencement of Shouguang Meilun chemical pulp project	13 May 2019	http://www.cninfo.com.cn
2019-039	Announcement in Respect of Resolutions of the Thirty-Seven Extraordinary Meeting of the Eighth Session of the Board of Directors	21 May 2019	http://www.cninfo.com.cn
2019-040	Announcement in respect of Resolutions of the Thirteenth Meeting of the Eighth Session of the Supervisory Committee	21 May 2019	http://www.cninfo.com.cn
2019-041	Declaration by Candidate for Independent Director (Sun Jianfei)	21 May 2019	http://www.cninfo.com.cn
2019-042	Declaration by Candidate for Independent Director (Yang Biao)	21 May 2019	http://www.cninfo.com.cn
2019-043	Declaration by Candidate for Independent Director (Yin Meiqun)	21 May 2019	http://www.cninfo.com.cn
2019-044	Declaration by Nominator of Independent Director	21 May 2019	http://www.cninfo.com.cn
2019-045	Announcement on the Issue of Commercial Mortgage Backed Securities Backed by an Office Property of a Subsidiary	21 May 2019	http://www.cninfo.com.cn
2019-046	Announcement on the Commencement of Equipment Financing Business of Subsidiaries	21 May 2019	http://www.cninfo.com.cn
2019-047	Announcement on Additional Resolutions Proposed at the 2018 Annual General Meeting	21 May 2019	http://www.cninfo.com.cn

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XIX. Other matters of significance (Cont'd)

3. Information disclosure index for 2019 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2019-048	Supplementary Notice of 2018 Annual General Meeting	21 May 2019	http://www.cninfo.com.cn
2019-049	Second Supplementary Notice of 2018 Annual General Meeting	24 May 2019	http://www.cninfo.com.cn
2019-050	Announcement on Supplemental Pledge of Shares held by Shareholders and Business Continuation	25 May 2019	http://www.cninfo.com.cn
2019-051	Announcement on Result of the Issue of 2019 Fifth Tranche of Super & Short-term Commercial Paper	28 May 2019	http://www.cninfo.com.cn
2019-052	Announcement on Intended Increase in Shareholding by the Directors, Supervisors and Senior Management	29 May 2019	http://www.cninfo.com.cn
2019-053	Announcement on Release of Pledge of Shares and Supplemental Pledge of Shares held by Shareholders	30 May 2019	http://www.cninfo.com.cn
2019-054	Announcement on Intended Increase in Shareholding by the Chairman of the Company	7 June 2019	http://www.cninfo.com.cn
2019-055	Poll Results Announcement of the 2018 Annual General Meeting	12 June 2019	http://www.cninfo.com.cn
2019-056	Announcement on Resolutions of the First Meeting of the Ninth Session of the Board of Directors	12 June 2019	http://www.cninfo.com.cn
2019-057	Announcement on Resolutions of the First Meeting of the Ninth Session of the Supervisory Committee	12 June 2019	http://www.cninfo.com.cn
2019-058	Announcement on the Re-election of Employee Representative Supervisor	12 June 2019	http://www.cninfo.com.cn
2019-059	Announcement on Pledge of Shares held by Shareholders	21 June 2019	http://www.cninfo.com.cn
2019-060	Announcement on Progress of the acquisition of 45% of equity interest in Goldtrust Futures	26 June 2019	http://www.cninfo.com.cn
2019-061	Announcement in respect of Guarantee in Favour of Subsidiaries for their Bank Loans by the Wholly-owned Subsidiaries of the Company	27 June 2019	http://www.cninfo.com.cn
2019-062	Announcement on Estimated Interim Results for 2019	4 July 2019	http://www.cninfo.com.cn
2019-063	Announcement on Receipt of Government Subsidy	5 July 2019	http://www.cninfo.com.cn
2019-064	First Indicative Announcement on the Adjustment of Coupon Rate of "17 Chenming Bond 01" and Repurchase Measure for Bondholders	10 July 2019	http://www.cninfo.com.cn
2019-065	Second Indicative Announcement on the Adjustment of Coupon Rate of "17 Chenming Bond 01" and Repurchase Measure for Bondholders	11 July 2019	http://www.cninfo.com.cn
2019-066	Third Indicative Announcement on the Adjustment of Coupon Rate of "17 Chenming Bond 01" and Repurchase Measure for Bondholders	15 July 2019	http://www.cninfo.com.cn
2019-067	Announcement on Repurchase Report of Investor of "17 Chenming Bond 01"	18 July 2019	http://www.cninfo.com.cn
2019-068	Announcement on Result of the Issue of 2019 First Tranche of Medium-term Notes	19 July 2019	http://www.cninfo.com.cn
2019-069	Announcement in Respect of Resolutions of the First Extraordinary Meeting of the Ninth Session of the Board of Directors	20 July 2019	http://www.cninfo.com.cn
2019-070	Announcement on the Daily Business Transactions and Related Party Transaction of Subsidiary	20 July 2019	http://www.cninfo.com.cn

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XIX. Other matters of significance (Cont'd)

3. Information disclosure index for 2019 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2019-071	Announcement on Receipt of Financial Support and Related Party Transaction	20 July 2019	http://www.cninfo.com.cn
2019-072	Notice of 2019 First Extraordinary General Meeting	20 July 2019	http://www.cninfo.com.cn
2019-073	Supplemental Announcement on the Daily Business Transactions and Related Party Transaction of Subsidiary	23 July 2019	http://www.cninfo.com.cn
2019-074	Announcement on Pledge of Shares and Partial Release of Pledge of Shares by Shareholders	25 July 2019	http://www.cninfo.com.cn
2019-075	Announcement on Result of the Issue of 2019 Sixth Tranche of Short-term Commercial Paper	2 August 2019	http://www.cninfo.com.cn
2019-076	Indicative Announcement on the Issue of USD Bonds by an Overseas Subsidiary	2 August 2019	http://www.cninfo.com.cn
2019-077	Announcement on the Implementation of Dividend Distribution to Holders of A Shares and B Shares for 2018	5 August 2019	http://www.cninfo.com.cn
2019-078	Announcement on the Implementation of the Distribution of Residual Profits of 2018 to Preference Shareholders	5 August 2019	http://www.cninfo.com.cn
2019-079	Announcement on Release of Pledge of Shares held by Shareholders	7 August 2019	http://www.cninfo.com.cn
2019-080	Announcement on Provision of Pledge and Guarantee for the Financing of Subsidiary	7 August 2019	http://www.cninfo.com.cn
2019-081	Announcement on the Progress of Issue of USD Bonds by Overseas Subsidiary	7 August 2019	http://www.cninfo.com.cn
2019-082	Announcement in Respect of Resolutions of the Second Extraordinary Meeting of the Ninth Session of the Board of Directors	8 August 2019	http://www.cninfo.com.cn
2019-083	Announcement on Public Tender of Equity of Subsidiary	8 August 2019	http://www.cninfo.com.cn
2019-084	Announcement on the Distribution of Dividend for Second Tranche of Preference Share	9 August 2019	http://www.cninfo.com.cn
2019-085	Supplemental Announcement on Public Tender of Equity of Subsidiary	9 August 2019	http://www.cninfo.com.cn
2019-086	Supplemental Announcement on Public Tender of Equity of Subsidiary	10 August 2019	http://www.cninfo.com.cn
2019-087	Announcement on Result of the Issue of 2019 Second Tranche of Medium-term Notes	15 August 2019	http://www.cninfo.com.cn
2019-088	2019 Interim Report Summary	16 August 2019	http://www.cninfo.com.cn
2019-089	Second Supplemental Announcement of the 2019 First Extraordinary General Meeting	16 August 2019	http://www.cninfo.com.cn
2019-090	Announcement on the Progress of Public Tender of Equity and Loan of Subsidiary	17 August 2019	http://www.cninfo.com.cn
2019-091	Announcement on the 2019 Interest Payment of Corporate Bonds (Phase I)	19 August 2019	http://www.cninfo.com.cn
2019-092	Announcement on Repurchase Report of Investor of "17 Chenming Bond 01"	19 August 2019	http://www.cninfo.com.cn
2019-093	Announcement on the Progress of Public Tender of Equity of Subsidiary	22 August 2019	http://www.cninfo.com.cn
2019-094	Poll Results Announcement of the 2019 First Extraordinary General Meeting	4 September 2019	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

3. Information disclosure index for 2019 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2019-095	Announcement on the Progress of Public Tender of Equity of Subsidiary	4 September 2019	http://www.cninfo.com.cn
2019-096	Announcement in respect of Resolutions of the Third Extraordinary Meeting of the Ninth Session of the Board of Directors	7 September 2019	http://www.cninfo.com.cn
2019-097	Announcement in respect of Resolutions of the First Extraordinary Meeting of the Ninth Session of the Supervisory Committee	7 September 2019	http://www.cninfo.com.cn
2019-098	Announcement on Delay in Increase of Shares of the Company by the Controlling Shareholder	7 September 2019	http://www.cninfo.com.cn
2019-099	Notice of 2019 Second Extraordinary General Meeting	7 September 2019	http://www.cninfo.com.cn
2019-100	Announcement on Pledge of Shares held by Shareholders and the Release of Pledge of Part of the Shares	7 September 2019	http://www.cninfo.com.cn
2019-101	Announcement on the Distribution of Dividend for Third Tranche of Preference Share	16 September 2019	http://www.cninfo.com.cn
2019-102	Announcement on Pledge of Shares by Shareholders	16 September 2019	http://www.cninfo.com.cn
2019-103	Announcement in respect of Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Board of Directors	17 September 2019	http://www.cninfo.com.cn
2019-104	Announcement in respect of Resolutions of the Second Extraordinary Meeting of the Ninth Session of the Supervisory Committee	17 September 2019	http://www.cninfo.com.cn
2019-105	Announcement on the Use of Accounts Receivable By Subsidiary for Financing Purpose	17 September 2019	http://www.cninfo.com.cn
2019-106	Announcement on the Change of Auditor	17 September 2019	http://www.cninfo.com.cn
2019-107	Announcement on Additional Resolutions Proposed at the 2019 Second Extraordinary General Meeting	17 September 2019	http://www.cninfo.com.cn
2019-108	Supplementary Notice of 2019 Second Extraordinary General Meeting	17 September 2019	http://www.cninfo.com.cn
2019-109	Announcement on Release of Pledge of Shares Held by Shareholders	25 September 2019	http://www.cninfo.com.cn
2019-110	Announcement in respect of Provision of Guarantee in Favour of Wholly-owned Subsidiary for Financing	30 September 2019	http://www.cninfo.com.cn
2019-111	Announcement on Pledge of Shares held by Shareholders	8 October 2019	http://www.cninfo.com.cn
2019-112	Second Supplementary Notice of the 2019 Second Extraordinary General Meeting	8 October 2019	http://www.cninfo.com.cn
2019-113	Announcement on Estimated Results for the First Three Quarters of 2019	9 October 2019	http://www.cninfo.com.cn
2019-114	Announcement in respect of Resolutions of the Fifth Extraordinary Meeting of the Ninth Session of the Board of Directors	18 October 2019	http://www.cninfo.com.cn
2019-115	Announcement in respect of Provision of Guarantee in Favour of Subsidiary	18 October 2019	http://www.cninfo.com.cn
2019-116	Notice of 2019 Third Extraordinary General Meeting	18 October 2019	http://www.cninfo.com.cn
2019-117	Announcement in respect of Resolutions of the 2019 Second Extraordinary General Meeting	24 October 2019	http://www.cninfo.com.cn
2019-118	Announcement in respect of Resolutions of the Third Meeting of the Ninth Session of the Board of Directors	26 October 2019	http://www.cninfo.com.cn

VII Material Matters

XIX. Other matters of significance (Cont'd)

3. Information disclosure index for 2019 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2019-119	Announcement in respect of Resolutions of the Third Meeting of the Ninth Session of the Supervisory Committee	26 October 2019	http://www.cninfo.com.cn
2019-120	2019 Third Quarterly Report	26 October 2019	http://www.cninfo.com.cn
2019-121	Announcement on Changes in Accounting Policies	26 October 2019	http://www.cninfo.com.cn
2019-122	Announcement on Receipt of Financial Support and Related Party Transaction	26 October 2019	http://www.cninfo.com.cn
2019-123	Announcement on Additional Resolutions Proposed at the 2019 Third Extraordinary General Meeting	26 October 2019	http://www.cninfo.com.cn
2019-124	Supplemental Notice of 2019 Third Extraordinary General Meeting	26 October 2019	http://www.cninfo.com.cn
2019-125	Announcement in respect of Resolutions of the Sixth Extraordinary Meeting of the Ninth Session of the Board of Directors	7 November 2019	http://www.cninfo.com.cn
2019-126	Announcement on the Change and Rotation of the General Manager	7 November 2019	http://www.cninfo.com.cn
2019-127	Announcement on Additional Resolutions Proposed at the 2019 Third Extraordinary General Meeting	7 November 2019	http://www.cninfo.com.cn
2019-128	Supplementary Notice of 2019 Third Extraordinary General Meeting	7 November 2019	http://www.cninfo.com.cn
2019-129	Second Supplementary Notice of 2019 Third Extraordinary General Meeting	16 November 2019	http://www.cninfo.com.cn
2019-130	Announcement on Receipt of Government Subsidy	27 November 2019	http://www.cninfo.com.cn
2019-131	Announcement on the Commencement of Equipment Financing Business	28 November 2019	http://www.cninfo.com.cn
2019-132	Announcement on the Resignation of Director	3 December 2019	http://www.cninfo.com.cn
2019-133	Announcement in respect of Resolutions of the 2019 Third Extraordinary General Meeting	4 December 2019	http://www.cninfo.com.cn
2019-134	Announcement on Release of Pledge of Shares Held by Shareholders	7 December 2019	http://www.cninfo.com.cn
2019-135	Announcement on the Receipt of Government Subsidy by a Subsidiary	14 December 2019	http://www.cninfo.com.cn
2019-136	Announcement on the Progress of External Investment	19 December 2019	http://www.cninfo.com.cn
2019-137	Announcement on Release of Pledge of Shares Held by Shareholders	20 December 2019	http://www.cninfo.com.cn
2019-138	Announcement in respect of Provision of Pledge and Guarantee in Favour of Huanggang Chenming by Wuhan Chenming for Loan	25 December 2019	http://www.cninfo.com.cn
2019-139	Announcement on Release of Pledge of Shares Held by Shareholders	31 December 2019	http://www.cninfo.com.cn
2019-140	Announcement on Capital Increase and Introduction of Strategic Investor by a Wholly-owned Subsidiary	31 December 2019	http://www.cninfo.com.cn
2019-141	Announcement on the Receipt of Government Subsidy by a Subsidiary	31 December 2019	http://www.cninfo.com.cn

VII Material Matters

XX. Matters of significant of subsidiaries of the Company

Applicable Not applicable

1. Establishment of Shanghai Chenming Pulp & Paper Sales Co., Ltd. through External Investment

In order to make full use of the advantages of Shanghai as a financial centre, expand and enhance the Shanghai platform, put great efforts into market development, and enhance the Company's overall strength and comprehensive competitiveness, the company intended to set up Shanghai Chenming Pulp & Paper Sales Co., Ltd. in Hongkou District, Shanghai.

For details, please refer to the relevant announcement (announcement no.: 2019-008) of the Company published on CNINFO on 22 January 2019.

2. Operation Commencement of Shouguang Meilun Chemical Pulp Project

The proposal on the construction of a bleached sulphate chemical wood pulp in Shouguang of Shouguang Meilun, a wholly-owned subsidiary of the Company, was considered and approved at the 2013 annual general meeting of the Company. During the process of project construction, given the high dependence of China's wood pulp imports and the impact of waste paper import policies, waste paper prices in the domestic market rose sharply, which led to the increase in wood pulp prices. In order to solve the problem of raw materials of the Company, make full use of the cost advantage of self-made pulp and improve economic efficiency, the Company adjusted the annual production of 400,000 tonnes of bleached sulphate chemical wood pulp to annual production of 1 million tonnes of bleached sulphate chemical wood pulp and put it into production smoothly.

For details, please refer to the relevant announcement (announcement no.: 2019-038) of the Company published on CNINFO on 13 May 2019.

3. Issue of USD Bonds by an Overseas Subsidiary

Meilun (BVI) Limited, an overseas subsidiary of the Company, issued a total of USD163 million USD bonds on Hong Kong Stock Exchange with a term of less than 3 years on 7 August 2019.

For details, please refer to the relevant announcement (announcement no.: 2019-076) of the Company published on CNINFO on 2 August 2019.

VIII Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Converted		Subtotal	Amount	Percentage
					from reserves	Others			
I. Restricted shares	11,982,642	0.41%	0	0	0	-1,402,118	-1,402,118	10,580,524	0.36%
Shares held by other domestic investors	11,982,642	0.41%	0	0	0	-1,402,118	-1,402,118	10,580,524	0.36%
Shares held by domestic natural persons	11,982,642	0.41%	0	0	0	-1,402,118	-1,402,118	10,580,524	0.36%
II. Non-restricted shares	2,892,625,558	99.59%	0	0	0	1,402,118	1,402,118	2,894,027,676	99.64%
1. RMB ordinary shares	1,658,004,342	57.08%	0	0	0	1,332,818	1,332,818	1,659,337,160	57.13%
2. Domestic listed foreign shares	706,315,966	24.32%	0	0	0	69,300	69,300	706,385,266	24.32%
3. Overseas listed foreign shares	528,305,250	18.19%	0	0	0	0	0	528,305,250	18.19%
III. Total number of shares	2,904,608,200	100.00%	0	0	0	0	0	2,904,608,200	100.00%

The reasons for such changes

Applicable Not applicable

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, during the reporting period, 2,782,845 restricted RMB ordinary shares (A shares) held by Directors and senior management who resigned became non-restricted shares; 69,300 restricted domestic listed foreign shares (B shares) held by senior management who resigned became unrestricted shares; and 1,450,027 unrestricted RMB ordinary shares (A shares) additionally acquired by the Company's Directors, Supervisors and senior management became restricted shares.

Approval of changes in shareholding

Applicable Not applicable

VIII Changes in Share Capital and Shareholders

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

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

Transfer of shares arising from changes in shareholding

Applicable Not applicable

Progress of share repurchase

Applicable Not applicable

Progress of decrease in the holding of repurchased shares by way of bidding

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 ordinary shareholders 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

VIII Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name of shareholders	Restricted shares at the beginning of period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
Chen Hongguo	7,608,333	0	701,700	8,310,033	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Hu Changqing	1,392	0	30,751	32,143	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Geng Guanglin	492,113	0	45,599	537,712	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Li Feng	530,794	0	148,726	679,520	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Li Dong	11,250	0	45,000	56,250	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Li Weixian	3,599	0	57,301	60,900	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Li Xueqin	483,016	0	162,975	645,991	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Li Zhenzhong	0	0	84,750	84,750	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Yuan Xikun	0	0	33,525	33,525	Locked up by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Yin Tongyuan	2,726,595	2,726,595	0	0	Resignation	18 November 2019
Xiao Peng	125,550	125,550	0	0	Resignation	18 November 2019
Chen Gang	0	0	139,700	139,700	Resignation	11 December 2022
Total	11,982,642	2,852,145	1,450,027	10,580,524	—	—

VIII Changes in Share Capital and Shareholders

II. Issuance and listing of securities

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing staff shares

Applicable Not applicable

III. Shareholders and beneficial controllers

1. Total number of shareholders and shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	120,766, of which 100,644 were holders of A shares, 19,752 were holders of B shares and 370 were holders of H shares	Total number of ordinary shareholders as at the end of the month prior to the publication date of this annual report	119,658, of which 99,635 were holders of A shares, 19,658 were holders of B shares and 365 were holders of H shares	Total number of holders of preference shares with restored voting right as at the end of the reporting period	0	Total number of holders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
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Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the Reporting period	Number of restricted shares held	Number of non-restrict shares held	Share pledged or locked-up Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.33%	445,396,128	1,250,000	—	445,396,128	Pledge	261,670,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.85%	373,163,875	-124,000	—	373,163,875	—	—
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.54%	364,131,563	—	—	364,131,563	—	—
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	60,206,850	—	—	60,206,850	—	—
AGRICULTURAL BANK OF CHINA LIMITED - CHINA CSI 500 ETF	Others	0.46%	13,483,150	-683,300	—	13,483,150	—	—
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	0.46%	13,238,463	8,749,612	—	13,238,463	—	—
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	12,912,357	—	—	12,912,357	—	—
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.43%	12,615,170	1,617,762	—	12,615,170	—	—
Chen Hongguo	Domestic nature person	0.38%	11,080,044	935,600	8,310,033	2,770,011	—	—
Chen Suiqiang	Domestic nature person	0.38%	11,010,200	1,109,050	—	11,010,200	—	—
Related party relationship or acting in concert 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. A shareholder, Chen Hongguo, is the legal representative, chairman and general manager of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.							

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

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

Shareholdings of the top ten shareholders of non-restricted shares

Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	445,396,128	RMB ordinary shares	445,396,128
HKSCC NOMINEES LIMITED	373,163,875	Overseas listed foreign shares	373,163,875
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Domestic listed foreign shares	210,717,563
		Overseas listed foreign shares	153,414,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	60,206,850	RMB ordinary shares	60,206,850
AGRICULTURAL BANK OF CHINA LIMITED – CHINA CSI 500 ETF	13,483,150	RMB ordinary shares	13,483,150
HONG KONG SECURITIES CLEARING COMPANY LIMITED	13,238,463	RMB ordinary shares	13,238,463
VANGUARD EMERGING MARKETS STOCK INDEX FUND	12,912,357	Domestic listed foreign shares	12,912,357
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	12,615,170	Domestic listed foreign shares	12,615,170
Chen Suiqiang	11,010,200	RMB ordinary shares	11,010,200
Jin Xing	10,856,000	Domestic listed foreign shares	10,856,000

Related party relationship or acting in concert among the top ten shareholders of non-restricted shares, and between the top ten shareholders of non-restricted shares and the top ten shareholders

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.

Securities margin trading of top 10 ordinary shareholders, if any (see Note 4)

Chenming Holdings Company Limited held 445,396,128 RMB ordinary shares, of which 402,196,128 shares were held through ordinary account and 43,200,000 shares were held through credit guarantee security account.

Chen Suiqiang held 11,010,200 RMB ordinary shares, of which 0 share was held through ordinary account and 11,010,200 shares were held through credit guarantee security account.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

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

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

Yes No

The top 10 ordinary shareholders and top 10 shareholders of non-restricted shares

2. Controlling shareholders of the Company

Nature of controlling shareholder: regional state-owned enterprise

Type of controlling shareholder: legal person

Name of controlling shareholders	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
CHENMING HOLDINGS COMPANY LIMITED	Chen Hongguo	30 December 2005	78348518-9	Investment in paper making, electricity, heat and arboriculture by its own capital

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

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

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

3. Beneficial controller of the Company and persons acting in concert

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

Type of the beneficial controller: legal person

Name of beneficial controller	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
State-owned Assets Supervision and Administration Bureau of Shouguang City	Not applicable	1 August 1991	F5108355-4	Responsible for the management and capital operation of the state-owned assets of enterprises and business units in Shouguang city
Shareholdings of beneficial controller who has control or holds shares in other domestic or overseas listed companies during the reporting period	Save for the Company, State-owned Assets Supervision and Administration Office of Shouguang City does not have control over or hold any equity interest of other domestic or overseas listed companies.			

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

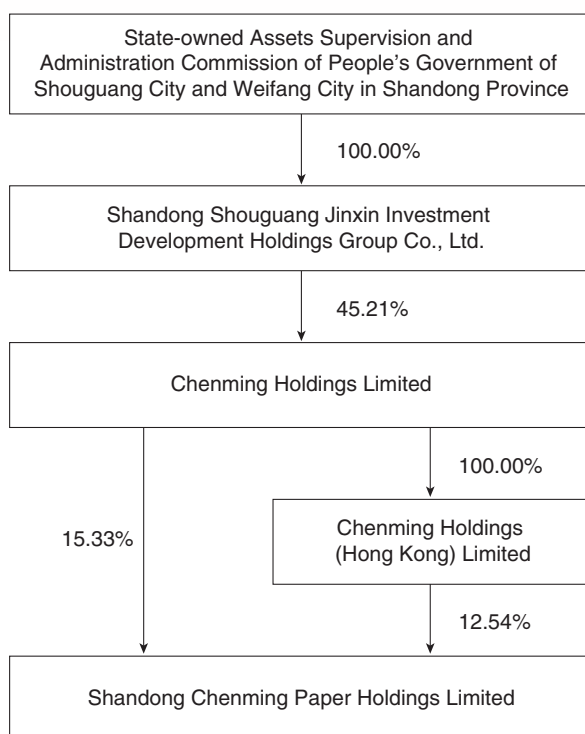
3. Beneficial controller of the Company and persons acting in concert (Cont'd)

Change of beneficial controller during the reporting period

Applicable Not applicable

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

Chart illustrating the relationship between the Company and the beneficial controller



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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IX Preference Shares

√ Applicable □ Not Applicable

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

√ Applicable □ Not Applicable

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

II. Holders of preference shares and their shareholdings

Unit: share

Total number of holders of preference shares as at the end of the reporting period	8	Total number of holders of preference shares as at the end of the month prior to the publication date of this annual report	8
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8 Holders holdings more than 5% of the preference shares of the Company or top ten holders of preference shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.78%	12,500,000			12,500,000	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000			10,100,000	-	-
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000			6,400,000	-	-
QILU BANK CO., LTD. - QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	6,000,000			6,000,000	-	-
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000			5,000,000	-	-
SHANGHAI STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	4.44%	2,000,000	-1,000,000		2,000,000	-	-
NCF - MINSHENG BANK - CHINA FORTUNE INTERNATIONAL TRUST - CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000			2,000,000	-	-
SHANGHAI SHIJIE BUSINESS CONSULTING CO., LTD.	Domestic non-state-owned legal person	2.22%	1,000,000	1,000,000	-	1,000,000	-	-

Related party relationship or acting in concert among the top ten holders of preference shares, and between the top ten holders of preference shares and the top ten holders of ordinary shares

The aforesaid holders of preference shares, "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.167 SINGLE CAPITAL TRUST" and "BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. - HUILI NO.136 SINGLE CAPITAL TRUST", are persons acting in concert. Save for the above, it is not aware that the remaining holders of preference shares are persons acting in concert. It is also not aware that the top ten holders of preference shares and the top ten holders of ordinary shares are related to each other.

IX Preference Shares

III. Profit distribution for preference shares

Applicable Not Applicable

Profit distribution for preference shares during the reporting period

Applicable Not Applicable

Date of Distribution	Dividend Ratio	Distributed amount (RMB) (tax inclusive)	Whether it is in compliance with the conditions and the relevant procedures of distribution	Way of dividend payment	Whether it was an accumulated dividend	Whether it participates in distribution of remaining profit
18 March 2019	4.36%	98,100,000.00	Yes	Cash	No	Yes
9 August 2019	6.20%	279,069,767.52	Yes	Cash	No	Yes
16 August 2019	5.17%	51,700,000.00	Yes	Cash	No	Yes
23 September 2019	5.17%	64,625,000.00	Yes	Cash	No	Yes

IX Preference Shares

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

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

Unit: RMB

Year of distribution	Distributed amount (tax inclusive)	Net profit attributable to shareholders of listed company under the consolidated financial statements for the distribution year	Percentage to the net profit attributable to shareholders of listed company under the consolidated financial statements	Explanation on shortfall accumulated to the next accounting year due to insufficient distributable profits or portion can be allocated to remaining profit distribution
2019	388,843,604.70	1,656,566,584.88	23.47%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB174,418,604.70 in 2019.
2018	493,494,767.52	2,509,828,858.47	19.66%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB279,069,767.52 in 2018.
2017	679,141,006.88	3,769,325,450.93	18.02%	Chenming You 01, Chenming You 02 and Chenming You 03 participated in the proposal of remaining profit distribution for RMB464,716,006.88 in 2017.

Any adjustment or change in profit distribution policy for preference shares

Yes No

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

Applicable Not applicable

IX Preference Shares

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

Explanation on other matters regarding distribution for preference shares

Applicable Not applicable

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

1. Distribution of fixed dividend

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

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

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

IX Preference Shares

IV. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

V. Resumption of voting rights of preference shares

1. Resumption and exercise of voting rights

Applicable Not applicable

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

Applicable Not applicable

VI. Accounting policy and reasons thereof

Applicable Not applicable

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

X Directors, Supervisors and Senior Management and Staff

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

Name	Position	Status	Gender	Age	Start date of the term	End date of the term	Shares held as at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other changes (increase or decrease) (shares)	Shares held as at the end of the period (shares)
Chen Hongguo	Chairman	In office	M	55	6 September 2001	11 June 2022	10,144,444	935,600			11,080,044
Hu Changqing	Vice Chairman	In office	M	54	23 June 2018	11 June 2022	1,857	41,000			42,857
Li Xingchun	Vice Chairman	In office	M	54	11 June 2019	11 June 2022	0				0
Han Tingde	Director	In office	M	51	11 June 2019	11 June 2022	0				0
Li Chuanxuan	Director	In office	M	42	11 June 2019	11 June 2022	0				0
Sun Jianfei	Independent Director	In office	M	47	11 June 2019	11 June 2022	0				0
Yin Meiqun	Independent Director	In office	F	49	11 June 2019	11 June 2022	0				0
Yang Biao	Independent Director	In office	M	40	11 June 2019	11 June 2022	0				0
Li Dong	Chairman of Supervisory Committee	In office	M	37	13 December 2016	11 June 2022	15,000	60,000			75,000
Li Xinggui	Supervisor	In office	M	55	11 June 2019	11 June 2022	0				0
Qiu Lanju	Supervisor	In office	F	46	11 June 2019	11 June 2022	0				0
Pan Ailing	Supervisor	In office	F	55	11 June 2019	11 June 2022	0				0
Zhang Hong	Supervisor	In office	F	55	11 June 2019	11 June 2022	0				0
Li Feng	General manager	In office	M	46	9 November 2019	9 November 2020	707,727	198,300			906,027
Li Xueqin	Deputy general manager	In office	F	54	1 September 2004	11 June 2022	644,022	217,300			861,322
Geng Guanglin	Deputy general manager	In office	M	46	11 June 2019	11 June 2022	656,150	60,800			716,950
Li Weixian	Deputy general manager	In office	M	38	6 November 2019	11 June 2022	4,800	235,400			240,200
Li Zhenzhong	Deputy general manager	In office	M	46	20 March 2011	11 June 2022	0	113,000			113,000
Zhao Xuegang	Deputy general manager	In office	M	47	11 June 2019	11 June 2022	0				0
Dong Lianming	Financial controller	In office	M	45	12 October 2018	11 June 2022	0	69,600			69,600
Yuan Xikun	Secretary to the Board	In office	M	34	16 May 2018	11 June 2022	0	44,700			44,700
Chu Hon Leung	Company secretary (Hong Kong)	In office	M	37	11 June 2019	11 June 2022	0				0
Chen Gang	Director and deputy general manager	Resigned	M	47	14 June 2018	29 November 2019	0	139,700			139,700
Sun Yinghua	Supervisor	Resigned	F	51	18 May 2016	11 June 2019	0	73,800			73,800
Zhang Qingzhi	Deputy general manager	Resigned	M	54	18 May 2016	11 June 2019	0				0
Yang Weiming	Deputy general manager	Resigned	M	45	18 May 2016	15 March 2019	0				0
Yang Guihua	Director	Resigned	F	54	9 May 2014	11 June 2019	0				0
Wang Fengrong	Independent Director	Resigned	F	51	18 May 2016	11 June 2019	0				0
Huang Lei	Independent Director	Resigned	M	63	18 May 2016	11 June 2019	0				0
Liang Fu	Independent Director	Resigned	F	52	18 May 2016	11 June 2019	0				0
Zhang Xiaofeng	Supervisor	Resigned	M	42	18 May 2016	11 June 2019	0				0
Poon Shiu Cheong	Company secretary and qualified accountant	Resigned	M	50	28 May 2008	11 June 2019	0				0

X Directors, Supervisors and Senior Management and Staff

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

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Chen Hongguo	Chairman	Elected	11 June 2019	Elected as a director and the chairman of the ninth session of the Board at the 2018 annual general meeting and the first meeting of the ninth session of the Board, respectively.
Hu Changqing	Vice Chairman	Elected	11 June 2019	Elected as a director and a vice chairman of the ninth session of the Board at the 2018 annual general meeting and the first meeting of the ninth session of the Board, respectively.
Li Xingchun	Vice Chairman	Elected	11 June 2019	Elected as a director and a vice chairman of the ninth session of the Board at the 2018 annual general meeting and the first meeting of the ninth session of the Board, respectively.
Han Tingde	Director	Elected	11 June 2019	Elected as a director of the ninth session of the Board at the 2018 annual general meeting.
Li Chuanxuan	Director	Elected	11 June 2019	Elected as a director of the ninth session of the Board at the 2018 annual general meeting.
Sun Jianfei	Independent Director	Elected	11 June 2019	Elected as an independent director of the ninth session of the Board at the 2018 annual general meeting.
Yang Biao	Independent Director	Elected	11 June 2019	Elected as an independent director of the ninth session of the Board at the 2018 annual general meeting.
Yin Meiqun	Independent Director	Elected	11 June 2019	Elected as an independent director of the ninth session of the Board at the 2018 annual general meeting.
Li Dong	Chairman of Supervisory Committee	Elected	11 June 2019	Elected as a supervisor and the chairman of the ninth session of the Supervisory Committee at the 2018 annual general meeting.
Pan Ailing	Supervisor	Elected	11 June 2019	Elected as a supervisor of the ninth session of the Supervisory Committee at the 2018 annual general meeting.
Zhang Hong	Supervisor	Elected	11 June 2019	Elected as a supervisor of the ninth session of the Supervisory Committee at the 2018 annual general meeting.
Li Xinggui	Employee representative supervisor	Elected	11 June 2019	Elected as an employee representative supervisor at the tenth meeting of the ninth session of the employee representative meeting.

X Directors, Supervisors and Senior Management and Staff

II. Changes of Directors, Supervisors and Senior Management of the Company (Cont'd)

Name	Position	Type	Date	Reason
Qiu Lanju	Employee representative supervisor	Elected	11 June 2019	Elected as an employee representative supervisor at the tenth meeting of the ninth session of the employee representative meeting.
Li Feng	General manager	Appointed	6 November 2019	Appointed as the general manager by the Company according to the General Manager Rotation System.
Li Weixian	Deputy general manager	Appointed	6 November 2019	Elected as a deputy general manager at the sixth extraordinary meeting of the ninth session of the Board.
Li Xueqin	Deputy general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Geng Guanglin	Deputy general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Li Zhenzhong	Deputy general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Zhao Xuegang	Deputy general manager	Appointed	11 June 2019	Elected as a deputy general manager at the first meeting of the ninth session of the Board.
Dong Lianming	Financial controller	Appointed	11 June 2019	Elected as the financial controller at the first meeting of the ninth session of the Board.
Yuan Xikun	Secretary to the Board	Appointed	11 June 2019	Elected as the secretary to the Board at the first meeting of the ninth session of the Board.
Chu Hon Leung	Hong Kong company secretary	Appointed	11 June 2019	Elected as the company secretary (Hong Kong) at the first meeting of the ninth session of the Board.
Geng Guanglin	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Li Feng	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Zhang Hong	Director	Expiry of term of office	11 June 2019	Elected as a supervisor subsequent to the vacation of office upon expiry of the term of the eighth session of the Board
Yang Guihua	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Wang Fengrong	Independent director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Huang Lei	Independent Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Liang Fu	Independent Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board

X Directors, Supervisors and Senior Management and Staff

II. Changes of Directors, Supervisors and Senior Management of the Company (Cont'd)

Name	Position	Type	Date	Reason
Pan Ailing	Independent Director	Expiry of term of office	11 June 2019	Elected as a supervisor subsequent to the vacation of office upon expiry of the term of the eighth session of the Board
Sun Yinghua	Employee representative supervisor	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Supervisory Committee
Zhang Xiaofeng	Director	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Supervisory Committee
Zhang Qingzhi	Deputy general manager	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board
Yang Weiming	Deputy general manager	Dismissed	15 March 2019	Resignation from the position due to personal reasons
Chen Gang	Director and deputy general manager	Resignation	29 November 2019	Resignation from the position due to personal reasons
Poon Shiu Cheong	Company secretary and qualified accountant	Expiry of term of office	11 June 2019	Vacation of office upon expiry of the term of the eighth session of the Board

III. Employment

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

1. Brief biographies of Directors

(1) Brief biographies of executive Directors

Mr. Chen Hongguo is a member of the Communist Party of the PRC. He holds a bachelor's degree. He is a senior economist and holds the titles including Nationwide Light Industry Top Ten Youth Experts (全國輕工業系統十佳傑出青年崗位能手), Labor Medal on Enriching Shandong Province (山東省富民興魯勞動獎章獲得者), Excellent Entrepreneur of Shandong Province (山東省優秀企業家), Nationwide May 1st Labor Medal (全國五一勞動獎章獲得者), Nationwide Excellent Entrepreneur (全國優秀創業企業家) and USA RISI CEO of the Year (美國銳思“年度最佳CEO獎”). He is vice chairman of the China National Light Industry Council. He joined the Company in 1987 and had held positions including chief officer of manufacturing section, chief officer of branch factory, deputy general manager, Director of the Company and the chairman of Wuhan Chenming Hanyang Paper Co., Ltd. He is currently the chairman of the Company and a Party Committee Secretary. Mr. Chen Hongguo is the spouse of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Hu Changqing is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1988. He had held various positions in the Company such as the chief of the technological reform department, the chief officer of branch factory, the deputy general manager and the Director. He is currently a director of Chenming Holdings Company Limited and a vice chairman of the Company.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

1. Brief biographies of Directors (Cont'd)

(1) Brief biographies of executive Directors (Cont'd)

Mr. Li Xingchun holds a doctorate from School of Engineering Management and Engineering (Financial Engineering) at Nanjing University and is a visiting professor of Shanghai Finance University and the founder of Leadbank Financial Service Group. In 2015, he was selected as a financial innovative figure of Lujiazui by YICAI (第一財經). In the same year, he was selected as an independent fortune leader in China by Fortune Today. In 2016, he was selected as an outstanding entrepreneur of wealth management institution in China by China Economy and Trade Promotion Association (中國經濟貿易促進會). In 2017, he was awarded the outstanding wealth management leader award. He was the senior director of Ctrip.com, the vice president of Fuyou Securities Co., Ltd. (富友證券有限責任公司), the executive vice president of Pan Asia Trust Co., Ltd. (泛亞信託有限公司), and the director and president of Western Development Holdings Co., Ltd. (西部發展控股有限公司). He is currently the chairman of Leadbank Technology (Investment Group) and a vice chairman of the Company.

(2) Brief biographies of non-executive Directors

Mr. Han Tingde graduated with a bachelor's degree. He was the deputy general manager and the general manager of operational department of Jinan, Liaocheng and Linyi offices of Shandong Securities Co., Ltd., the deputy general manager and the general manager of operational department of Zibo and Jinan offices of Tiantong Securities Co., Ltd. in China, the general management of each of the customer service department, the brokerage headquarters and the legal affairs department, as well as a deputy general manager of the retail headquarters of Zhongtai Securities Co., Ltd., etc.

Mr. Li Chuanxuan holds a doctorate in law. He is a professor at Fudan University, Shanghai. From 2008 to 2012, he was a lecturer in the Law School of Fudan University. From 2012 to 2013, he was a visiting scholar of the Law School of Columbia University in the United States, focusing on the research on green finance laws and policies. He is currently the secretary general of the Association of Shanghai Environmental Resources Law (上海市環境資源法研究會), the director of the Association of China Environmental Resources Law (中國環境資源法研究會), the director of the Association of Shanghai Economic Law (上海市經濟法研究會), as well as the evaluation expert of the National Judicial Verification of Environmental Damages (國家環境損害司法鑒定). He has been in charge of and undertook over 10 national and provincial scientific research projects. Moreover, he has participated in the drafting of several laws and regulations of different legislatures including the Standing Committee of the National People's Congress, the Ministry of Ecology and Environment and Shanghai National People's Congress.

(3) Brief biographies of independent non-executive Directors

Mr. Sun Jianfei holds a doctorate in finance. He was a lecturer at University of Nevada, Reno, and concurrently served as the consultant of hedge funds such as Eagle Peak Fund LP. From 2010 to 2017, he was a lecturer at Antai College of Economics & Management, Shanghai Jiao Tong University. He was selected in the National Academic Leadership Talent Programme in Accounting (Standby List) (全國學術類會計領軍(後備)人才項目) organised by the Ministry of Finance, as well as the Shanghai Pujiang Talent Programme (上海市浦江人才計劃). He is currently a professor at Institute for Social and Economic Research, Nanjing Audit University, and concurrently serves as a professor at Antai College of Economics & Management and Advanced Institute of Finance, Shanghai Jiao Tong University. He is currently the independent director of A share listed companies including Zhejiang Yueling Co., Ltd. and Huasu Holdings Co., Ltd., as well as the independent director of several companies whose shares is proposed to be listed, including Nanya New Material Technology Co., Ltd. and Shanghai Saiyi Environmental Protection Equipment Co., Ltd. (上海賽一環保設備有限公司)

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

1. Brief biographies of Directors (Cont'd)

(3) Brief biographies of independent non-executive Directors (Cont'd)

Mr. Yang Biao holds a doctorate in law, and is currently a professor and doctoral tutor in the School of Law of Sun Yat-sen University. He is, among others, one of the “Guangzhou Top Ten Young and Middle-aged Jurists”, an outstanding young talent in the “Guangdong Special Support Program”, a selected member in the “Double Thousand Plan” (雙千計劃) of the Ministry of Education and the Central Politics and Law Committee, a training candidate in the “Thousand-Hundred-Ten” project (千百十工程) for universities in Guangdong Province, a member of the Academy for East-Asian Tort Law (AETL), a member of the Expert Advisory Committee to Guangdong People’s Procuratorate, a supervisory member and judicial advisory expert of the Standing Committee of Guangzhou People’s Congress and an expert certified in Major Administrative Decision-Making and Argumentation in Guangzhou. He has served in Guangdong High People’s Court and People’s Court of Guangzhou Huangpu District. He has also served as independent director of Guangdong Guangzhou Daily Media Co., Ltd.* (廣東廣州日報傳媒股份有限公司), Guangdong Yue Feed Group Co., Ltd. (廣東粵飼料集團股份有限公司), Circle Logistics Co., Ltd. and Guangdong Tianhe Agricultural Means of Production Co., Ltd. (廣東天禾農資股份有限公司).

Ms. Yin Meiqun is a university professor and a certified public accountant in China. She holds a doctorate in accounting degree. She paid academic visits to Sweden, Finland, Denmark and the Iowa State University in the United States. From 1993 to 2007, she was a professor in the department of accounting at Harbin University of Science and Technology. She is a professor of Beijing International Studies University. She is currently a representative of the 15th Beijing Municipal People’s Congress, a member of the Accounting Education Committee of the Accounting Society of China, a council member of the Accounting Society of China, a council director of the Association of Beijing Internal Audit, an expert of The Chinese Institute of Certified Public Accountants and an expert of Social Examination Department of the National Education Examinations Authority, etc. She concurrently serves as an independent director of Beijing Life Insurance Co., Ltd.

2. Brief biographies of Supervisors

Mr. Li Dong is a member of the Communist Party of the PRC. He graduated with a diploma. After joining the Company in 2004, he had held different positions including the deputy chief of the cost auditing section and the chief of the general section under the financial department of the Company, the financial controller of Zhanjiang Chenming and the chief of the financial department of the Group. He is currently the chairman of the Supervisory Committee of the Company.

Ms. Pan Ailing is a Ph.D. in Economics and holds a post-doctoral degree in Financial Management. She is currently a professor of the School of Management, an advisor to doctoral students, the chief of the Department of Accounting and the chief of the Investment and Financing Research Centre (投融資研究中心) in Shandong University and a non-practising member of CICPA (Chinese Institute of Certified Public Accountants). She is also a director of the Accounting Institute, Shandong Province (山東省會計學會), a council member of Shandong Comparative Management Association, a visiting professor at Soochow University in Taiwan, a visiting scholar at University of Connecticut in the United States and a state-level candidate for the New Century Ten Million Talents Project (新世紀“百千萬人才工程”). She is a specialist entitled to the State Council Special Allowance (國務院政府特貼專家), and a Young and Middle-aged Expert with Outstanding Contributions in Shandong Province (山東省有突出貢獻的中青年專家). She is the chief expert of the Major Tender Projects of National Social and Science Fund (國家社科基金重大招標課題首席專家). She has finished various research projects at national and provincial level and published more than 80 academic papers. She is also an independent director of Sinotruck Jinan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司), an independent director of Inspir Software Co., Ltd. and an independent director of Lu Thai Textile Co., Ltd. She is currently a supervisor of the Company.

Ms. Zhang Hong holds a doctoral degree in Economics, and is currently a professor and advisor to doctoral students at Shandong University, head of a multinational corporation research institute, a non-practising member of the Chinese Institute of Certified Public Accountants, a director of China Association of International Trade, a director of Shandong Province External Trade Association, and an independent director of Shandong Zhangqiu Blower Co., Ltd., Shandong Delisi Food Co., Ltd. and Cisen Pharmaceutical Co., Ltd. He is currently a supervisor of the Company.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

2. Brief biographies of Supervisors (Cont'd)

Mr. Li Xinggui is a member of the Communist Party of the PRC. He graduated with a diploma. After joining the Company in 1994, he had held different positions including a deputy chief of the production department, a deputy director and director of the general administration office, and a director of the trade union office of the Company. He is currently the deputy chairman of the trade union of the Company and an employee representative supervisor.

Ms. Qiu Lanju graduated with a diploma. After joining the Company in 1995, she had held different position including a deputy chief of the price auditing section of the audit department, a chief of the executive section of the purchase department, a chief of the general administration section of the purchase department and a manager of the materials company of the Company. She is currently the assistant to the general manager of the Company and an employee representative supervisor.

3. Brief biographies of Senior Management

Mr. Li Feng is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1992 and had held different positions including the chief officer of manufacturing section and assistant to the general manager of the Company, chairman, executive director of a Group, marketing director and deputy general manager of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. He is currently the general manager of the Company.

Mr. Li Weixian graduated with a postgraduate degree. He joined the Company in 2002 and had held different positions including the deputy manager of a Shenzhen coated paper subsidiary of the Company, manager of Shandong Chenming Paper Sales Company Limited, vice chairman of a household paper company, deputy marketing director and marketing director of a sales company and vice president of a group. He is currently the deputy general manager and chairman of the financial division of the Company.

Mr. Geng Guanglin is a member of the Communist Party of the PRC. He graduated with a diploma. He joined the Company in 1992 and had held different positions including the chief officer of manufacturing section of the Company, the deputy general manager of Chibi Chenming Paper Co., Ltd., the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., the chairman of Jilin Chenming Paper Co., Ltd., the chairman of Jiangxi Chenming Paper Co., Ltd. and the director of the Company. He is currently the deputy general manager of the Company.

Ms. Li Xueqin is a member of the Communist Party of the PRC. She holds a bachelor's degree. She was successively awarded titles including "Model Worker in Shandong Province (山東省勞動模範), Model Worker in the Country (全國勞動模範) and Nationwide May 1st Labour Medal (全國五一勞動獎章)" and a deputy of the Tenth, Eleventh and Twelfth National People's Congress. She joined the Company in 1987 and had held the positions of the chief of audit department and deputy general manager of the Company. She has been a deputy general manager of the Company since March 2003. Ms. Li Xueqin is the spouse of Mr. Chen Hongguo, chairman of the Company.

Mr. Li Zhenzhong is a member of the Communist Party of the PRC. He holds a bachelor's degree. He joined the Company in 1995 and had served as principal representative of the Shanghai management region of a sales company, sales manager of light weight coated cultural paper products, deputy marketing director of the Sales Company. He is currently the deputy general manager of the Company.

Mr. Zhao Xuegang is a member of the Communist Party of China. He holds a postgraduate degree. He graduated from the Economic Information Management School of Shandong Economics University, and obtained a Master's degree in Finance from Shandong University. After joining the Company in 2017, he served as the general manager of the Financial Leasing Company and currently serves as the deputy general manager of the Company.

Mr. Dong Lianming is a member of the Communist Party of the PRC and an accountant. He holds a bachelor's degree. He joined the Company in 1997 and had held positions as the chief of accounting and auditing section under the financial department of the Company, the deputy chief and chief of the financial department, chief accountant of Jiangxi Chenming, chief accountant of Shandong Chenming Panels and financial controller and deputy general manager of Zhanjiang Chenming. He is currently the financial controller of the Company.

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

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

Mr. Yuan Xikun is a member of the Communist Party of the PRC. He holds a bachelor's degree in management. He joined the Company in 2010 and had held positions as the accountant for consolidated financial statements in the financial department of the Company, manager of disclosure department, security affairs specialist and chief of the security investment section. He is currently the secretary to the Board of the Company.

Mr. Chu Hon Leung is a lawyer. He obtained a bachelor's degree in business from Macquarie University, Sydney, Australia, and a postgraduate diploma in law from The College of Law, London, England. He graduated from the City University of Hong Kong and obtained a diploma in Hong Kong law. He had been a lawyer in local and international law firms in Hong Kong and served as an internal consultant for leading Chinese asset management companies. He has been a practicing lawyer in Hong Kong since 2009 and currently works for Li & Partners.

Employment at the shareholder of the Company

Applicable Not Applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from the shareholder of the Company
Chen Hongguo	Chenming Holdings Company Limited	Chairman and general manager	22 September 2016	29 December 2020	No
Hu Changqing	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Li Xueqin	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Geng Guanglin	Chenming Holdings Company Limited	Director	22 September 2016	29 December 2020	No
Li Dong	Chenming Holdings Company Limited	Director	29 December 2017	29 December 2020	Yes
Explanation of the employment at the shareholder of the Company	Nil				

X Directors, Supervisors and Senior Management and Staff

III. Employment (Cont'd)

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

Employment at other units

Applicable Not Applicable

Name of employee	Name of other units	Position at other units	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from other units
Yang Biao	Guangdong Guangzhou Daily Media Co., Ltd.	Independent director	1 August 2019	1 August 2022	Yes
Yin Meiqun	Beijing Life Insurance Co., Ltd.	Independent director	1 August 2018	1 August 2021	No
Sun Jianfei	Nanya New Material Technology Co., Ltd.	Independent director	1 August 2017	1 August 2020	Yes
	Zhejiang Yueling Co., Ltd.	Independent director	1 November 2016	1 November 2019	Yes
	Huasuo Holdings Co., Ltd.	Independent director	1 April 2017	1 April 2020	Yes
Explanation of the employment at the other unit		Nil			

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

Applicable Not Applicable

X Directors, Supervisors and Senior Management and Staff

IV. Remuneration of Directors, Supervisors and Senior Management

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

- (1) Determination basis for remuneration of Directors, Supervisors and the Senior Management: The annual remuneration of each of the executive Directors and the Senior Management of the Company was in the band of RMB0.20 million to 5.00 million and the specific amount for each of them was determined by the remuneration committee based on the main financial indicators and operation target completed by the Company, the scope of work and main responsibilities of the Directors and Senior Management of the Company, the target completion of the Directors and Senior Management as assessed by the duty and performance appraisal system, as well as business innovation capability and profit generation ability of the Directors and the Senior Management. The annual remuneration of Supervisors assuming specific managerial duties in the Company were determined by the general manager office of the Company based on specific managerial duties assumed by them. Fixed annual remuneration policy was adopted on external Supervisors who did not hold actual management positions in the Company. During the reporting period, as approved by the first meetings of the ninth session of the Board and the Supervisory Board as well as the 2019 first extraordinary general meeting, the Company paid each of the independent non-executive Directors and non-executive Directors of the Company allowance of RMB200,000 (before tax). The remuneration of external Supervisors amounted to RMB100,000 (before tax). The travel expenses for attending board meetings, supervisory meetings and general meetings of the Company and fees reasonably incurred in the performance of their duties under the Articles of Association by independent non-executive Directors, non-executive Directors and external supervisors are reimbursed as expensed.
- (2) Decision process for remuneration of Directors, Supervisors and Senior Management: In accordance with the relevant policies and regulations such as the Implementation Rules Of The Remuneration And Assessment Committee Under The Board, any remuneration plan for the Company's executive Directors proposed by the remuneration and assessment committee shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for the Senior Management officers of the Company shall be submitted to the Board for approval. The remuneration of independent non-executive directors, non-executive directors and external supervisors of the Company shall be agreed on by the Board and then submitted to the general meeting for consideration and approval prior to implementation.
- (3) The remuneration and assessment committee, which was set up by the Board according to the resolution of the general meeting, is mainly responsible to formulate the standards of, carry out appraisal in respect of the non-independent Directors and Senior Management of the Company; formulate and examine the remuneration policy and scheme of the non-independent Directors and Senior Management of the Company, and accountable to the Board.

X Directors, Supervisors and Senior Management and Staff

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

Unit: RMB' 0,000

Name	Position	Gender	Age	Status	Total remuneration before tax received from the Company	Received remuneration from related parties of the Company
Chen Hongguo	Chairman	M	55	In office	499.00	No
Hu Changqing	Vice-chairman	M	54	In office	303.90	No
Li Xingchun	Vice-chairman	M	54	In office	499.00	No
Li Chuanxuan	Director	M	42	In office	11.67	No
Han Tingde	Director	M	51	In office	11.67	No
Yin Meiqun	Independent Director	F	49	In office	11.67	No
Yang Biao	Independent Director	M	40	In office	11.67	No
Sun Jianfei	Independent Director	M	47	In office	11.67	No
Li Dong	Chairman of Supervisory Committee	M	37	In office	0	Yes
Pan Ailing	Supervisor	F	55	In office	11.20	No
Zhang Hong	Supervisor	F	55	In office	11.20	No
Qiu Lanju	Employee representative supervisor	F	46	In office	26.90	No
Li Xinggui	Employee representative supervisor	M	55	In office	24.40	No
Li Feng	General manager	M	46	In office	186.80	No
Li Xueqin	Deputy general manager	F	54	In office	219.10	No
Li Weixian	Deputy general manager	M	38	In office	277.50	No
Geng Guanglin	Deputy general manager	M	46	In office	162.40	No
Zhao Xuegang	Deputy general manager	M	47	In office	214.90	No
Li Zhenzhong	Deputy general manager	M	46	In office	164.20	No
Dong Lianming	Financial controller	M	45	In office	118.40	No
Yuan Xikun	Secretary to the Board	M	34	In office	42.00	No
Chu Hon Leung	Company secretary (Hong Kong)	M	37	In office	0	No
Chen Gang	Director and deputy general manager	M	47	Resigned	96.70	No
Yang Guihua	Director	F	54	Resigned	5.37	No
Wang Fengrong	Independent Director	F	51	Resigned	5.37	No
Huang Lei	Independent Director	M	63	Resigned	5.37	No
Liang Fu	Independent Director	F	52	Resigned	5.37	No
Sun Yinghua	Employee representative supervisor	F	51	Resigned	13.40	No
Zhang Xiaofeng	Supervisor	M	42	Resigned	1.12	No
Zhang Qingzhi	Deputy general manager	M	54	Resigned	20.60	No
Yang Weiming	Deputy general manager	M	45	Resigned	12.20	No
Poon Shiu Cheong	Company secretary and qualified accountant	M	50	Resigned	10.08 (HKD)	No

Note: The total remuneration of the resigned director, supervisor and senior management was the remuneration received during their respective tenure of office.

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

Applicable Not applicable

X Directors, Supervisors and Senior Management and Staff

V. Personnel of the Company

1. Number of staff, specialty composition and education level

Number of staff at the Company (person)	4,055
Number of staff at major subsidiaries (person)	9,043
Total number of staff (person)	13,677
Total number of staff receiving remuneration during the period (person)	13,677
Number of retired/resigned staff the Company and its major subsidiaries are required to compensate (person)	0

Category of specialty composition	Specialty composition	Number of people (person)
Production staff		9,169
Sales staff		616
Technical staff		447
Financial staff		209
Administrative staff		1,861
Other staff		1,375
Total		13,677

Category of education level	Education level	Number of people (person)
Postgraduate and above		60
Undergraduate		1,283
Post-secondary		3,130
Technical secondary and below		9,204
Total		13,677

X Directors, Supervisors and Senior Management and Staff

V. Personnel of the Company (Cont'd)

2. Remuneration policies

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves etc.

3. Training programmes

The Company attaches importance to personnel training, implements the corporate spirit of “learning, surpassing and leading” and establishes a learning organisation. In 2020, the Company will further enhance cooperation with professional training institutions to enhance training quality. Meanwhile, the Company innovated its way of learning and built a practical online learning platform. We also developed quality training materials and improved existing ones by levels, initiating targeted training programs. For the junior level staff, the training focuses on professional skills and business knowledge. For the middle-level staff, the training focuses on team management and execution. For the senior management, training focuses on leadership. A team of excellent quality is built through training.

4. Labour outsourcing

Applicable Not applicable

XI Corporate Governance

I. Corporate governance in practice

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

(I) Shareholders and general meeting

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

(II) Controlling shareholder and the listed company

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

(III) Directors and the Board

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

XI Corporate Governance

I. Corporate governance in practice (Cont'd)

(IV) Supervisors and the Supervisory Committee

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

(V) Information disclosure and management of investor relations

In accordance with the requirements of the relevant rules, the Company strictly enforced the relevant information disclosure regulations and fully fulfilled its information disclosure obligations. The Company disclosed information in a timely and fair manner and ensured that the information disclosed was true, accurate and complete, and did not contain false information, misleading statements or major omissions. During the reporting period, the Company issued a total of more than 190 periodic reports, interim announcements, and related documents through the designated information disclosure media, and a total of 220 periodic reports, interim announcements, and related documents through the website of Hong Kong Stock Exchange. The Company performed its information disclosure obligations in a timely manner with respect to the Company's operations, related party transactions, external investment, external guarantees, and the implementation of annual profit distribution, so as to further safeguard the legitimate rights of investors.

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

(VI) Management on registration of personnel with insider information

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

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

Yes No

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

XI Corporate Governance

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

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

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

III. Competition in the industry

Applicable Not applicable

XI Corporate Governance

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

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of		Convening date	Disclosure date	Disclosure index
		investors				
2018 annual general meeting	Annual general meeting	32.20%		11 June 2019	12 June 2019	http://www.cninfo.com.cn
2019 first extraordinary general meeting	Extraordinary general meeting	31.16%		3 September 2019	4 September 2019	http://www.cninfo.com.cn
2019 second extraordinary general meeting	Extraordinary general meeting	31.96%		23 October 2019	24 October 2019	http://www.cninfo.com.cn
2019 third extraordinary general meeting	Extraordinary general meeting	31.72%		3 December 2019	4 December 2019	http://www.cninfo.com.cn

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

Applicable Not applicable

V. Performance of Independent Directors during the reporting period

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

Name of Independent Directors	Attendance of Independent Directors at Board meetings and general meetings						
	Number of attendance required for Board meetings during the reporting period	Attendance at Board meetings in person	Attendance at Board meetings by communication	Attendance at Board meetings by proxy	Absence from Board meetings	Absent from Board meetings twice in a row (in person)	Attendance at general meetings
Sun Jianfei	9	1	8	0	0	No	1
Yang Biao	9	1	8	0	0	No	1
Yin Meiqun	9	1	8	0	0	No	1
Pan Ailing	5	1	4	0	0	No	1
Huang Lei	5	1	4	0	0	No	0
Liang Fu	5	1	4	0	0	No	0
Wang Fengrong	5	1	4	0	0	No	0

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

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

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

Yes No

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

XI Corporate Governance

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

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

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

Yes No

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

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

Publication time	Subject matter	Opinion
21 January 2019	Independent opinions on Huanggang Chenming's application for bank loan and provision of guarantee and asset pledge	Agreed
29 March 2019	Independent opinions on the Company's internal control self-assessment report, particulars and independent opinions on external guarantees of the Company, independent opinions on determination of remuneration of Directors, Supervisors and senior management for 2018, independent opinions on the use of proceeds by related parties and related party transactions, independent opinions on provision of guarantee for comprehensive credit line of relevant subsidiaries, independent opinions on appointment of the auditor for 2019, and independent opinions on corrections of accounting errors and retrospective restatement	Agreed
20 May 2019	Independent opinions on the election of the Board	Agreed
11 June 2019	Independent opinions on the appointment of senior management	Agreed
19 July 2019	Independent opinions on the remuneration of external directors and shareholder representative supervisor	Agreed
19 July 2019	Independent opinions on the acceptance of financial support and related party transactions	Agreed
19 July 2019	Independent opinions on daily business dealings with subsidiaries and related party transactions	Agreed
15 August 2019	Independent opinions on the use of proceeds by controlling shareholders and other related parties and on external guarantees	Agreed
6 September 2019	Independent opinions on the increase in shareholding by the controlling shareholders	Agreed
16 September 2019	Independent opinions on change of the auditor	Agreed
17 October 2019	Independent opinions on the provision of guarantee to a subsidiary	Agreed
25 October 2019	Independent opinions on the change of accounting policies	Agreed
25 October 2019	Independent opinions on the acceptance of financial support and related party transactions	Agreed
6 November 2019	Independent opinions on change and rotation of the general manager, and independent opinions on the appointment of senior management	Agreed

XI Corporate Governance

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

(I) Audit Committee

1. The following major tasks were completed in 2019:

- (1) it conducted pre-audit communication with external auditing institution engaged by the Company in respect of the 2018 financial report auditing, reviewed the 2018 auditor's report and financial report, which were submitted to the Board of the Company for consideration and approval;
- (2) it reviewed the 2019 first quarter report of the Company as of 31 March 2019, which was submitted to the Board for consideration and approval;
- (3) it reviewed the 2019 interim financial statements as of 30 June 2019, which were submitted to the Board for consideration and approval;
- (4) it reviewed the 2019 third quarter report of the Company as of 30 September 2019, which was submitted to the Board for consideration and approval.

2. Auditing work conducted on the 2019 financial report of the Company is as follows:

- (1) it convened a meeting to review with due consideration the 2019 auditing plan and the related information of the Company with the auditing certified public accountants and the finance department of the Company prior to the on-site audit, and negotiated and determined the schedule of an audit of the 2019 financial statements of the Company with Ruihua Certified Public Accountants, which was responsible for the Company's auditing work during the year;
- (2) with due consideration, it reviewed the draft of financial statements of the Company prior to an annual onsite audit performed by the auditing certified public accountants and issued its approval to audit;
- (3) it kept in close contact with the auditor upon the annual on-site audit performed by the auditing certified public accountants and issued a letter to the auditor to urge that they submit the auditor's report on schedule;
- (4) it reviewed the financial statements of the Company again upon the issue of preliminary opinion on the annual audit by the auditing certified public accountants appointed for the annual audit, and considered the financial statements of the Company to be true, accurate and complete to reflect the overall position of the Company;
- (5) it reviewed the 2019 report on internal audit and self-assessment report on internal controls of the Company as of 31 December 2019.

XI Corporate Governance

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

(II) Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the Board of the Company were primarily responsible for formulating the remuneration and assessment for the Directors and the Senior Management of the Company and formulating and examining the remuneration package of the Directors and the Senior Management of the Company, and accountable to the Board. During the reporting period, the Remuneration and Assessment Committee formulated the 2018 remuneration package of the Directors and the Senior Management of the Company, which was arrived at based on the operation conditions of 2018 and assessment of the Directors and the Senior Management of the Company. The remuneration package was then submitted to the Board for consideration.

(III) Strategy Committee

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

During the reporting period, the Strategy Committee held two meetings. On 21 January 2019, the first meeting of the Strategy Committee considered the Resolution in Relation to the External Investment. On 7 March 2019, the second meeting of the Strategy Committee considered the resolution in relation to the Cooperation on the Initiation of the Establishment of Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership).

(IV) Nomination Committee

During the reporting period, the Nomination Committee held three meetings. The first meeting in 2019 considered the Resolution in Relation to the Election of the Board, which was submitted to the 37th extraordinary meeting of the eighth session of the Board of the Company for consideration and approval. The second meeting in 2019 considered the Resolution in Relation to the Election of the Senior Management Personnel of the Company, which was submitted to the first meeting of the ninth session of the Board of the Company for consideration and approval. The third meeting in 2019 considered the Resolution in Relation to the Appointment of New General Manager on Duty on Rotation, which was submitted to the 6th extraordinary meeting of the ninth session of the Board of the Company for consideration and approval.

XI Corporate Governance

VII. Performance of duties by the Supervisory Committee

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

Yes No

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

VIII. Assessment and incentive mechanism for the Senior Management

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

IX. Internal control

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

Yes No

2. Self-assessment Report on Internal Controls

Date of Disclosure of Assessment Report on Internal Controls	28 March 2020
Index of Assessment Report on Internal Controls Disclosure	http://www.cninfo.com.cn
Percentage of Total Assets Included in Assessment to Total Assets in Consolidated Financial Statements of the Company	99.30%
Percentage of Revenue Included in Assessment to Revenue in Consolidated Financial Statements of the Company	99.50%

XI Corporate Governance

IX. Internal control (Cont'd)

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

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

XI Corporate Governance

X. Auditor's report on internal control

Applicable Not applicable

Auditor's opinion contained in the Auditor's report on internal control

We are of the opinion that Shandong Chenming Paper Holdings Limited had in all material aspects maintained effective internal control over the financial statements in accordance with the Basic Internal Control Norms for Enterprises as of 31 December 2019.

Disclosure of Auditor's Report on Internal Control	Disclosed
Date of Disclosure of Auditor's report on internal control	28 March 2020
Index of Auditor's Report on Internal Control Disclosure	http://www.cninfo.com.cn
Type of Opinion in Auditor's Report on Internal Control	Standard and unqualified opinion
Material deficiencies in non-financial reporting	No

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

Yes No

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

Yes No

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

(I) Compliance with the Code on Corporate Governance

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

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

(II) Securities transactions by Directors

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

XI Corporate Governance

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

(III) Board

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

The Board comprised three executive Directors: Chen Hongguo (Chairman), Hu Changqing and Li Xingchun; two non-executive Directors: Han Tingde and Li Chuanxuan; and three independent non-executive Directors: Sun Jianfei, Yin Meiqun and Yang Biao. Please refer to section X of this annual report for their brief biographies.

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

Pursuant to Code A.1.8 of the code provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. As at the date of this report, the Company has not reached an agreement with the original insurance company, and therefore has not arranged relevant insurance cover for directors. However, the Company is currently under negotiation with another insurance Company with respect to director liability insurance in 2020.

XI Corporate Governance

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

(III) Board (*Cont'd*)

During the reporting period, the Board held 14 meetings, 4 of which were regular meetings and 10 were extraordinary meetings. None of the directors were absent from any Board meetings.

Name	Position	Attendance at the relevant meetings (attention required/attended)					
		Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration and assessment committee meetings	Strategic committee meetings	General meetings
I. Executive Directors							
Chen Hongguo	Chairman	14/14	N/A	3/3	N/A	2/2	4/0
Hu Changqing	Vice Chairman	14/14	N/A	N/A	N/A	2/2	4/4
Li Xingchun	Vice Chairman	9/9	N/A	N/A	1/1	N/A	4/1
II. Non-executive Directors							
Li Chuanxuan	Director	9/9	3/3	N/A	N/A	N/A	4/1
Han Tingde	Director	9/9	N/A	N/A	N/A	N/A	4/1
III. Independent non-executive Directors							
Sun Jianfei	Independent Director	9/9	3/3	2/2	1/1	N/A	4/1
Yin Meiqun	Independent Director	9/9	3/3	2/2	N/A	N/A	4/1
Yang Biao	Independent Director	9/9	N/A	N/A	1/1	0/0	4/1

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

The Board held 4 regular meetings during the year, each by giving a 10-day notice in advance to ensure that all Directors could participate in discussions of matters in the agenda. Reasonable prior notification was given for the other meetings of the Board to ensure all Directors could take time to attend.

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

XI Corporate Governance

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

(III) Board (*Cont'd*)

Directors' training and professional development

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

Directors and Supervisors of the Company were arranged by the Company to attend the 1st and the 2nd session of training courses 2019 for directors and supervisors held by China Securities Regulatory Commission, Shandong; and, briefing paper in respect of amendments to Hong Kong Listing Rules prepared by Advisor to Hong Kong Law of the Company was distributed to all Directors and Supervisors, the above of which were to ensure all Directors and Supervisors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

(IV) Chairman and General Manage

The chairman of the Company is Mr. Chen Hongguo, and the general manager of the Company is Mr. Li Feng. Please refer to section X of this annual report for his brief biographies.

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

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

XI Corporate Governance

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

(V) Independent Non-executive Directors

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

(VI) Terms of Directors

According to the Articles of Association of the Company, all Directors, including non-executive Directors, are elected at general meetings with a term of three years from June 2019 to June 2022. They may be re-elected for another term upon expiry of tenure.

(VII) Directors' Responsibility for the Financial Statements

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

(VIII) Board Committees

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

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

XI Corporate Governance

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

(IX) Audit Committee

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

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

The Audit Committee discussed with the management of the Company the accounting standards and practices adopted by the Group and discussed and reviewed this report, including the review of the financial statements of the Group for the year ended 31 December 2019 prepared in accordance with China Accounting Standards for Business Enterprises.

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

Risk Management and Internal Control

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

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2019.

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

XI Corporate Governance

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

(X) Remuneration and Assessment Committee

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

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

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

(XI) Nomination Committee

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

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

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

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

XI Corporate Governance

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

(XII) Strategic Committee

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

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

(XIII) Auditor

On 23 October 2019, the 2019 second extraordinary general meeting of the Company approved a resolution to engage Grant Thornton (Special General Partnership) as the domestic auditor of the Company for 2019 and be responsible for domestic auditing of the Company for 2019.

(XIV) Remuneration for the Auditor

The financial statements for 2019 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Grant Thornton (Special General Partnership). The Company paid the auditor in aggregate RMB2,500,000 and RMB800,000 in respect of financial statements audit and non-audit services in relation to internal control for 2019 respectively. Save the above, no other non-audit fee was incurred during the year.

Grant Thornton (Special General Partnership) has stated their reporting responsibilities on the financial statements of the Group in XII. Financial Report.

(XV) Supervisors and Supervisory Committee

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

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

(XVI) Company Secretary

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

XI Corporate Governance

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

(XVII) Communications with Shareholders

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

Information disclosure on the Company's website

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

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

General meetings

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Various resolutions are proposed on each substantially separate issue at the general meetings. Save for the annual general meeting held on 11 June 2019 by the Company, three extraordinary general meetings were convened in 2019. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
2018 annual general meeting	Hu Changqing, Chen Gang, Yang Biao, Yin Meiqun, Sun Jianfei, Li Chuanxuan, Han Tingde, Li Xingchun, Zhang Hong and Pan Ailing
2019 first extraordinary general meeting	Hu Changqing
2019 second extraordinary general meeting	Hu Changqing
2019 third extraordinary general meeting	Hu Changqing

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

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

Mr. Chen Hongguo, the chairman of the Company and its strategy committee, was absent from the annual general meeting due to business commitments.

XI Corporate Governance

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

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

General meetings (*Cont'd*)

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

Yang Guihua, Wang Fengrong, Liang Fu and Huang Lei were absent from the 2018 annual general meeting due to business commitments.

Han Tingde, Li Chuanxuan, Yang Biao, Yin Meiqun and Sun Jian were absent from the 2019 first extraordinary general meeting due to business commitments.

Han Tingde, Li Chuanxuan, Yang Biao, Yin Meiqun and Sun Jian were absent from the 2019 second extraordinary general meeting due to business commitments.

Han Tingde, Li Chuanxuan, Yang Biao, Yin Meiqun and Sun Jian were absent from the 2019 third extraordinary general meeting due to business commitments.

Voting by poll

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

Shareholders' right

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

Pursuant to Article 90 of the Articles of Association of the Company, Shareholder(s) alone or in aggregate holding 10% or more of the Company's shares shall be entitled to request the Board to convene extraordinary general meetings, provided that such request shall be made in writing. The Board shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving such proposal of the same.

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

XI Corporate Governance

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

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

Shareholders' right (*Cont'd*)

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

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

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

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

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

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

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

XI Corporate Governance

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

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

Shareholders' right (*Cont'd*)

2. Procedures for sending shareholders' enquiries to the Board

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

	Secretary to the Board	Hong Kong Company Secretary
Name	Yuan Xikun	Chu Hon Leung
Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22/F, Universal Building, Central, Hong Kong
Telephone	(86)-0536-2158008	+852-21629600
Facsimile	(86)-0536-2158977	+852-25010028
Email	chenmingpaper@163.com	liamchu@li-partners.com

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

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

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

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

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

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

Relationships with investors

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

XI Corporate Governance

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

(XVIII) Internal Control

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

(XIX) Articles of Association

On 3 December 2019, the Company amended the Articles of Association. The amendments were primarily relating to the time for convening general meetings. Memorandum of Association and the amended version of the new Articles of Association of the Company are available on websites of the Company and Stock Exchange.

(XX) Board Diversity

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

Such policies are summarised as follows:

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

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

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

(XXI) Dividend policy

Based on the total ordinary share capital of 2,904,608,200 shares and the 1,162,790,698 simulated ordinary shares converted from the preference shares using a conversion ratio of 1 share valued at RMB3.87 as at the end of 2019, a cash dividend of RMB1.5 (tax inclusive) per 10 shares will be distributed to ordinary shareholders; a cash dividend of RMB1.5 (tax inclusive) per 10 simulated ordinary shares converted from the preference shares will be distributed to holders of preference shares. No bonus shares will be issued and there is no increase of share capital from reserves. A cash dividend of RMB435,691,230 will be distributed to holders of ordinary shares and a variable cash dividend of RMB174,418,604.70 will be distributed to holders of preference shares. In other words, a cash dividend of RMB3.87 (tax inclusive) per preference share with a nominal value of RMB100 each will be distributed to holders of preference shares.

XII Corporate bonds

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

Yes

I. Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB' 0,000)	Interest rate	Payment method
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (phase I)	17 Chenming Bond 01	112570	17 August 2017	21 August 2022	9,000	7.28%	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 (phase I)	18 Chenming Bond 01	112641	29 March 2018	2 April 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	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of corporate bonds during the reporting period	The payment of principal and interest on the remaining bonds for the bond resale portion of 17 Chenming Bond 01 was completed on 21 August 2019. For details, please refer to the relevant announcements as disclosed on 10 July, 11 July, 15 July and 18 July 2019. The payment of interest on 18 Chenming Bond 01 was completed on 2 April 2019. For details, please refer to the Announcement on Payment of 2019 Interest with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018, which was published by the Company on 26 March 2019.						
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.						

XII 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 Rating Co., Ltd.	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 year (RMB' 0,000)
Operation of special account for proceeds

0

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

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

Consistent

IV. Credit rating of corporate bonds

The credit rating of 18 Chenming Bond 01 as granted by China Chengxin Securities Rating Co., Ltd. was AA+, and the credit rating for the Company remained at AA+ (stable outlook). The 2018 public issuance of the corporate bonds (tranche I) updated rating report (2019) was published on CNINFO on 28 May 2019.

The credit rating of 17 Chenming Bond 01 as granted by China Chengxin Securities Rating Co., Ltd. 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 (2019) was published on CNINFO on 28 May 2019.

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.

XII Corporate bonds

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 over the past two years as at the end of the reporting period

Unit: RMB' 0,000

Item	2019	2018	Year-on-year increase/decrease in percentage
EBITDA	689,484.08	655,492.30	5.19%
Current ratio	85.30%	78.10%	7.20%
Gearing ratio	73.11%	75.43%	-2.32%
Quick ratio	76.24%	67.27%	8.97%
Proportion of EBITDA to total debts	11.32%	8.25%	3.07%
Interest coverage ratio	1.70	1.87	-9.09%
Cash interest coverage ratio	4.56	3.84	18.75%
EBITDA interest coverage ratio	2.34	2.47	-5.26%
Loans payment ratio	100.00%	100.00%	-
Interest payment ratio	100.00%	100.00%	-

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

Applicable Not applicable

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

Unit: RMB

Item	Amount of interest payment
Corporate bonds	1,253,520,000.00
Medium-term notes	197,000,000.00
Super & short-term commercial papers	5,065,928,807.55
Total	6,516,418,807.55

XII Corporate bonds

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

During the reporting period, the Company obtained bank credit of RMB82,720 million, of which RMB48,648 million was utilised with RMB34,072 million outstanding. The Company repaid bank loans of RMB30,486 million.

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

Nil

XII. Matters of significance during the reporting period

Nil

XIII. Is there any guarantor for corporate bonds?

Yes No

XIII Financial Report

I. Auditor's Report

Type of auditor's opinion	Standard and unqualified opinions
The date of the audit report signed	27 March 2020
Name of the auditor	Grant Thornton (Special General Partnership)
Reference number of the auditor's report	Audit Report No. 371ZA4264 (2020)
Name of certified public accountants	Hu Naizhong and Liu Nana

Text of the auditor's report

I. Auditor's opinion

We have audited the financial statements of Shandong Chenming Paper Holdings Limited (hereinafter "Chenming Paper Company"), which comprise the consolidated and company balance sheets as at 31 December 2019, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2019 and notes to the relevant financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Chenming Paper Company as at 31 December 2019 and of its consolidated and company operating results and cash flows for 2019.

II. Basis of opinions

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

III. Key audit matters

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

(I) Recognition of revenue from machine-made paper

For detailed disclosures of relevant information, please see note V. 26 and VII. 46.

1. Details

In 2019, Chenming Paper Company recorded revenue of RMB30,395,434,100, of which RMB25,911,568,900 was attributed to revenue of machine-made paper, accounting for 85.25% of the revenue. For domestic machine-made paper sales business, Chenming Paper Company will recognize the revenue after the goods have been delivered and signed by the customer for confirmation; for foreign machine-made paper sales business, Chenming Paper Company will recognize the revenue after the goods are loaded on board and declared.

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

2. Application for auditing

We have carried out the following audit procedures for the recognition of revenue from machine-made paper:

- (1) we identified and evaluated and tested the effectiveness of the design and operation of key internal controls conducted by the management related to revenue recognition;
- (2) we conducted sampling inspections on sales contracts, identified contract terms and conditions related to the transfer of control of the goods, assessed whether the timing of recognition of sales revenue from Chenming Paper Company meets the requirements of the Accounting Standards for Business Enterprises;
- (3) we analysed revenue and gross profit by taking into account product types and identified whether the abnormal fluctuations in the amount of revenue are reasonable in the current period;
- (4) inspected the occurrence of on-the-spot recognition of sales at the end of the inspection period and inspected goods returns after the inspection period to determine the accuracy of revenue recognition during the period;
- (5) we collected samples from sales revenue recorded around the balance sheet date for cut-off tests; verified delivery orders and other supporting documents to assess whether sales revenue is recorded in the appropriate accounting period;
- (6) we conducted sampling inspections on transactions recorded during the year and verified with sales invoices, sales contracts, letters of credit, letters of guarantee, declaration forms, customers' confirmation of receipt and delivery orders, etc.; evaluated whether the relevant revenue recognition meets the accounting policy on revenue recognition of Chenming Paper Company;
- (7) we sought external confirmations and conducted interviews for clients with larger sales during the period.

(II) The existence and integrity of monetary funds

For detailed disclosures of relevant information, please see note VII.1.

1. Details

As at 31 December 2019, the balance of the Chenming Paper Company's monetary funds was RMB19,306,529,500, accounting for 19.71% of the total assets, of which the balance of other monetary funds was RMB16,338,984,100, accounting for 84.63% of the monetary funds. As the available restricted amount was significant, investors and regulatory authorities were very concerned about the risk of misappropriation, and, the security of the depository, and the accuracy and integrity of the balance had material impact on the financial statements. Therefore, we have regarded the existence and integrity of the monetary funds as a key audit matter.

2. Application for auditing

We have carried out the following audit procedures for the existence and integrity of monetary funds:

- (1) we identified, evaluated and tested the effectiveness of the design and operation of internal control related to monetary fund revenue and expenditure and management;
- (2) obtained the list of opened bank accounts, verify with Chenming Paper Company's account information, and verify the integrity of bank accounts;
- (3) supervised the cash on hand, examined the bank statement, and sought external confirmations for bank account;
- (4) obtained the enterprise credit report, examined whether the monetary fund is mortgaged, pledged or frozen, and review whether the disclosure of the restricted monetary fund in the notes to the financial statements is sufficient and appropriate;
- (5) interviewed Chenming Paper Company's management to confirm whether there is fund pooling and appropriation formed by "fund pool" business and others.

(III) Accounting of new major long-term equity investment

For detailed disclosures of relevant information, please see note V. 13 and note VII. 11 and 58.

1. Details

The closing balance of the long-term equity investment of Chenming Paper Company was RMB3,606,339,000, and the opening balance was RMB484,674,300, an increase of RMB3,121,664,700. The main reason for the change was to purchase the equity of Guangdong Nanyue Bank Co., Ltd. Due to the significant amount of investment, and the transaction recognized non-operating income of RMB364,597,000. The accuracy of accounting has material impact on the financial statements, therefore, we have regarded the new major long-term equity investment as a key audit matter.

2. Application for auditing

We have carried out the following audit procedures for the accounting of new major long-term equity investment:

- (1) identified and assessed the internal control possess in relation to external investment decision making and approval, interviewed the responsible officer of the investment management department, and conducted a walk-through test on its business process;
- (2) obtained the investment contract and regulatory approval of the transaction, analysed the holding intentions and capabilities of Chenming Paper Company's management of long-term equity investment;
- (3) examined the resolutions of the board of directors and general meeting of Guangdong Nanyue Bank Co., Ltd., assessed the actual influence of Chenming Paper Company's major decisions on the investee and related operations, and reviewed whether the classification of the new significant long-term equity investments during the current period was correct and whether the subsequent measurement was appropriate;
- (4) obtained and reviewed the financial information of the investee, and recalculated for the recognition of long-term equity investments and non-operating income.

IV. Other information

Chenming Paper Company's management is responsible for other information. Other information includes the information covered in the 2019 annual report of Chenming Paper Company, but does not include the financial statements and our audit report.

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

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

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

V. Management and management responsibility for financial statements

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

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

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

VI. Auditor's responsibility for auditing financial statements

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

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

- (1) To identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence, together perform as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.
- (2) To understand audit-related internal controls to design appropriate audit procedures.

XIII Financial Report

- (3) To evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures.
- (4) To conclude on the appropriateness of management's use of the continuing operation assumption. At the same time, according to the audit evidence obtained, it may lead to conclusions as to whether there are significant uncertainties in matters or circumstances that have significant doubts about the ability of Chenming Paper Company to continue its operations. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish modified audit report. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Chenming Paper Company to not continue its operations.
- (5) Evaluate the overall presentation, structure, and content (including disclosures) of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and matters.
- (6) To obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chenming Paper Company to express opinions on the financial statements. We are responsible for guiding, supervising and executing group audits, and take full responsibility for the audit opinion.

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

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

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

Grant Thorn ton
(Special General Partnership)
Beijing, China

Chinese Certified Public Accountant (Project Partner): Hu
Naizhong
Chinese Certified Public Accountant: Liu Nana

27 March 2020

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II. Financial Statements

The unit in the notes to the financial statements is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2019

Unit: RMB

Item	31 December 2019	31 December 2018
CURRENT ASSETS:		
Monetary funds	19,306,529,473.33	19,292,774,747.79
Bills receivable		1,213,116,491.46
Accounts receivable	2,525,083,311.03	3,404,487,004.59
Accounts receivable financing	442,915,861.70	
Prepayments	603,573,549.08	863,739,020.74
Other receivables	2,216,654,598.66	2,133,089,983.39
Including: Interest receivable		198,577,632.43
Dividend receivable	13,000,000.00	
Inventories	4,774,430,110.81	6,771,488,433.74
Non-current assets due within one year	6,974,539,613.30	4,007,503,281.86
Other current assets	8,108,707,394.70	10,281,312,825.13
Total current assets	44,952,433,912.61	47,967,511,788.70

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Item	31 December 2019	31 December 2018
NON-CURRENT ASSETS:		
Long-term receivables	1,200,575,810.95	7,926,610,770.86
Long-term equity investments	3,606,339,023.74	484,674,282.77
Other non-current financial assets	147,445,653.55	103,000,000.00
Investment property	5,082,362,293.11	4,844,993,039.62
Fixed assets	34,439,935,032.69	27,913,986,152.68
Construction in progress	5,476,122,928.95	11,871,350,821.55
Right-of-use assets	152,141,882.05	
Intangible assets	1,781,061,904.51	1,939,355,274.98
Goodwill	5,969,626.57	5,969,626.57
Long-term prepaid expenses	48,203,408.71	134,916,241.81
Deferred income tax assets	892,442,631.04	603,873,698.62
Other non-current assets	173,875,826.67	1,522,493,129.66
Total non-current assets	53,006,476,022.54	57,351,223,039.12
Total assets	97,958,909,935.15	105,318,734,827.82

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Item	31 December 2019	31 December 2018
CURRENT LIABILITIES:		
Short-term borrowings	36,883,156,014.19	40,227,945,361.89
Bills payable	1,515,048,206.00	4,218,969,554.93
Accounts payable	4,351,087,581.98	4,150,228,644.66
Contract liabilities	968,082,063.13	419,540,133.74
Staff remuneration payables	190,229,883.52	135,373,407.70
Tax payables	311,554,116.73	451,651,198.64
Other payables	2,594,249,626.54	1,777,718,017.48
Including: Interest payable	208,189,699.15	226,788,777.59
Non-current liabilities due within one year	5,662,958,920.03	7,216,305,771.01
Other current liabilities	222,402,500.00	2,816,956,481.68
Total current liabilities	52,698,768,912.12	61,414,688,571.73
NON-CURRENT LIABILITIES:		
Long-term borrowings	9,140,339,693.56	7,798,934,484.94
Bonds payable	1,258,270,909.49	2,097,562,500.00
Lease liabilities	59,697,128.65	
Long-term payables	3,321,535,538.94	3,900,255,693.44
Provisions	325,259,082.28	325,259,082.28
Deferred income	1,771,013,335.11	1,862,395,197.61
Deferred income tax liabilities	1,411,125.59	
Other non-current liabilities	3,042,841,328.86	2,047,948,069.73
Total non-current liabilities	18,920,368,142.48	18,032,355,028.00
Total liabilities	71,619,137,054.60	79,447,043,599.73

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Item	31 December 2019	31 December 2018
OWNERS' EQUITY:		
Share capital	2,904,608,200.00	2,904,608,200.00
Other equity instruments	7,465,500,000.00	7,465,500,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,988,000,000.00	2,988,000,000.00
Capital reserves	5,086,686,427.30	5,091,449,915.14
Other comprehensive income	-879,452,135.10	-736,520,181.01
Special reserves		3,257,998.47
Surplus reserves	1,212,009,109.97	1,148,888,912.11
General risk provisions	74,122,644.20	64,123,919.23
Retained profit	9,306,269,617.38	9,107,422,690.85
Total equity attributable to owners of the Company	25,169,743,863.75	25,048,731,454.79
Minority interest	1,170,029,016.80	822,959,773.30
Total owners' equity	26,339,772,880.55	25,871,691,228.09
Total liabilities and owners' equity	97,958,909,935.15	105,318,734,827.82

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

2. Balance sheet of the Company

Unit: RMB

Item	31 December 2019	31 December 2018
CURRENT ASSETS:		
Monetary funds	9,001,257,324.52	8,160,234,434.15
Bills receivable	3,254,460,000.00	436,662,187.80
Accounts receivable	39,204,670.00	1,349,276,965.04
Financing receivables	189,873,567.14	
Prepayments	722,472,479.01	1,584,388,551.00
Other receivables	13,975,590,537.58	19,405,314,961.24
Including: Interest receivable		77,257,506.25
Inventories	696,487,727.53	1,133,888,230.37
Non-current assets due within one year	129,546,826.00	
Other current assets	80,815,659.84	140,126,157.18
Total current assets	28,089,708,791.62	32,209,891,486.78

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Item	31 December 2019	31 December 2018
NON-CURRENT ASSETS:		
Long-term receivables	418,750,862.51	516,925,607.06
Long-term equity investments	23,629,780,317.87	22,487,417,443.24
Investment in other equity instruments	3,000,000.00	3,000,000.00
Other non-current financial assets	147,445,653.55	103,000,000.00
Fixed assets	3,901,007,932.88	2,103,164,588.93
Construction in progress	350,623,821.42	2,014,493,138.68
Intangible assets	446,430,156.00	458,365,862.52
Deferred income tax assets	426,711,909.98	303,861,021.95
Other non-current assets	110,930,000.00	9,800,000.00
Total non-current assets	29,434,680,654.21	28,000,027,662.38
Total assets	57,524,389,445.83	60,209,919,149.16
CURRENT ASSETS:		
Short-term borrowings	11,601,509,632.09	7,668,689,104.31
Bills payable	9,890,041,170.20	10,595,836,030.46
Accounts payable	833,526,295.40	722,999,244.33
Contract liabilities	2,096,436,345.90	3,299,778,982.47
Staff remuneration payables	71,040,017.13	53,899,651.15
Taxes payable	76,872,851.56	59,595,083.56
Other payables	6,426,648,847.95	5,465,488,890.52
Including: Interest payable	127,278,083.35	139,444,333.34
Non-current liabilities due within one year	3,695,934,663.30	3,256,715,148.39
Other current liabilities	932,402,500.00	3,527,956,481.68
Total current liabilities	35,624,412,323.53	34,650,958,616.87

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Item	31 December 2019	31 December 2018
NON-CURRENT LIABILITIES:		
Long-term borrowings	150,692,035.94	1,335,482,969.43
Bonds payable	89,070,000.00	2,097,562,500.00
Long-term payables	1,167,426,124.98	2,072,502,840.48
Provisions	325,259,082.28	325,259,082.28
Deferred income	42,070,840.27	46,412,014.99
Other non-current liabilities	2,789,283,340.67	1,592,166,670.00
Total non-current liabilities	4,563,801,424.14	7,469,386,077.18
Total liabilities	40,188,213,747.67	42,120,344,694.05
OWNERS' EQUITY:		
Share capital	2,904,608,200.00	2,904,608,200.00
Other equity instruments	7,465,500,000.00	7,465,500,000.00
Including: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,988,000,000.00	2,988,000,000.00
Capital reserves	4,953,557,435.19	4,953,557,435.19
Surplus reserves	1,199,819,528.06	1,136,699,330.20
Retained profit	812,690,534.91	1,629,209,489.72
Total owners' equity	17,336,175,698.16	18,089,574,455.11
TOTAL LIABILITIES AND OWNERS' EQUITY	57,524,389,445.83	60,209,919,149.16

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3. Consolidated Income Statement

Unit: RMB

Item	Amount for 2019	Amount for 2018
I. Total revenue	30,395,434,073.35	28,875,756,163.56
Including: Revenue	30,395,434,073.35	28,875,756,163.56
II. Total operating costs	28,390,081,416.99	25,925,815,303.43
Including: Operating costs	21,773,884,285.39	19,845,756,818.51
Taxes and surcharges	275,933,439.81	250,358,478.10
Sales and distribution expenses	1,297,196,188.84	1,190,499,238.49
General and administrative expenses	1,134,725,391.84	967,840,641.90
Research and development expense	992,312,956.74	929,873,688.40
Finance expenses	2,916,029,154.37	2,741,486,438.03
Including: Interest expenses	3,573,865,213.86	3,348,606,907.65
Interest income	836,491,207.55	692,370,142.41
Plus: Other income	561,556,630.51	97,814,340.42
Investment income ("-" denotes loss)	174,000,822.89	248,962,910.68
Including: Investment income from associates and joint ventures	-2,995,932.01	-20,475,760.38
Gain on change in fair value ("-" denotes loss)	26,692,741.61	-115,464,400.65
Credit impairment loss ("-" denotes loss)	-1,033,867,928.73	-127,644,916.73
Loss on impairment of assets ("-" denotes loss)	-120,991,683.19	-164,654,098.54
Gain on disposal of assets ("-" denotes loss)	-29,073,731.05	17,149,722.72
III. Operating profit ("-" denotes loss)	1,583,669,508.40	2,906,104,418.03
Plus: Non-operating income	493,393,914.87	319,396,237.27
Less: Non-operating expenses	28,584,594.00	19,184,539.11
IV. Total profit ("-" denotes total loss)	2,048,478,829.27	3,206,316,116.19
Less: Income tax expenses	295,180,636.46	641,577,494.92
V. Net profit ("-" denotes net loss)	1,753,298,192.81	2,564,738,621.27
(I) Classification according to the continuity of operation		
1. Net profit from continuing operations ("-" denotes net loss)	1,689,474,069.20	2,515,935,340.22
2. Net profit from discontinued operations ("-" denotes net loss)	63,824,123.61	48,803,281.05
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	1,656,566,584.88	2,509,828,858.47
2. Profit or loss of minority interest	96,731,607.93	54,909,762.80
VI. Net other comprehensive income after tax	-142,931,954.09	-382,355,053.21
Net other comprehensive income after tax attributable to shareholders of the Company	-142,931,954.09	-382,355,053.21
Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-142,931,954.09	-382,355,053.21
Including Exchange differences on translation	-142,931,954.09	-382,355,053.21

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Item	Amount for 2019	Amount for 2018
VII. Total comprehensive income	1,610,366,238.72	2,182,383,568.06
Total comprehensive income attributable to shareholders of the Company	1,513,634,630.79	2,127,473,805.26
Total comprehensive income attributable to minority interest	96,731,607.93	54,909,762.80
VIII. Earnings per share:		
(i) Basic earnings per share	0.33	0.51
(ii) Diluted earnings per share	0.33	0.51

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

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4. Income statement of the Company

Unit: RMB

Item	Amount for 2019	Amount for 2018
I. Revenue	6,914,154,801.19	5,674,841,840.67
Less: Operating costs	5,276,084,637.80	4,280,788,382.36
Taxes and surcharges	47,507,009.10	70,504,281.15
Sales and distribution expenses	217,963,783.79	170,956,908.96
General and administrative expenses	367,847,081.04	313,006,816.72
Research and development expense	292,447,426.29	217,377,973.03
Finance expenses	1,437,070,384.94	1,370,330,815.22
Including: Interest expenses	2,275,231,993.88	2,392,019,845.76
Interest income	980,330,079.03	1,196,235,406.95
Plus: Other income	78,722,787.60	4,341,174.61
Investment income (“-” denotes loss)	1,352,470,766.36	728,792,644.01
Including: Investment income from associates and joint ventures	-11,142,579.41	-16,957,355.99
Gain on change in fair value (“-” denotes loss)		-94,000,000.00
Credit impairment loss (“-” denotes loss)	-128,688,655.59	-2,970,370.50
Loss on impairment of assets (“-” denotes loss)	-77,447,218.54	-5,617,450.00
Gain on disposal of assets (“-” denotes loss)	-30,388,143.09	17,006,032.16
II. Operating profit (“-” denotes loss)	469,904,014.97	-100,571,306.49
Plus: Non-operating income	11,140,162.55	158,610,672.64
Less: Non-operating expenses	19,138,740.53	7,236,443.34
III. Total profit (“-” denotes total loss)	461,905,436.99	50,802,922.81
Less: Income tax expenses	-122,850,888.03	-116,925,134.27
IV. Net profit (“-” denotes net loss)	584,756,325.02	167,728,057.08
Net profit from continuing operations (“-” denotes net loss)	584,756,325.02	167,728,057.08
V. Total comprehensive income	584,756,325.02	167,728,057.08
VI. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

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5. Consolidated cash flow statement

Unit: RMB

Item	Amount for 2019	Amount for 2018
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	34,573,214,070.98	32,087,951,780.92
Tax rebates received	111,119,105.01	60,796,324.64
Cash received relating to other operating activities	6,949,229,810.96	6,920,381,377.58
Subtotal of cash inflows from operating activities	41,633,562,986.95	39,069,129,483.14
Cash paid for goods and services	23,866,695,680.80	19,899,777,030.88
Cash paid to and for employees	1,457,717,966.62	1,263,770,142.64
Payments of taxes and surcharges	2,273,360,732.52	2,104,645,214.45
Cash paid relating to other operating activities	1,803,081,384.07	1,701,235,208.13
Subtotal of cash outflows from operating activities	29,400,855,764.01	24,969,427,596.10
Net cash flows from operating activities	12,232,707,222.94	14,099,701,887.04
II. Cash flows from investing activities:		
Cash received from investments	2,784,345.77	2,390,000,000.00
Cash received from investment income	12,000,000.00	375,641,400.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	137,211,301.99	698,360.18
Net cash received from disposal of subsidiaries and other business units	215,421,083.24	19,610,260.70
Cash received relating to other investing activities	767,670,000.00	
Subtotal of cash inflows from investing activities	1,135,086,731.00	2,785,950,020.88
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,112,186,863.71	3,608,698,828.73
Cash paid on investments	1,947,322,879.24	118,200,000.00
Cash paid relating to other investing activities	101,130,000.00	838,042,210.54
Subtotal of cash outflows from investing activities	3,160,639,742.95	4,564,941,039.27
Net cash flows from investing activities	-2,025,553,011.95	-1,778,991,018.39

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Item	Amount for 2019	Amount for 2018
III. Cash flows from financing activities:		
Cash received from investments	423,000,000.00	500,000,000.00
Including: Cash received from by subsidiaries from minority investment	423,000,000.00	500,000,000.00
Cash received from borrowings	28,631,245,817.48	43,668,959,703.07
Cash received from issuance of bonds		898,650,000.00
Cash received relating to other financing activities	5,866,106,002.62	16,718,183,724.57
Subtotal of cash inflows from financing activities	34,920,351,820.10	61,785,793,427.64
Cash repayments of amounts borrowed	30,767,815,349.31	38,860,270,293.67
Cash paid for dividend and profit distribution or interest payment	3,530,178,266.59	3,749,772,244.77
Including: Dividend and profit paid by subsidiaries to minority shareholders	19,262,500.00	
Cash paid relating to other financing activities	10,109,785,861.74	32,028,908,989.58
Subtotal of cash outflows from financing activities	44,407,779,477.64	74,638,951,528.02
Net cash flows from financing activities	-9,487,427,657.54	-12,853,158,100.38
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-210,956,768.56	109,597,099.79
V. Net increase in cash and cash equivalents	508,769,784.89	-422,850,131.94
Plus: Balance of cash and cash equivalents as at the beginning of the period	2,381,558,242.52	2,804,408,374.46
VI. Balance of cash and cash equivalents as at the end of the period	2,890,328,027.41	2,381,558,242.52

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6. Cash flow statement of the Company

Unit: RMB

Item	Amount for 2019	Amount for 2018
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	7,719,183,653.24	6,040,539,799.02
Cash received relating to other operating activities	1,561,317,548.23	1,899,284,149.44
Subtotal of cash inflows from operating activities	9,280,501,201.47	7,939,823,948.46
Cash paid for goods and services	3,634,400,369.89	3,280,788,382.36
Cash paid to and for employees	496,342,845.44	388,826,518.74
Payments of taxes and surcharges	206,120,796.96	296,043,362.00
Cash paid relating to other operating activities	1,113,784,472.34	1,861,866,604.79
Subtotal of cash outflows from operating activities	5,450,648,484.63	5,827,524,867.89
Net cash flows from operating activities	3,829,852,716.84	2,112,299,080.57
II. Cash flows from investing activities:		
Cash received from investments	228,794,345.77	2,288,400,000.00
Cash received from investment income	1,087,829,000.00	965,641,400.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	81,086,086.00	290,680.96
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	1,397,709,431.77	3,254,332,080.96
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	154,820,434.45	338,672,140.85
Cash paid on investments	1,278,000,000.00	3,794,390,597.05
Cash paid relating to other investing activities	101,130,000.00	
Subtotal of cash outflows from investing activities	1,533,950,434.45	4,133,062,737.90
Net cash flows from investing activities	-136,241,002.68	-878,730,656.94
III. Cash flows from financing activities:		
Cash received from borrowings	13,980,360,915.86	10,473,500,000.00
Cash received from issuance of bonds		898,650,000.00
Cash received relating to other financing activities	5,007,324,754.27	25,438,933,017.20
Subtotal of cash inflows from financing activities	18,987,685,670.13	36,811,083,017.20
Cash repayments of amounts borrowed	10,970,294,184.80	12,527,601,933.33
Cash paid for dividend and profit distribution or interest payment	1,762,132,250.15	1,602,928,591.75
Cash paid relating to other financing activities	10,415,992,353.54	24,309,884,284.53
Subtotal of cash outflows from financing activities	23,148,418,788.49	38,440,414,809.61
Net cash flows from financing activities	-4,160,733,118.36	-1,629,331,792.41
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-4,354,937.11	-16,693,638.05
V. Net increase in cash and cash equivalents	-471,476,341.31	-412,457,006.83
Plus: Balance of cash and cash equivalents as at the beginning of the period	607,805,063.02	1,020,262,069.85
VI. Balance of cash and cash equivalents as at the end of the period	136,328,721.71	607,805,063.02

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Amount for the prior period

Unit: RMB

Item	Other equity instruments				Equity attributable to owners of the Company				Subtotal	Minority interest	Total owners' equity			
	Share capital	Preference shares	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	1,935,405,467.00	4,477,530,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80	1,132,116,106.40	1,132,116,106.40		8,866,614,944.40	2,778,529,074.90	2,456,549,464.04	30,274,173,539.94
II. Balance as at the beginning of the year	1,935,405,467.00	4,477,530,000.00	5,570,800,000.00		6,149,257,784.90		-354,165,127.80	1,132,116,106.40	1,132,116,106.40		8,866,614,944.40	2,778,529,074.90	2,456,549,464.04	30,274,173,539.94
III. Changes in the period ("-" denotes decrease)														
(I) Total comprehensive income	989,202,733.00		-2,582,800,000.00		-1,657,807,893.76		-382,853,032.21	16,772,805.71	16,772,805.71	64,123,919.23	240,807,246.45	-2,729,797,820.11	-4,672,588,630.74	-4,402,487,310.65
(II) Capital paid in and reduced by owners			-2,582,800,000.00		-17,200,000.00		-382,853,032.21				2,503,829,539.47	2,127,473,805.26	54,939,762.30	2,182,833,566.06
1. Ordinary shares paid by owners													500,000,000.00	-2,100,000,000.00
2. Capital paid by holders of other equity instruments					-17,200,000.00								500,000,000.00	500,000,000.00
3. Others														-2,600,000,000.00
(III) Profit distribution														
1. Transfer to surplus reserves								16,772,805.71	16,772,805.71		-16,772,805.71			
2. Transfer to general risk provisions										64,123,919.23	-64,123,919.23			
3. Distribution to owners (or shareholders)														-2,188,124,287.08
(IV) Transfer within owners' equity	989,202,733.00				-1,040,807,893.76									
1. Capital (or share capital) created on capital reserve	989,202,733.00				-989,202,733.00									-2,000,004,530.30
2. Others					-72,405,163.76									-2,000,004,530.30
(V) Special reserves								3,257,988.47	3,257,988.47					3,257,988.47
1. Withdrawal								3,257,988.47	3,257,988.47					3,257,988.47
M. Balance as at the end of the period	2,924,608,200.00	4,477,530,000.00	2,988,000,000.00		5,091,449,915.14		-786,320,181.01	1,146,888,912.11	1,146,888,912.11	64,123,919.23	9,107,422,630.65	25,048,731,454.79	822,959,773.30	25,871,681,228.09

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

Unit: RMB

Item	2019				Other comprehensive income				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	Others
I. Balance as at the end of the prior year Plus: Others	2,924,608,200.00	4,477,500,000.00	2,988,000,000.00	2,988,000,000.00	4,953,557,455.19				1,136,698,330.20	1,629,209,489.72		18,089,574,455.11
II. Balance as at the beginning of the year	2,924,608,200.00	4,477,500,000.00	2,988,000,000.00	2,988,000,000.00	4,953,557,455.19				1,136,698,330.20	1,629,209,489.72		18,089,574,455.11
III. Changes in the period ("+" denotes increase)												
(I) Total comprehensive income												
(II) Capital paid in and reduced by owners												
1. Capital paid by holders of other equity instruments												
2. Others												
(III) Profit distribution												
1. Transfer to surplus reserves									631,201,978.86	-1,447,720,833.38		-1,384,800,735.52
2. Distribution to owners (or shareholders)									631,201,978.86	-63,201,978.86		-1,384,800,735.52
(IV) Transfer within owners' equity												
1. Capital (or share capital) created on capital reserve												
IV. Balance as at the end of the period	2,924,608,200.00	4,477,500,000.00	2,988,000,000.00	2,988,000,000.00	4,953,557,455.19				1,199,819,528.06	812,890,534.91		17,386,175,686.16

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Amount for the prior period

Unit: RMB

Item	2016				2015				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	Others
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	5,538,960,168.19	5,938,960,168.19				1,119,926,524.49	3,674,822,233.11		22,718,474,472.79
Plus: Others										-8,303,727.68		-8,303,727.68
II. Balance as at the beginning of the year	1,936,405,467.00	4,477,500,000.00	5,570,800,000.00	5,938,960,168.19	5,938,960,168.19				1,119,926,524.49	3,666,518,505.43		22,709,970,685.11
III. Changes in the period ("decreases decrease")	968,202,733.00		-2,582,800,000.00	-985,402,733.00	-985,402,733.00				16,772,805.71	-2,037,169,035.71		-4,620,395,230.00
(I) Total comprehensive income												16,772,805.71
(II) Capital paid in and reduced by owners			-2,582,800,000.00	-17,200,000.00	-17,200,000.00							-2,600,000,000.00
1. Capital paid by holders of other equity instruments			-2,582,800,000.00	-17,200,000.00	-17,200,000.00							-2,600,000,000.00
2. Others												
(III) Profit distribution												
1. Transfer to surplus reserves									16,772,805.71	-2,014,897,092.79		-2,188,124,287.08
2. Distribution to owners (or shareholders)									16,772,805.71	-16,772,805.71		
(IV) Transfer within owners' equity	968,202,733.00			-988,202,733.00	-988,202,733.00							
1. Capital (or share capital) created on capital reserve	968,202,733.00			-988,202,733.00	-988,202,733.00							
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	4,953,557,455.19	4,953,557,455.19				1,136,698,330.20	1,629,209,489.72		18,086,574,455.11

III. General Information of the Company

1. Company overview

The predecessor of Shandong Chenming Paper Holdings Limited (hereinafter referred to as the “Company”) was Shandong Shouguang Paper Mill Corporation, which was changed as a joint stock company with limited liability through offering to specific investors in May 1993. In December 1996, with approval by Lu Gai Zi [1996] No. 270 issued by the People’s Government of Shandong Province and Zheng Wei [1996] No. 59 of the Securities Committee of the State Council, the Company was changed as a joint stock company with limited liability established by share offer.

In May 1997, with approval by Zheng Wei Fa [1997] No. 26 issued by the Securities Committee of the State Council, the Company issued 115,000,000 domestic listed foreign shares (B shares) under public offering, which were listed and traded on Shenzhen Stock Exchange from 26 May 1997.

In September 2000, with approval by Zheng Jian Gong Si Zi [2000] No. 151 issued by the China Securities Regulatory Commission, the Company issued an additional 70,000,000 RMB ordinary shares (A shares), which were listed and traded on Shenzhen Stock Exchange from 20 November 2000.

In June 2008, with approval by the Stock Exchange of Hong Kong Limited, the Company issued 355,700,000 H shares. The Company publicly offered 355,700,000 H shares all over the world and listed for trading on the main board of Stock Exchange of Hong Kong on 18 June 2008. At the same time, 35,570,000 H shares were allocated to the National Council for Social Security Fund by our relevant state-owned shareholder and converted into overseas listed foreign shares (H shares) for the purpose of reducing the number of state-owned shares. The additional H shares issued were listed and traded on Hong Kong Stock Exchange on 18 June 2008.

As at 31 December 2019, the total share capital of the Company was changed to 2,904,608,200 shares. For details, please refer to Note VII. 38.

The Company established a corporate governance structure comprising the general meeting, the board of directors and the supervisory committee, and has human resources department, information technology department, corporate management department, legal affairs department, financial management department, capital management department, securities investment department, procurement department, audit department, and other departments.

The Company and its subsidiaries (hereinafter referred to as the “Group”) are principally engaged in, among other things, 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, hotel service, equipment financial and operating leasing, magnesite mining, processing and sales of talc.

The financial statements and notes thereto were approved by the board of directors of the Company (the “Board”) on 27 March 2020.

2. Scope of consolidation

Subsidiaries of the Company included in the scope of consolidation in 2019 totalled 68. For details, please refer to Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had 4 more companies included and three companies less compared to the prior year. For details, please refer to Note VIII “Changes in the scope of consolidation”.

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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, the financial statements are prepared under the historical cost convention. Held-for-sale non-current assets are measured at the lower of the difference of fair value less expected expenses or the original carrying amount when meeting the conditions of holding for sale. In the event that depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and heat, construction materials, paper making chemical products, financial leasing, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses 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. 29 "Revenue". For the critical accounting judgments and estimates made by the management, please refer to Note V. 33 "Change of Significant accounting policies and accounting estimates".

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

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 31 December 2019 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for 2019.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

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

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.

4. Functional currency

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

5. Preparation of consolidated financial statements

(1) Scope of consolidation

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. A subsidiary is an entity controlled by the Company (including an enterprise, a separable part of an investee, a structured entity, etc.).

(2) Basis for preparation of the consolidated financial statements

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the accounting policies and accounting periods of the Company and its subsidiaries shall be consistent, and intra-company significant transactions and balances are eliminated.

A subsidiary and its business acquired through a business combination involving entities under common control during the reporting period shall be included in the scope of the consolidation of the Company from the date of being controlled by the ultimate controlling party, and its operating results and cash flows from the date of being controlled by the ultimate controlling party are included in the consolidated income statement and the consolidated cash flow statement, respectively.

For a subsidiary and its business acquired through a business combination involving entities not under common control during the reporting period, its income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting period.

The shareholders' equity of the subsidiaries that is not attributable to the Company is presented under shareholders' equity in the consolidated balance sheet as minority interest. 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.

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

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

(3) Accounting treatment for loss of control over subsidiaries

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 sum of the share of the carrying amount of net assets of the former subsidiary calculated continuously from the purchase date based on the shareholding percentage before disposal and the goodwill is recognised as investment income in the period when the control is lost.

Other comprehensive income related to equity investment in the former subsidiary shall be transferred to current profit or loss at the time when the control is lost, except for other comprehensive income arising from changes in net assets or net liabilities due to remeasurement of defined benefit plan by the investee.

6. 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. The joint arrangements of the Group comprise joint operations and joint ventures.

(1) Joint operations

Joint operations refer to a joint arrangement during which the Group is entitled to relevant assets and obligations of this arrangement.

The Group recognises the following items in relation to its interest in a joint operation and accounts for them in accordance with the relevant ASBEs:

- A. the assets held solely by it and assets held jointly according to its share;
- B. the liabilities assumed solely by it and liabilities assumed jointly according to its share;
- C. the revenue from sale of output from joint operations;
- D. the revenue from sale of output from joint operations according to its share;
- E. the fees solely incurred by it and fees incurred from joint operations according to its share.

(2) Joint ventures

Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

The Group accounts for its investments in joint ventures in accordance with the requirements relating to accounting treatment using equity method for long-term equity investments.

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

7. Standards for recognising cash and cash equivalents

Cash refers to cash on hand and deposits readily available for payment purpose. Cash equivalents refer to short-term and highly liquid investments held by the Group which are readily convertible into known amount of cash and which are subject to insignificant risk of value change.

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

(1) Foreign currency operations

The foreign currency operations of the Group are translated into the functional currency at the prevailing spot exchange rate on the date of exchange, i.e. usually the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter.

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate upon initial recognition or the last balance sheet date will be recognised in profit or loss for the 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 recognised in profit or loss for the period.

(2) Translation of financial statements denominated in foreign currency

When translating the financial statements denominated in foreign currency of overseas subsidiaries, assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner's equity items except for "retained profit" are translated at the spot exchange rates at the dates on which such items arose.

Income and expenses items in the income statement are translated at the average exchange rate for the period in which the transaction occurred.

All items in the cash flow statements shall be translated at the average exchange rate for the period in which the cash flow transaction occurred. Effects arising from changes of exchange rate on cash shall be presented separately as the "effect of foreign exchange rate changes on cash and cash equivalents" item in the cash flow statements.

The differences arising from translation of financial statements shall be included in the "other comprehensive income" item in owners' equity in the balance sheet.

On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign 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.

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

9. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

Financial asset or financial liability will be recognised when the Group became one of the parties under a financial instrument contract.

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 has been transferred and meets the derecognition criteria for the transfer of financial asset as described below.

A financial liability (or a part thereof) is derecognised only when the present obligation is discharged in full or in part. If an agreement is entered between the Group (debtor) and a creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities are substantially different from those of the existing financial liabilities, the existing financial liabilities shall be derecognised and the new financial liabilities shall be recognised.

Conventionally traded financial assets shall be recognised and derecognised at the trading date.

(2) Classification and measurement of financial assets

The Group classifies the financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows as follows: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at fair value through other comprehensive income:

The Group's business model for managing such financial assets is to collect contractual cash flows;

The contractual terms of the financial asset stipulate that cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss for the current period when the financial asset is derecognised, amortised using the effective interest method or with impairment recognised.

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

9. Financial instruments (Cont'd)

(2) Classification and measurement of financial assets (Cont'd)

Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

The Group's business model for managing such financial assets is achieved both by collecting collect contractual cash flows and selling such financial assets;

The contractual terms of the financial asset stipulate that cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and foreign exchange gains and losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Financial assets measured at fair value through profit or loss

The Group classifies the financial assets other than those measured at amortised cost and measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Upon initial recognition, the Group irrevocably designates certain financial assets that are required to be measured at amortised cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch.

Upon initial recognition, such financial assets are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests and dividend income) arising from such financial assets are recognised in the profit or loss for the current period.

The business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets determined by key management personnel.

The Group assesses the characteristics of the contractual cash flows of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a specific date are solely payments of principal and interest on the principal amount outstanding. The principal refers to the fair value of the financial assets at the initial recognition. Interest includes consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, costs and profits. In addition, the Group evaluates the contractual terms that may result in a change in the time distribution or amount of contractual cash flows from a financial asset to determine whether it meets the requirements of the above contractual cash flow characteristics.

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

9. Financial instruments (Cont'd)

(2) Classification and measurement of financial assets (Cont'd)

Financial assets measured at fair value through profit or loss (Cont'd)

All affected financial assets are reclassified on the first day of the first reporting period following the change in the business model where the Group changes its business model for managing financial assets; otherwise, financial assets shall not be reclassified after initial recognition.

Financial assets other than accounts receivable without a significant financing component are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable without significant financing component are initially recognised based on the transaction price expected to be entitled by the Group.

(3) Classification and measurement of financial liabilities

At initial recognition, financial liabilities of the Group are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities not classified as measured at fair value through profit or loss, relevant transaction costs are included in the amount initially recognised.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise held-for-trading financial liabilities and financial liabilities designated as measured at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, and the gains or losses from the change in fair value and the dividend or interest expenses related to the financial liabilities are included in the profit or loss of the current period.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, and the gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

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

9. Financial instruments (Cont'd)

(3) Classification and measurement of financial liabilities

Classification between financial liabilities and equity instruments

A financial liability is a liability if:

- ① it has a contractual obligation to pay in cash or other financial assets to other parties.
- ② it has a contractual obligation to exchange financial assets or financial liabilities under potential adverse condition with other parties.
- ③ it is a non-derivative instrument contract which will or may be settled with the entity's own equity instruments, and the entity will deliver a variable number of its own equity instruments according to such contract.
- ④ it is a derivative instrument contract which will or may be settled with the entity's own equity instruments, except for a derivative instrument contract that exchanges a fixed amount of cash or other financial asset with a fixed number of its own equity instruments.

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liabilities.

Where a financial instrument must or may be settled with the Group's own equity instruments, the Group's own equity instruments used to settle such instrument should be considered as to whether it is as a substitute for cash or other financial assets or for the purpose of enabling the holder of the instrument to be entitled to the remaining interest in the assets of the issuer after deducting all of its liabilities. For the former, it is a financial liability of the Group; for the latter, it is the Group's own equity instruments.

(4) Derivative financial instruments

The Group's derivative financial instruments are mainly forward foreign exchange contracts, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. A derivative financial instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative. Any gain or loss arising from changes in fair value and not complying with the accounting requirements on hedging shall be recognised in profit or loss for current period.

(5) Fair value of financial instruments

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note V. 10.

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

9. Financial instruments (Cont'd)

(6) Impairment of financial assets

The Group makes provision for impairment based on expected credit losses (ECLs) on the following items:

Financial assets measured at amortised cost;

Debt investments measured at fair value through other comprehensive income;

Measurement of ECLs

ECLs are the weighted average of credit losses of financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows expected to be received, i.e. the present value of all cash shortages.

The Group takes into account reasonable and well-founded information such as past events, current conditions and forecasts of future economic conditions, and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received weighted by the risk of default.

The Group measures ECLs of financial instruments at different stages. If the credit risk of the financial instrument did not increase significantly upon initial recognition, it is at the first stage, and the Group makes provision for impairment based on the ECLs within the next 12 months; if the credit risk of a financial instrument increased significantly upon initial recognition but has not yet incurred credit impairment, it is at the second stage, and the Group makes provision for impairment based on the lifetime ECLs of the instrument; if the financial instrument incurred credit impairment upon initial recognition, it is at the third stage, and the Group makes provision for impairment based on the lifetime ECLs of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Group assumes that the credit risk did not increase significantly upon initial recognition, and makes provision for impairment based on the ECLs within the next 12 months.

Lifetime ECLs represent the ECLs resulting from all possible default events over the expected life of a financial instrument. The 12-month ECLs are the ECLs resulting from possible default events on a financial instrument within 12 months (or a shorter period if the expected life of the financial instrument is less than 12 months) after the balance sheet date, and is a portion of lifetime ECLs.

The maximum period to be considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk, including renewal options.

For the financial instruments at the first and second stages and with low credit risks, the Group calculates the interest income based on the book balance and the effective interest rate before deducting the impairment provisions. For financial instruments at the third stage, interest income is calculated based on the amortised cost after deducting impairment provisions made from the book balance and the effective interest rate.

For bills receivable, accounts receivable and contract assets, regardless of whether there is a significant financing component, the Group always makes provision for impairment at an amount equal to lifetime ECLs.

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

9. Financial instruments (Cont'd)

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

Measurement of ECLs (Cont'd)

When the Group is unable to assess the information of ECLs for an individual financial asset at a reasonable cost, it classifies bills receivable and accounts receivable into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Bills receivable

Bills receivable portfolio 1: Bank acceptance bills

Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: Factoring receivables

Accounts receivable portfolio 2: Receivables from non-related party customers

Accounts receivable portfolio 3: Due from related party customers

For bills receivable classified as a portfolio, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to calculate the ECLs based on default risk exposure and lifetime ECL rate.

For accounts receivable classified as a portfolio, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to prepare a comparison table of the ageing/overdue days of accounts receivable and the lifetime ECL rate to calculate the ECLs.

Other receivables

The Group classifies other receivables into portfolios based on credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

Other receivables portfolio 1: Amount due from government authorities

Other receivables portfolio 2: Amount due from related parties

Other receivables portfolio 3: Other receivables

For other receivables classified as a portfolio, the Group calculates the ECLs based on default risk exposure and the ECL rate over the next 12 months or the entire lifetime.

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

9. Financial instruments (Cont'd)

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

Long-term receivables

The Group's long-term receivables include finance lease receivables and deposits receivable.

The Group classifies the finance lease receivables, deposits receivable and other receivables into portfolios based on the credit risk characteristics, and calculates the ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

A. Finance lease receivables

Finance lease receivables portfolio 1: Receivables not past due

Finance lease receivables portfolio 2: Overdue receivables

B. Other long-term receivables

Other long-term receivables portfolio 1: Deposits receivable

Other long-term receivables portfolio 2: Other receivables

For deposits receivable and other receivables, the Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, and calculates the ECLs based on default risk exposure and lifetime ECL rate.

Except for those of finance lease receivables and deposits receivable, the ECLs of other receivables and long-term receivables classified as a portfolio are measured based on default risk exposure and ECL rate over the next 12 months or the entire lifetime.

Debt investments and other debt investments

For debt investments and other debt investments, the Group measures the ECLs based on the nature of the investment, the types of counterparty and risk exposure, and default risk exposure and ECL rate within the next 12 months or the entire lifetime.

Assessment of significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly upon initial recognition, the Group compares the risk of default of the financial instrument at the balance sheet date with that at the date of initial recognition to determine the relative change in risk of default within the expected lifetime of the financial instrument.

In determining whether the credit risk has increased significantly upon initial recognition, the Group considers reasonable and well-founded information, including forward-looking information, which can be obtained without unnecessary extra costs or efforts. Information considered by the Group includes:

The debtor's failure to make payments of principal and interest on their contractually due dates;

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

9. Financial instruments (Cont'd)

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

Assessment of significant increase in credit risk (Cont'd)

An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

An actual or expected significant deterioration in the operating results of the debtor;

Existing or expected changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the Group assesses whether there has been a significant increase in credit risk on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on their common credit risk characteristics, such as past due information and credit risk ratings.

The Group determines that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

Significant financial difficulty of the issuer or debtor;

A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;

For economic or contractual reasons relating to the debtor's financial difficulty, the Group having granted to the debtor a concession that would not otherwise consider;

It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Presentation of provisions for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk upon initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss for the current period. For financial assets measured at amortised cost, the provisions of impairment is deducted from the carrying amount of the financial assets presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Group makes provisions of impairment in other comprehensive income without reducing the carrying amount of the financial asset.

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

9. Financial instruments (Cont'd)

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

Write-offs

The book balance of a financial asset is directly written off to the extent that there is no realistic prospect of recovery of the contractual cash flows of the financial asset (either partially or in full). Such write-off constitutes derecognition of such financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

If a write-off of financial assets is later recovered, the recovery is credited to profit or loss in the period in which the recovery occurs.

(7) Transfer of financial assets

Transfer of financial assets refers to the transfer or delivery of financial assets to another party other than the issuer of such financial assets (the transferee).

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset shall be derecognised. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the financial asset shall not be derecognised.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: if the Group does not retain control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the control over the financial asset is not waived, the relevant financial asset is recognised according to the extent of its continuing involvement in the transferred financial asset and the relevant liability is recognised accordingly.

(8) Offset of financial assets and financial liabilities

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

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

10. Fair value measurement

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.

The Group measures the relevant assets or liabilities at fair value, assuming that the orderly transaction of selling the assets or transferring the liabilities is conducted in the main market of the relevant assets or liabilities; in the absence of the main market, the Group assumes that the transaction is conducted in the most advantageous market for the relevant asset or liability. The main (or the most advantageous) market must be accessible to by the Group on the measurement date. The Group uses assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For financial assets or financial liabilities exist in an active market, fair value is determined based on the quoted price in such market. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques

Fair value measurement for a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, and gives priority to relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are not accessible or the access to which is impracticable.

All assets and liabilities measured at fair value or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are available quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date; Level 2 inputs are inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group re-assess them at each balance sheet date to determine whether transfers have occurred between levels in the hierarchy.

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

11. Inventories

(1) Classification of inventories

Inventories of the Group mainly include raw materials, work in progress, goods in stock, development products and consumable biological assets, etc.

(2) Pricing of inventories dispatched

Inventories of the Group are measured at their actual cost when obtained. Cost of raw materials, goods in stock and others will be calculated with weighted average method when being dispatched.

Consumable biological assets refer to biological assets held-for-sale which include growing timber. Consumable biological assets without a stock are stated at historical 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.

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

Net realisable value of inventories refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and taxes and levies. 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, provision for inventory impairment is made when the cost is higher than the net realisable value. The Group usually make provision for inventory impairment based on categories of inventories. At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

(4) Inventory stock taking system

The Group implements permanent inventory system as its inventory stock taking system.

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

The low-value consumables of the Group are amortised when issued for use.

Packaging materials for turnover are amortised when issued for use.

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

12. Held for sale and discontinued operations

(1) Classification and measurement of non-current assets or disposal groups held for sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange with commercial substance) rather than through continuing use.

The aforesaid non-current asset does not include the investment property subsequently measured at fair value, the biological assets measured at the net amount of the fair value deducting the sales expense, the assets generated from remuneration, financial assets, deferred income tax assets and rights from insurance contract.

A disposal group is a group of assets to be disposed of together as a whole by sale or other means in a transaction, and liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstances, the disposal group includes the goodwill acquired in the business combination.

A non-current asset or a disposal group is classified as held for sale if it meets all of the following conditions: the non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; the sale is highly probable, i.e. a sale plan has been resolved and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. When the Group loses control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of whether the Group retains part of the equity investment after the disposal, when the investment in a subsidiary intended to be disposed of meets the conditions for classification as held for sale, the investment in a subsidiary is classified as held for sale as a whole in the separate financial statements, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

When the non-current assets or disposal groups held for sale are initially measured or remeasured at the balance sheet date, the excess of the carrying amount over the net amount of the fair value less selling expenses is recognised as asset impairment loss. For the amount of impairment loss recognised on disposal groups held for sale, the carrying amount of the goodwill of the disposal group shall be offset against first, and then be offset against the carrying amount of non-current assets according to the proportion of the carrying amount of non-current assets.

If the net amount of the fair value of the non-current assets or disposal groups held for sale less the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be recovered and reversed in the amount of asset impairment loss recognised after be classified as held for sale, and the reversed amount shall be included in the current profit and loss. The carrying amount of goodwill written off shall not be reversed.

Non-current assets held for sale and assets in disposal group held for sale are not depreciated or amortised. Interest and other expenses of a disposal group classified as held for sale continue to be recognised. For all or part of an investment in an associate or a joint venture that is classified as held for sale, the part of being classified as held for sale shall cease to be accounted for using the equity method, while any retained portion (not classified as held for sale) shall continue to be accounted for using the equity method; The Group ceases to use the equity method from the date when the Group ceases to have significant influence over an associate or a joint venture.

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

12. Held for sale and discontinued operations (Cont'd)

(1) Classification and measurement of non-current assets or disposal groups held for sale (Cont'd)

If a non-current asset or disposal group is classified as held for sale but subsequently no longer meets the criteria for being classified as held for sale, the Group shall cease to classify it as held for sale and measure it at the lower of:

- ① the carrying amount of the asset or disposal group before being classified as held for sale is adjusted by the depreciation, amortisation or impairment that would have been recognised if the asset or disposal group had not been classified as held for sale;
- ② recoverable amount.

(2) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished separately, and meets one of the following conditions:

- ① The component represents a separate major line of business or geographical area of operations.
- ② The component is part of a related plan to dispose of a separate major line of business or geographical area of operations.
- ③ The component is a subsidiary acquired exclusively with a view to resale.

(3) Presentation

The Group presents the non-current assets held for sale or the assets in the disposal group held for sale as “assets held-for-sale” and the liabilities in the disposal group held for sale as “liabilities held-for-sale” in the balance sheet.

The Group presents profit or loss from continuing operations and profit or loss from discontinued operations in the income statement. For non-current assets and disposal groups held for sale that do not meet the definition of discontinued operation, their impairment losses and reversal amounts and gains or losses are presented as profit or loss from continuing operations. Operating profit or loss such as impairment loss and reversal amount of discontinued operation and disposal gain or loss are presented as profit or loss from discontinued operation.

Disposal groups that are intended to be closed for use rather than for sale and meet the conditions for the components in the definition of discontinued operations are presented as discontinued operations from the date of cessation of use.

For the discontinued operations presented in the current period, the information originally presented as profit or loss from continuing operations in the current financial statements is re-presented as profit or loss from discontinued operations in the comparable accounting period. If the discontinued operations no longer meet the conditions for being classified of held-for-sale, the information originally presented as profit or loss from discontinued operations in the current financial statements shall be re-presented as profit or loss from continuing operations in the comparable accounting period.

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

13. Long-term equity investments

Long-term equity investments include the equity investments in subsidiaries, joint ventures and associates. Associates of the Group are those investees that the Group imposes significant influence over.

(1) Determination of initial investment cost

Long-term equity investments acquired through business combinations: for a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of the owners' equity under the consolidated financial statements of the ultimate controlling party on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost of the long-term equity investment shall be the cost of combination.

Long-term equity investments acquired through other means: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the purchase cost actually paid; for a long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of equity securities issued.

(2) Subsequent measurement and method for profit or loss recognition

Investments in subsidiaries shall be accounted for using the cost method. Except for the investments which meet the conditions of holding for sale, investments in associates and joint ventures shall be accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, the cash dividends or profits declared by the investees for distribution shall be recognised as investment gains and included in profit or loss for the current period, except the case of 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.

For a long-term equity investment accounted for using the equity method, where the initial investment cost 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 investment cost of the long-term equity investment. 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, adjustment shall be made to the carrying amount of the long-term equity investment, and the difference shall be charged to profit or loss for the current period.

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 Group'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 (other capital reserves). The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto according to the accounting policies and accounting periods of the Group.

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

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

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

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. The difference between the fair value and carrying amount of previously held equity investment on the date of transfer and the accumulated change in fair value originally included in other comprehensive income shall be recognised in the profit or loss for the current period under the equity method.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment, the remaining equity interest after disposal shall be accounted for according to the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount 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 related to the previous equity investment shall be transferred to profit or loss for the current period.

In the event of loss of control over investee due to partial disposal of equity investment, 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 Accounting Standard for Business Enterprises No. 22 – Recognition and measurement 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.

If the shareholding ratio of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can apply common control or impose significant influence over the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognised according to the new shareholding ratio, and the difference with the original carrying amount of the long-term equity investment corresponding to the shareholding ratio reduction part that should be carried forward shall be recorded in the profit or loss for the current period; and then it shall be adjusted according to the new shareholding ratio as if equity method is used for accounting when acquiring the investment.

In respect of the transactions between the Group and its associates and joint ventures, the share of unrealised gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Group. Investment gain shall be recognised accordingly. However, any unrealised loss arising from internal transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets.

(In case of using accounting policy options, the following disclosure should be added:

The Group's long-term equity investments in associates and joint ventures, which are held indirectly by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, are measured at fair value and their changes are included in the profit or loss.)

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

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

(3) Basis for determining the common control and significant influence on the investee

Common control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. When determining if there is any common control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then determined if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of certain arrangement through concerted action, it can be considered that all the participants or a group of participants share common control on the arrangement. If there are two or more participant groups that can collectively control certain arrangement, it does not constitute common control. When determining if there is any common control, the relevant protection rights will not be taken into account.

Significant influence is the power of the investor 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. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot pose significant influence in this situation. When the Group owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influenced on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision-making of the investee and cannot pose significant influence in this situation.

(4) Method for impairment test and measurement of impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note V. 21.

14. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The investment property of the Group includes leased land use rights, land use rights held for sale after appreciation, and leased buildings.

The investment property of the Group is measured initially at cost upon acquisition, and subject to depreciation or amortisation in the relevant periods according to the relevant provisions on fixed assets or intangible assets.

For the method for making impairment provision for the investment property adopted cost method for subsequent measurement, please refer to Note V. 21.

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.

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

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets of the Group 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 of the Group shall be initially measured at actual cost when acquired.

(2) Depreciation method of various types of fixed assets

The Group adopts the straight-line method for depreciation. Provision for depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognised or classified as a non-current asset held for sale. Without regard to the depreciation provision, the Group determines the annual depreciation rate of various types of fixed assets by category, estimated useful lives and estimated residual value of the fixed assets, as shown below:

Category	Useful lives (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	20-40	5-10	2.25-4.75
Machinery and equipment	8-20	5-10	4.50-11.88
Transportation equipment	5-8	5-10	11.25-19.00
Electronic equipment and others	5	5-10	18.00-19.00

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

(3) The impairment test method and impairment provision method of the fixed assets are set out in Note V. 21.

(4) The Group will recheck the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

When there is any difference between the useful lives estimate and the originally estimated value, the useful lives of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value of the fixed asset shall be adjusted.

(5) Overhaul expense

For the overhaul expense incurred by the Group during the regular inspection on the fixed assets, if there is concrete evidence to prove that it meets the fixed asset recognition condition, it shall be included in the cost of fixed asset; if it does not meet the fixed asset recognition condition, it shall be included in the profit or loss for the current period. The depreciation of fixed assets shall be continued in the intervals of the regular overhaul of the fixed asset.

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

16. Construction in progress

Construction in progress of the Group is recognised based on the actual construction cost, including all necessary 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 impairment provision of construction in progress is set out in Note V. 21.

17. Materials for project

The materials for project of the Group refer to various materials prepared for construction in progress, including construction materials, equipment not yet installed and tools for production.

The purchased materials for project are measured at cost, and the planning materials for project are transferred to construction in progress. After the completion of the project, the remaining materials for project are transferred to inventory.

The method for impairment provision of materials for project is set out in Note V. 21.

The closing balance of materials for project is presented as “construction in progress” item in the balance sheet.

18. Borrowing costs

(1) Recognition principle for the capitalisation of the borrowing costs

The borrowing costs incurred by the Group directly attributable to the acquisition, construction or production of a qualifying asset will be capitalised and included in the cost of relevant asset. Other borrowing costs will be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period. When the borrowing costs meet all the following conditions, capitalisation shall be started:

- ① The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;
- ② The borrowing costs have been incurred;
- ③ The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

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

18. Borrowing costs (Cont'd)

(2) Capitalisation period of borrowing costs

When a qualifying asset acquired, constructed or produced by the Group is ready for its intended use or sale, the capitalisation of the borrowing costs shall discontinue. The borrowing costs incurred after a qualifying asset is ready for its intended use or sale shall be recognised as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period.

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. The capitalisation of the borrowing costs shall be continued in the normal interruption period.

(3) Calculation methods for capitalisation rate and capitalisation amount of the borrowing costs

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the 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.

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

19. Intangible assets

The intangible assets of the Group include land use rights, software and certificates of third party right.

The intangible asset is initially measured at cost, and its useful life is determined upon acquisition. If the useful life is finite, the intangible asset will be amortised over the estimated useful life using the amortisation method that can reflect the estimated realisation of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realisation, straight-line method shall be adopted for amortisation. The intangible assets with uncertain useful life will not be amortised.

The amortisation methods for the intangible assets with finite useful life are as follows:

Type	Useful life	Method of amortisation
Land use rights	50-70	Straight-line method
Software	5-10	Straight-line method
Certificates of third party right	3	Straight-line method

The Group reviews the useful life and amortisation method of the intangible assets with finite useful life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted, and will be treated as a change in accounting estimate.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the carrying amount of the intangible asset will be entirely transferred into the profit or loss for the current period.

The impairment method for the intangible assets is set out in Note V. 21.

20. Research and development expenditure

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

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

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

21. Asset impairment

Impairment of long-term equity investments in subsidiaries, associates and joint ventures, investment property, fixed assets, construction in progress, intangible assets, goodwill and others (excluding inventories, deferred tax assets and financial assets) subsequently measured at cost is determined as follows:

The Group determines if there is any indication of asset impairment as at the balance sheet date. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill arising from business combinations, intangible assets with an indefinite useful life and intangible assets not ready for use will be tested for impairment annually, regardless of whether there is any indication of impairment.

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. The Group estimates the recoverable amount of an individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment provision is made accordingly.

For the purpose of impairment test of goodwill, the carrying amount of goodwill acquired in a business combination is allocated to the relevant asset groups on a reasonable basis from the acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Group.

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Group first tests the asset group or set of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognises the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its carrying amount with its recoverable amount. If the recoverable amount is lower than the carrying amount, an impairment loss is recognised for goodwill.

An impairment loss recognised shall not be reversed in a subsequent period.

22. Long-term prepaid expenses

The long-term prepaid expenses incurred by the Group shall be recognised based on the actual cost, and evenly amortised over the estimated benefit period. For the long-term prepaid expense that cannot benefit the subsequent accounting periods, its value after amortisation shall be entirely included in the profit or loss for the current period.

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

23. Employee benefits

(1) Scope of employee benefits

Employee benefits are all forms of considerations or compensation given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term staff remuneration, post-employment benefits, termination benefits and other long-term employee benefits. Employee benefits include benefits provided to employees' spouses, children, other dependants, survivors of the deceased employees or to other beneficiaries.

Employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" in the balance sheet, respectively, according to liquidity.

(2) Short-term staff remuneration

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognised as a liability as the employees provide services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Where the payment of liability is expected not to be fully settled within 12 months after the end of the annual reporting period in which the employees render the related services, and the financial impact would be material, these liabilities are measured at their discounted values.

(3) Post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate fund and the Group has no further obligations for payment. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance.

During the accounting period in which an employee provides service, the amount payable calculated according to the defined contribution plan is recognised as a liability and included in the profit or loss for the current period or the cost of relevant assets.

(4) Termination benefits

When the Group provides termination benefits to employees, employee benefits liabilities arising from termination benefits are recognised in profit or loss for the current period at the earlier of the following dates: when the Group cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; the Group recognises cost and expenses related to payment of compensation for dismissal and restructuring.

For the early retirement plans, economic compensations before the actual retirement date were classified as termination benefits. During the period from the date of cease of render of services to the actual retirement date, relevant wages and contribution to social insurance for the employees proposed to be paid are recognised in profit or loss on a one-off basis. Economic compensation after the official retirement date, such as normal pension, is accounted for as post-employment benefits.

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

23. Employee benefits (Cont'd)

(5) Other long-term benefits

Other long-term employee benefits provided by the Group to employees that meet the conditions for defined contribution plans are accounted for in accordance with the relevant provisions relating to defined contribution plans as stated above. If the conditions for defined benefit plans are met, the benefits shall be accounted for in accordance with the relevant provisions relating to defined benefit plans, but the “changes arising from the remeasurement of the net liabilities or net assets of the defined benefit plans” in the relevant employee benefits shall be included in the current profit or loss or the relevant asset cost.

24. 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 Group;
- (2) it is likely that an outflow of economic benefits from the Group will be resulted from the performance of the obligation; and
- (3) the amount of the obligation can be reliably measured.

The provisions shall be initially measured based on the best estimate for the expenditure required for the performance of the current obligation, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies. If the time value of money has significant influence, the best estimates shall be determined after discounting the relevant future cash outflow. The Group reviews the carrying amount of the provisions on the balance sheet date and adjust the carrying amount to reflect the current best estimates.

If all or some expenses incurred for settlement of recognised 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.

25. Preference shares, perpetual bonds and other financial instruments

(1) Classification of financial liabilities and equity instruments

Financial instruments issued by the Group are classified into financial assets, financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial asset, financial liability and equity instruments on initial recognition.

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

25. Preference shares, perpetual bonds and other financial instruments (Cont'd)

(2) Accounting treatment of preference shares, perpetual bonds and other financial instruments

Financial instruments issued by the Group are initially recognised and measured in accordance with the financial instrument standards; thereafter, interest or dividends are accrued on each balance sheet date and accounted for in accordance with relevant specific ASBEs, i.e. to determine the accounting treatment for interest expenditure or dividend distribution of the instrument based on the classification of the financial instrument issued. For financial instruments classified as equity instruments, their interest expenses or dividend distributions are treated as profit distribution of the Group, and their repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities, their interest expenses or dividend distribution are in principle accounted for with reference to borrowing costs, and the gains or losses arising from their repurchases or redemption are included in the profit or loss for the current period.

For the transaction costs such as fees and commissions incurred by the Group for issuing financial instruments, if such financial instruments are classified as debt instruments and measured at amortised cost, they are included in the initial measured amount of the instruments issued; if such financial instruments are classified as equity instruments, they are deducted from equity.

26. Revenue

(1) General principles

The Group recognises revenue when it satisfies a performance obligation in the contract, i.e. when the customer obtains control of the relevant goods or services.

Where a contract has two or more performance obligations, the Group allocates the transaction price to each performance obligation based on the percentage of respective unit price of goods or services guaranteed by each performance obligation, and recognises as revenue based on the transaction price that is allocated to each performance obligation.

If one of the following conditions is fulfilled, the Group performs its performance obligation within a certain period; otherwise, it performs its performance obligation at a point of time:

- ① when the customer simultaneously receives and consumes the benefits provided by the Group when the Group performs its obligations under the contract;
- ② when the customer is able to control the goods in progress in the course of performance by the Group under the contract;
- ③ when the goods produced by the Group under the contract are irreplaceable and the Group has the right to payment for performance completed to date during the whole contract term.

For performance obligations performed within a certain period, the Group recognises revenue by measuring the progress towards complete of that performance obligation within that certain period. When the progress of performance cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue shall be recognised at the amount of costs incurred until the progress of performance can be reasonably determined.

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

26. Revenue (Cont'd)

(1) General principles (Cont'd)

For performance obligation performed at a point of time, the Group recognises revenue at the point of time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indications:

- ① the Group has the current right to receive payment for the goods, which is when the customers has the current payment obligations for the goods;
- ② the Group has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods;
- ③ the Group has transferred the physical possession of goods to the customer, which is when the customer obtain physical possession of the goods;
- ④ the Group has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer;
- ⑤ the customer has accepted the goods;
- ⑥ other information indicates that the customer has obtained control of the goods.

The Group's right to consideration in exchange for goods or services that the Group has transferred to customers (and such right depends on factors other than passage of time) is accounted for as contract assets, and contract assets are subject to impairment based on ECLs (see Note V. 9 (6)). The Group's unconditional right to receive consideration from customers (only depends on passage of time) is accounted for as accounts receivable. The Group's obligation to transfer goods or services to customers for which the Group has received or should receive consideration from customers is accounted for as contract liabilities.

Contract assets and contract liabilities under the same contract are presented on a net basis. Where the net amount has a debit balance, it is presented in "contract assets" or "other non-current assets" according to its liquidity. Where the net amount has a credit balance, it is presented in "contract liabilities" or "other non-current liabilities" according to its liquidity.

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

26. Revenue (Cont'd)

(2) Specific methods

Specific method for revenue recognition of machine-made paper business of the Group: in terms of domestic sales of machine-made paper, revenue is recognised when goods are delivered to the customers and such deliveries are confirmed; while in terms of overseas sales of machine-made paper, revenue is recognised on the day when goods are loaded on board and declared.

Specific method for recognition of finance lease income of the Group: according to the repayment schedule, the income is recognised by instalments according to the effective interest rate.

Specific method for recognition of revenue from real estate of the Group: revenue is recognised by amortising the rental income on a straight-line basis over the lease term.

27. Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, it is measured at fair value; if the fair value cannot be obtained in a reliable way, it is measured at the nominal amount of RMB1.

Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as government grants related to assets, while the remaining government grants are classified as government grants related to revenue.

Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to revenue. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to revenue.

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 in a reasonable and systematic manner. For a government grant related to revenue, if the grant is a compensation for related costs, expenses or losses incurred, the grant shall be recognised in profit or loss for the current period; if the grant is a compensation for related costs, 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, expenses or losses are recognised. A government grant measured at nominal amount is directly included in profit or loss for the current period. The Group adopts a consistent approach to the same or similar government grants.

A government grant related to daily activities is recognised in other gains relying on the essence of economic business; otherwise, recognised in non-operating income or non-operating expenses.

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

27. Government grants (Cont'd)

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; otherwise, the repayment shall be recognised immediately in profit or loss for the current period.

For the policy preferential interest subsidy, if it is provided by the financial authority through banks, it is recognised at the amount of borrowings actually received, and the borrowings costs are calculated based on the principal of the borrowings and the policy preferential interest rate; if it is provided by the financial authority directly, the corresponding interest will be used to offset the relevant borrowing expenses.

28. Deferred income tax assets and deferred income tax liabilities

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

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Group shall be recognised as deferred income tax using the balance sheet liability method.

All the taxable temporary differences are recognised as deferred income tax liabilities except for those incurred in the following transactions:

- (1) 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) when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group 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.

The Group recognises a deferred income tax asset for the carry forward of deductible temporary differences, 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 temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

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

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

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, and their tax effect is reflected accordingly.

At the balance sheet date, the Group reviews 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 tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29. Lease

(1) Identification of leases

On the beginning date of the contract, the Group (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Group identifies such contract as, or contains, a lease.

(2) The Group as lessee

On the beginning date of the lease, the Company recognises right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

The accounting policy for right-of-use assets is set out in Note V. 30.

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease or the incremental borrowing rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and is included in the current profit and loss. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when incurred.

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

29. Lease (Cont'd)

(2) The Group as lessee (Cont'd)

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognised in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

For short-term leases, the Group chooses to adopt the above simplified approach for the following types of assets that meet the conditions of short-term lease according to the classification of leased assets.

Low-value machinery and equipment

Transportation vehicles

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is below RMB2,000,000 when it is a new asset.

For a low-value asset lease, the Group chooses the above simplified approach based on the specific circumstances of each lease.

Lease payments on low-value asset leases are recognised on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

(3) The Group as lessor

When the Group is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Operating lease

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognised in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognised in profit or loss in the period in which they actually incurred.

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

29. Lease (Cont'd)

(4) Sale and leaseback

The lessee and the lessor shall assess and determine whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the requirements of the Accounting Standard for Business Enterprises No. 14 – Revenue.

Where asset transfer under the sale and leaseback transactions is a sale, the lessee shall measure the right-of-use assets created by the sale and leaseback based on the portion of carrying amount of the original assets related to right of use obtained upon leaseback, and only recognise relevant profit or loss for the right transferred to the lessor. The lessor shall account for the purchase of assets in accordance with other applicable ASBEs and account for the lease of assets in accordance with this standard.

Where asset transfer under the sale and leaseback transactions is not a sale, the lessee shall continue to recognise the transferred assets while recognising a financial liability equal to the transfer income and account for such liability according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; or not to recognise the transferred assets but recognise a financial asset equal to the transfer income and account for such asset according to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

30. Right-of-use assets

(1) Conditions for recognition of right-of-use assets

Right-of-use assets of the Group are defined as the right of underlying assets in the lease term for the Group as a lessee.

Right-of-use assets are initially measured at cost at the commencement date of the lease. The cost includes the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives enjoyed; initial direct costs incurred by the Group as lessee; costs to be incurred in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease incurred by the Group as lessee. As a lessee, the Group recognises and measures the costs of dismantling and restoration in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies. Subsequently, the lease liability is adjusted for any remeasurement of the lease liability.

(2) Depreciation method of right-of-use assets

The Group uses the straight-line method for depreciation. Where the Group, as a lessee, is reasonably certain to obtain ownership of the leased asset at the end of the lease term, such asset is depreciated over the remaining useful life of the leased asset. Where ownership of the lease assets during the lease term cannot be reasonably determined, right-of-use assets are depreciated over the lease term or the remainder of useful lives of the lease assets, whichever is shorter.

(3) For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 21.

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

31. General risk reserves

General risk reserve is a reserve provided from net profit for the partial offset unidentified possible losses.

Adopting the principle of dynamic provisioning, the Finance Company employs the standard method to quantitatively analyze the risk situation faced by risk assets, to determine the estimated potential risk value. After calculating the potential risk value, if the potential risk value is higher than the provision for impairment of assets, the accrued provision for impairment of assets will be deducted and provision for general risk will be made. If the potential risk value is lower than the provision for impairment of assets, provision for general risk will not be made.

Dynamic provisioning is a counter-cyclical provisioning method adopted by financial companies based on changes in the macroeconomic situation, as in, in the upward cycle of macroeconomy and when the risk asset default rate is relatively low, more provisions are made to enhance financial buffer capacity; and in the downturn cycle of macroeconomy and when the risk asset default rate is relatively high, the accumulated provisions are used to absorb asset losses.

The Finance Company makes general risk provisions for assets bearing risks and losses at the end of each year, the balance of which, in principle, shall not be lower than 1.5% of the closing balance of risk assets. The risk provision made by factoring companies shall not be lower than 1% of the closing balance of the financial factoring business.

Based on changes in the macroeconomic situation, and with reference to non-performing corporate loans, non-performing loan ratio, provision coverage ratio for non-performing loans, loan provision ratio, standard risk factor and the requirement of general risk provision as a percentage of risk assets, the Ministry of Finance makes adjustments to the scope of risk assets for general risk provisions, standard risk factor and the requirement of general risk provision as a percentage of risk assets as appropriate. The Finance Company shall make adjustments accordingly according to the requirements of the Ministry of Finance.

Provisions for general risk is insufficient, in principle, the company shall not engage in after-tax profit distribution. As considered and approved by the board of directors and general meeting of the Finance Company, such provisions may be used to offset losses but not for dividends. For special reasons, as approved by the Board and the general meeting, general risk reserves may be reclassified into undistributed profits.

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

32. Critical accounting judgments and estimates

The Group gives continuous assessment on, among other things, the reasonable expectations of future events and the critical accounting estimates and key assumptions adopted according to its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant adjustment risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Group in determining the business model for a group of financial assets include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

Measurement of the ECLs of accounts receivable

The Group calculates the ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Group adjusts its historical data by referring to information such as historical credit loss experience as well as current situation and forward-looking information. When considering the forward-looking information, indicators used by the Group include the risk of economic downturn, external market environment, technology environment and changes in customers. The assumptions relating to the ECL calculation are monitored and reviewed by the Group on a regularly basis.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

33. Changes in significant accounting policies and estimates

(1) Changes in significant accounting policies

① New Debt Restructuring Standard

On 16 May 2019, the Ministry of Finance published the Accounting Standard for Business Enterprises No. 12 – Debt Restructuring (hereinafter referred to as the “New Debt Restructuring Standard”), which revised the definition of debt restructuring, clarified the applicable standards such as the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments in relation to financial instruments in debt restructuring, clarified that assets other than the financial assets transferred to creditors shall be initially measured at cost, and clarified that the distinction between the profit or loss from asset disposal and the profit or loss from debt restructuring is no longer required when the debt is settled with assets by the debtor.

According to the requirements under Cai Kuai [2019] No. 6 Document, the “non-operating income” and “non-operating expenses” items no longer include gains or losses from disposal of non-current assets in debt restructuring.

The Group adopted the prospective application method for the new debt restructuring occurred on 1 January 2019, and did not make retrospective adjustments for the debt restructuring occurred before 1 January 2019.

The effects of the adoption of the New Debt Restructuring Standard on the Group’s financial position and results of operations are as follows:

Contents and reasons for the changes in accounting policies	Approval procedures	Item affected in the statements	Amount affected
The New Debt Restructuring Standards published by the Ministry of Finance	The third meeting of the ninth session of the Board of Directors	Credit impairment loss	55,792,548.82
The New Debt Restructuring Standards published by the Ministry of Finance	The third meeting of the ninth session of the Board of Directors	Other current assets	-61,437,051.19
The New Debt Restructuring Standards published by the Ministry of Finance	The third meeting of the ninth session of the Board of Directors	Accounts receivable	5,644,502.37

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

33. Changes in significant accounting policies and estimates (Cont'd)

(1) Changes in significant accounting policies (Cont'd)

② New Lease Standard

In 2018, the Ministry of Finance published the Accounting Standard for Business Enterprises No. 21 – Leases (Revised), which imposed requirements on the enterprises listed in both domestic and overseas markets and the enterprises listed in overseas markets and adopting the International Financial Reporting Standards or Accounting Standards for Business Enterprises for financial report preparation from 1 January 2019. At the third meeting of the ninth session of the Board of Directors of the Company held on 25 October 2019, the Company approved the implementation of the New Lease Standard from 1 January 2019, and adjusted the relevant accounting policies. The revised accounting policies are set out in Note V. 29.

As lessee

The New Lease Standard requires a lessee to recognise right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach, in which case depreciation and interest expense are recognised respectively.

For contracts that existed before the date of initial application, the Group chose not to reassess whether it is, or contains, a lease at the date of initial application.

The New Lease Standard allows a lessee to choose one of the following methods for the transitional accounting of leases:

According to the Accounting Standard for Business Enterprises No. 28 – Changes in Accounting Policies and Accounting Estimates and Correction of Errors, retrospective adjustment method is adopted.

According to the cumulative effect of the initial application of this standard, the retained earnings at the beginning of the year of the initial application of this standard and the amount of other relevant items in the financial statements shall be adjusted, and the information for the comparable period shall not be adjusted.

In accordance with the requirements of the New Lease Standard, the Group retrospectively adjusted the difference between the New Lease Standard and the existing lease standard at the date of initial application to the retained earnings at the beginning of 2019. Meanwhile, the Group did not adjust the data in the comparative financial statements.

As for the finance leases before the date of initial application, the Group measured the right-of-use assets and lease liabilities according to the carrying amount of the finance lease assets and finance lease payments payable respectively;

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

33. Changes in significant accounting policies and estimates (Cont'd)

(1) Changes in significant accounting policies (Cont'd)

② New Lease Standard (Cont'd)

As lessee (Cont'd)

For operating leases before the date of initial application, the Group measured the lease liabilities based on the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application, and measured the right-of-use assets for all leases at an amount equal to the lease liabilities, adjusted by the prepaid lease payments where necessary.

At the date of initial application, the Group performed impairment test on the right-of-use assets and carried out corresponding accounting treatment in accordance with Note V. 30.

For operating leases of low-value assets and short-term leases within 12 months before the date of initial application, the Group adopted a simplified approach and did not recognised right-of-use assets and lease liabilities.

The Group adopted the following simplified approach for operating leases before the date of initial application:

When measuring lease liabilities, leases with similar characteristics may adopt the same discount rate. The measurement of right-of-use assets may exclude initial direct costs;

When there is an option to renew or terminate the lease, the Group determined the lease term based on the actual exercise of the option and other latest conditions before the date of initial application;

As an alternative to the impairment test for right-of-use assets, the Group assessed whether a contract containing a lease is a loss-making contract before the date of initial application and adjusts the right-of-use asset based on the amount of loss allowance included in the balance sheet before the date of initial application;

As for the lease changes before the date of initial date, the Group carried out accounting treatment based on the final arrangement of lease changes.

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

33. Changes in significant accounting policies and estimates (Cont'd)

(1) Changes in significant accounting policies (Cont'd)

② New Lease Standard (Cont'd)

As lessee (Cont'd)

The impacts of the adoption of the New Lease Standard on items in the balance sheet as at 1 January 2019 are as follows:

Item	Carrying amount before adjustment (31 December 2018)	Reclassification	Remeasurement	Carrying amount after adjustment (1 January 2019)
Assets:				
Intangible assets	13,341,727.06	-13,341,727.06	—	—
Right-of-use assets	—	92,855,179.16	70,479,785.74	163,334,964.90
Long-term prepaid expenses	79,513,452.10	-79,513,452.10	—	—
Total assets	92,855,179.16	—	70,479,785.74	163,334,964.90
Liabilities:				
Lease liabilities	—	—	70,479,785.74	70,479,785.74
Provisions	—	—	—	—
Total liabilities	—	—	70,479,785.74	70,479,785.74

For the minimum lease payments under significant operating leases disclosed in the 2018 financial statements, the Group adjusted the outstanding minimum lease payments disclosed under the original lease standard to the lease liabilities recognised under the New Lease Standard based on the incremental borrowing rate as the lessee on 1 January 2019 as follows:

Minimum lease payments under significant operating leases as at 31 December 2018	101,323,476.94
Minimum lease payments under the New Standards for Leases as at 1 January 2019	101,323,476.94
Weighted average incremental borrowing rate as at 1 January 2019	4.30%
Lease liabilities as at 1 January 2019	70,479,785.74

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

33. Changes in significant accounting policies and estimates (Cont'd)

(1) Changes in significant accounting policies (Cont'd)

② New Lease Standard (Cont'd)

As lessee (Cont'd)

The impacts of the adoption of the New Lease Standard on items in the financial statements for 2019 are as follows:

Item in consolidated balance sheet	2019.12.31	Based on the original lease standard	Increase/decrease (-)
Assets:			
Right-of-use assets	152,141,882.05		152,141,882.05
Long-term prepaid expenses	48,203,408.71	124,528,223.40	-76,324,814.69
Intangible assets	1,781,061,904.51	1,801,508,745.54	-20,446,841.03
Total assets	1,981,407,195.27	1,926,036,968.94	55,370,226.33
Liabilities:			
Non-current liabilities due within one year	5,662,958,920.03	5,658,352,202.45	4,606,717.58
Lease liabilities	59,697,128.65		59,697,128.65
Total liabilities	5,722,656,048.68	5,658,352,202.45	64,303,846.23
Item in consolidated income statement			
	Amount for 2019	Based on the original lease standard	Increase/decrease (-)
Operating costs	21,773,884,285.39	21,769,479,298.78	4,404,986.61
Finance expenses	2,916,029,154.37	2,913,002,047.58	3,027,106.79

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VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base and tax rate
Value added tax (VAT)	16%/13% for general, 10%/9% for sales of water and gas and 6% for the service industry. VAT is computed on the difference after deduction of input value-added tax.
Urban maintenance and construction tax	7%, 3%, 2% and 0.5% of actual payment of turnover tax.
Enterprise income tax (EIT)	25% of taxable income; for the companies which are subject to preferential policies, please refer to the table below; the overseas companies shall pay taxes at the tax rate pursuant to the requirements of the countries or regions where the companies are located.

Disclosure of taxable entities subject to different EIT tax rates

Name of taxable entity	EIT tax rate
Shandong Chenming Paper Holdings Limited	15%
Shouguang Meilun Paper Co., Ltd.	15%
Jilin Chenming Paper Co., Ltd.	15%
Jiangxi Chenming Paper Co., Ltd.	15%
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15%
Shouguang Shun Da Customs Declaration Co, Ltd.	10%
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	10%
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Nanchang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Chenming Arboriculture Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

2. Tax incentives

(1) Enterprise income tax

On 16 August 2018, the Company received a high and new technology enterprise certificate with a certification number of GR201837000311. 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 2018 to 2020.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201837000455 on 16 August 2018. 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 an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

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VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201922000658 on 2 September 2019. 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 an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

Jiangxi Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201936002184 on 3 December 2019. 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 an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR20184400547 on 28 November 2018. 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 an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Pursuant to the requirements of Rule 27(1) of Law of the People's Republic of China on Enterprise Income Tax and Rule 86(1) of regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd. and Yangjiang Chenming Arboriculture Development Co., Ltd., which are the subsidiaries of the Company, have completed the filings for EIT reduction for exemption from EIT.

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VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(2) Value-added Tax ("VAT")

Pursuant to Rule 10 of the Interim Regulation of the People's Republic of China on Value Added Tax, Zhanjiang Chenming Arboriculture Development Co., Ltd. and Yangjiang Chenming Arboriculture Development Co., Ltd., which are the subsidiaries of the Company, are exempt from VAT, and have completed the filings for VAT reduction for exemption from VAT.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Zhanjiang Chenming New-style Wall Materials Co., Ltd., a subsidiary of the Company, produced products applying raw materials containing more than 30% of fly ash. It belongs to a company that uses pollutants for production, and is therefore subject to the immediate VAT refund policy in 2019.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produced products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2019.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shouguang Chenming Cement Co., Limited, a subsidiary of the Company, produced products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2019.

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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	2,418,131.86	2,078,321.66
Bank deposit	2,965,127,198.70	2,379,479,920.86
Other monetary funds	16,338,984,142.77	16,911,216,505.27
Total	19,306,529,473.33	19,292,774,747.79
Of which: Total deposits in overseas banks	405,881,189.78	614,601,451.77

Other explanation

- Notes:
- ① Other monetary funds of RMB11,796,498,642.44 (31 December 2018: RMB9,329,325,370.71) were the guarantee deposit for the application for bank acceptance with the banks by the Group.
 - ② Other monetary funds of RMB2,091,467,385.94 (31 December 2018: RMB3,703,195,695.22) were the guarantee deposit for the application for letter of credit with the banks by the Group.
 - ③ Other monetary funds of RMB1,846,470,647.42 (31 December 2018: RMB2,357,084,376.63) were the guarantee deposit for the application for guarantees with the banks by the Group.
 - ④ Other monetary funds of RMB0.00 (31 December 2018: RMB987,520,000.00) were the guarantee deposit for the application for loans with the banks by the Group.
 - ⑤ Other monetary funds of RMB440,810,000.00 (31 December 2018: RMB533,060,000.00) were the Group's statutory reserve deposit at the banks.
 - ⑥ Other monetary funds of RMB995,129.48 (31 December 2018: 1,031,062.71) were locked-up due to litigations, resulting in restriction on the use of that account's balance.
 - ⑦ Bank deposit includes interest receivable of RMB77,217,303.16, and the other monetary funds include interest receivable of RMB162,742,336.99.

2. Bills receivable

Type of bill	2019.12.31			2018.12.31		
	Book balance	Bad debts provision	Carrying amount	Book balance	Bad debts provision	Carrying amount
Bank acceptance bills			1,214,616,491.46	1,500,000.00		1,213,116,491.46
Total			1,214,616,491.46	1,500,000.00		1,213,116,491.46

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

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Accounts receivable assessed individually										
for impairment	117,277,135.48	3.81%	117,277,135.48	100.00%	0	71,960,343.90	1.90%	55,240,343.90	76.76%	16,720,000.00
Of which:										
Accounts receivable assessed collectively										
for impairment	2,960,085,058.36	96.19%	435,001,747.30	14.70%	2,525,083,311.03	3,711,403,752.23	98.10%	323,636,747.64	8.72%	3,387,767,004.59
Of which:										
Accounts receivable from related parties	2,008,185.60	0.07%	61,132.76	3.04%	1,947,052.84	5,838,812.92	0.15%	947,246.64	16.22%	4,891,566.28
Accounts receivable from distributor clients	2,202,548,603.03	71.57%	307,333,600.84	13.95%	1,895,215,002.16	3,043,388,184.37	80.45%	320,207,886.86	10.52%	2,723,180,297.51
Factoring receivables	755,528,269.73	24.55%	127,607,013.70	16.89%	627,921,256.03	662,176,754.94	17.50%	2,481,614.14	0.37%	659,695,140.80
Total	3,077,362,193.84	100.00%	552,278,882.78	17.95%	2,525,083,311.03	3,783,364,096.13	100.00%	378,877,091.54	10.01%	3,404,487,004.59

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

3. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Items assessed collectively for impairment:

In the groups, accounts receivable with collective provision for bad debts based on receivables from related parties:

Unit: RMB

Ageing	Closing balance		Expected credit loss rate (%)
	Accounts receivable	Bad debt provision	
Within 1 year	2,008,185.60	61,132.76	3.04
Total	2,008,185.60	61,132.76	3.04

Collectively assessed item: receivables from unrelated party customers

Unit: RMB

Name	Closing balance		Expected credit loss rate (%)
	Book balance	Bad debt provision	
Within 1 year	1,831,410,082.59	34,598,907.77	1.89
1 – 2 years	90,212,063.19	34,205,889.74	37.92
2 – 3 years	61,174,883.12	36,261,660.88	59.28
Over 3 years	219,751,574.13	202,267,142.45	92.04
Total	2,202,548,603.03	307,333,600.84	13.95

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

3. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Collectively assessed item: factoring receivables

Unit: RMB

Name	Closing balance		Provision percentage
	Book balance	Bad debt provision	
Within 1 year	604,114,038.87	97,324,167.53	16.11%
1 to 2 years	151,414,230.86	30,282,846.17	20.00%
Total	755,528,269.73	127,607,013.70	16.89%

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please disclose the information about provision for bad debts with reference to the way of disclosure of other receivables:

Applicable Not applicable

Disclosed by ageing

Ageing	Closing balance	Opening balance
Within 1 year	2,440,760,038.21	3,431,563,448.16
1 to 2 years	397,312,284.08	71,098,999.39
2 to 3 years	70,484,233.21	71,505,067.24
Over 3 years	168,805,638.34	209,196,581.34
Subtotal	3,077,362,193.84	3,783,364,096.13

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

Unit: RMB

Category	Opening balance	Provision	Changes in the period		Closing balance
			Recovery or reversal	Written off	
Provision for bad debt	378,877,091.54	189,884,304.16	16,482,512.89		552,278,882.81
Total	378,877,091.54	189,884,304.16	16,482,512.89		552,278,882.81

(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 period was RMB894,051,793.67, which accounted for 29.05% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB95,343,756.76.

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

4. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	442,915,861.70	
Total	442,915,861.70	

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	528,554,005.66	85.57%	793,395,209.02	91.86%
1-2 years	75,019,543.42	12.43%	70,343,811.72	8.14%
Total	603,573,549.08	100%	863,739,020.74	100%

(2) Top five prepayments according to closing balance of prepaid parties

Top five prepayments according to closing balance of prepaid parties was RMB272,218,038.77, which accounted for 45.10% of the closing balance of the total accounts payable.

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

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivables	0	198,577,632.43
Dividend receivables	13,000,000.00	
Other receivables	2,203,654,598.66	1,934,512,350.96
Total	2,216,654,598.66	2,133,089,983.39

(1) Interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Fixed term deposit	0	26,021,373.31
Interest on guarantee deposit	0	172,556,259.12
Total	0	198,577,632.43

(2) Dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Weifang Xingxing United Chemical Co., Ltd.	13,000,000.00	
Total	13,000,000.00	

(3) Other receivables

1) Other payables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,502,722,227.16	1,960,044,821.28
Reserve and borrowings	20,877,056.54	1,957,000.00
Guarantee deposit	29,529,247.78	18,064,797.46
Insurance premium	21,618.27	2,034,980.18
Advances	19,351,237.29	4,099,146.51
Others	126,503,088.52	162,793,258.20
Total	2,699,004,475.56	2,148,994,003.63

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

6. Other receivables (Cont'd)

(3) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

Closing bad debt provision at phase 1:

Category	Book balance	Expected credit loss rate (%) for the next 12 months	Bad debt provision	Carrying amount
Bad debt provision assessed individually	13,000,000.00			13,000,000.00
Dividends receivable	13,000,000.00			13,000,000.00
Bad debt provision assessed collectively	1,253,790,238.95	13.50	169,202,744.32	1,084,587,494.63
Amount due from government agencies	5,525,444.91	52.33	2,891,297.49	2,634,147.42
Amount due from related parties	76,081,288.34	9.33	7,101,277.63	68,980,010.71
Other receivables	1,172,183,505.70	13.58	159,210,169.20	1,012,973,336.50
Total	1,266,790,238.95	13.36	169,202,744.32	1,097,587,494.63

As at the end of the period, the Company did not have interest receivables, dividends receivables and other receivables in phase 2.

As at the end of the period, closing bad debt provision at phase 3:

Category	Book balance	Expected credit loss rate (%) over the entire life	Bad debt provision	Carrying amount
Bad debt provision assessed individually	1,445,214,236.61	22.57	326,147,132.58	1,119,067,104.03
Total	1,445,214,236.61	22.57	326,147,132.58	1,119,067,104.03

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

6. Other receivables (Cont'd)

(3) Other receivables (Cont'd)

2) Particulars of bad debt provision (Cont'd)

By ageing

Unit: RMB

Ageing	Closing Balance	Opening balance
Within 1 year	1,601,285,972.69	1,893,654,554.59
1-2 years	920,980,164.23	83,130,878.32
2-3 years	82,752,788.66	43,609,618.98
Over 3 years	93,985,549.98	128,598,951.74
Total	2,699,004,475.56	2,148,994,003.63

3) Provision, recovery or reversal of bad debt provision for the year

Unit: RMB

Category	Opening balance	Changes for the year			Closing balance
		Provision	Recovery or reversal	Writing-off	
Bad debt provision	214,481,652.67	283,002,941.38	2,134,717.15		495,349,876.90
Total	214,481,652.67	283,002,941.38	2,134,717.15		495,349,876.90

4) Top five other receivables according to 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 RMB2,350,552,046.65, which accounted for 87.09% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB310,186,154.68.

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

7. Inventories

Whether the New Revenue Standard has been implemented

Yes No

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision for inventories or performance costs	Carrying amount		Impairment provision for inventories or performance costs	Carrying amount
Raw materials	1,972,197,240.93	21,269,429.01	1,950,927,811.92	3,275,454,669.27	9,525,360.59	3,265,929,308.68
Work-in-process products	81,382,693.49		81,382,693.49	102,153,808.77		102,153,808.77
Goods in stock	886,102,819.24		886,102,819.24	1,690,248,067.43	34,943,475.27	1,655,304,592.16
Consumable biological assets	1,541,004,633.42		1,541,004,633.42	1,511,542,610.36		1,511,542,610.36
Developing products	315,012,152.74		315,012,152.74	309,823,656.64	73,265,542.87	236,558,113.77
Total	4,795,699,539.82	21,269,429.01	4,774,430,110.81	6,889,222,812.47	117,734,378.73	6,771,488,433.74

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Closing balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	9,525,360.59	21,269,429.01		9,525,360.59		21,269,429.01
Goods in stock	34,943,475.27			34,943,475.27		
Developing products	73,265,542.87			73,265,542.87		
Total	117,734,378.73	21,269,429.01		117,734,378.73		21,269,429.01

Item	Recognize net realisable value/residual consideration with future cost	Reversal or transfer for the year
Raw materials	Full amount impairment of idle spare parts with long-term storage ageing	Processed as machine-made paper and sold
Goods in stock		The goods in stock have been sold
Development cost		Government supporting documents have been obtained, and the compensation amount is greater than the development cost

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

7. Inventories (Cont'd)

(3) Changes in consumable biological assets

Unit: RMB

Item	Opening balance	Increase for the period		Decrease for the period			Closing balance
		Increase in breeding	Increase in purchase	Decrease in fair value	Other decreases	Decrease in sales	
Consumable biological assets measured at fair value	1,511,542,610.36	79,652,771.18		19,752,911.94		30,437,836.18	1,541,004,633.42
Total	1,511,542,610.36	79,652,771.18		19,752,911.94		30,437,836.18	1,541,004,633.42

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	6,974,539,613.30	4,007,503,281.86
Total	6,974,539,613.30	4,007,503,281.86

9. Other current assets

Whether the New Revenue Standard has been implemented

Yes No

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,431,298,632.04	1,365,819,497.97
Prepaid tax	56,778,563.04	13,217,451.88
Receivables under financial lease due within one year	5,229,125,471.51	7,192,752,596.30
Factoring receivables due within one year	1,008,707,988.47	1,041,254,552.40
Prepaid expenses	366,080,343.71	662,919,414.09
Others	16,716,395.93	5,349,312.49
Total	8,108,707,394.70	10,281,312,825.13

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

10. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance		Discount rate range
		Bad debt provision	Carrying amount		Bad debt provision	Carrying amount	
Finance lease payments	8,144,589,680.94	182,532,601.30	7,962,057,079.64	12,992,711,023.11	145,746,721.12	12,846,964,301.99	4.00-20.00
Less: Unrealised financing income	462,276,887.85		462,276,887.85	1,491,762,037.16		1,491,762,037.16	
Less: non-current assets due within one year	7,004,375,494.88	159,382,707.55	6,844,992,787.33	4,028,313,053.68	20,809,771.82	4,007,503,281.86	
Subtotal	677,937,298.21	23,149,893.75	654,787,404.46	7,472,635,932.27	124,936,949.30	7,347,698,982.97	
Deposit for finance lease	734,530,650.26		734,530,650.26	588,925,607.06		588,925,607.06	
Less: Unrealised financing income	59,195,417.77		59,195,417.77	10,013,819.17		10,013,819.17	
Less: non-current assets due within one year	129,546,826.00		129,546,826.00				
Subtotal	545,788,406.49		545,788,406.49	578,911,787.89		578,911,787.89	
Total	1,223,725,704.70	23,149,893.75	1,200,575,810.95	8,051,547,720.16	124,936,949.30	7,926,610,770.86	—

(2) Particulars of bad debt provision

Unit: RMB

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Bad debt provision Expected credit loss rate (%)	
Bad debt provision assessed individually	174,135,402.70	14.23	20,025,571.31	11.50	154,109,831.39
Bad debt provision assessed collectively	1,049,590,302.00	85.77	3,124,322.44	0.30	1,046,465,979.56
Including:					
Lease receivables	503,801,895.51	41.17	3,124,322.44	0.62	500,677,573.07
Guarantee receivables	545,788,406.49	44.60			545,788,406.49
Total	1,223,725,704.70	100.00	23,149,893.75	1.89	1,200,575,810.95

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

10. Long-term receivables (Cont'd)

(2) Particulars of bad debt provision (Cont'd)

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Bad debt provision Expected credit loss rate (%)	
Bad debt provision assessed individually					
Bad debt provision assessed collectively	8,051,547,720.16	100.00	124,936,949.30	1.55	7,926,610,770.86
Including:					
Lease receivables	7,472,635,932.27	92.81	124,936,949.30	1.67	7,347,698,982.97
Guarantee receivables	578,911,787.89	7.19			578,911,787.89
Total	8,051,547,720.16	100.00	124,936,949.30	1.55	7,926,610,770.86

Bad debt provision assessed collectively:

Collectively assessed item: lease receivables

	Closing balance		Expected credit loss rate (%)
	Book balance	Bad debt provision	
Within 1 year			
1 to 2 years	52,356,592.95	324,688.89	0.62
2 to 3 years	451,445,302.56	2,799,633.55	0.62
Total	503,801,895.51	3,124,322.44	0.62

Collectively assessed item: guarantee receivables

	Closing balance		Expected credit loss rate (%)
	Book balance	Bad debt provision	
Within 1 year			
1 to 2 years	182,525,444.52		
2 to 3 years			
Over 3 years	363,262,961.97		
Total	545,788,406.49		

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

The bad debt provision for the period amounted to RMB9,079,405.33 and reversal of bad debt provision amounted to RMB110,866,460.88.

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

11. Long-term equity investments

Unit: RMB

Investee	Opening balance		Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period				Closing balance (carrying amount)	Closing balance of impairment provision
	(carrying amount)	Additional contribution			Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision		
I. Joint venture										
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,572,834.79			2,216,832.82			2,000,000.00		3,789,667.61	
Weifang Sime Darby West Port Co., Ltd.	103,159,857.71			-13,433,185.95					89,726,671.76	
Shouguang Meite Environmental Technology Co., Ltd.		5,880,000.00							5,880,000.00	
Weifang Xingxing United Chemical Co., Ltd.	109,253,237.12			7,563,320.27			23,000,000.00		93,816,557.39	
Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership)		158,000,000.00							158,000,000.00	
Subtotal	215,985,929.62	163,880,000.00		-3,653,032.86			25,000,000.00		351,212,896.76	
II. Associates										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	811,998.75			-811,998.75					0	
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,253,817.72			159,172.19					52,412,989.91	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	199,585,216.94			-56,369.42					199,528,847.52	
Jiangxi Chenming Port Co., Ltd.	2,156,252.31			-465,892.65					1,690,359.66	
Xuchang Chenming Paper Co., Ltd.	5,994,545.96						5,994,545.96		0.00	5,994,545.96
Xuchang Chenming Paper Co., Ltd. Chenming (Qingdao) Asset Management Co., Ltd.	7,886,521.47			782,969.70					8,669,491.17	
Guangdong Nanyue Bank Co., Ltd.		2,435,494,479.24						364,597,001.77	2,800,091,481.01	
Subtotal	268,688,353.15	2,615,494,479.24	0	657,100.85		11,683,737.93	—	5,994,545.96	3,255,126,126.98	5,994,545.96
Total	484,674,282.77	2,779,374,479.24	0	-2,995,932.01		11,683,737.93	25,000,000.00	5,994,545.96	3,606,339,023.74	5,994,545.96

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

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Equity instrument investment	147,445,653.55	103,000,000.00
Total	147,445,653.55	103,000,000.00

13. Investment property

(1) Investment property under the cost method

Applicable Not applicable

Unit: RMB

Item	Housing and building structure	Total
I. Original carrying amount		
1. Opening balance	5,021,057,511.20	5,021,057,511.20
2. Increase for the period	419,903,365.19	419,903,365.19
(1) Purchase	419,903,365.19	419,903,365.19
3. Decrease for the period	7,250,842.00	7,250,842.00
(1) Disposal	7,250,842.00	7,250,842.00
4. Closing balance	5,433,710,034.39	5,433,710,034.39
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	176,064,471.58	176,064,471.58
2. Increase for the period	176,124,231.77	176,124,231.77
(1) Provision or amortisation	176,124,231.77	176,124,231.77
3. Decrease for the period	840,962.07	840,962.07
(1) Disposal	840,962.07	840,962.07
4. Closing balance	351,347,741.28	351,347,741.28
III. Provision for impairment		
IV. Carrying amount		
1. Closing carrying amount	5,082,362,293.11	5,082,362,293.11
2. Opening carrying amount	4,844,993,039.62	4,844,993,039.62

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

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	34,439,935,032.69	27,913,986,152.68
Total	34,439,935,032.69	27,913,986,152.68

(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	9,669,605,532.54	32,091,581,325.72	345,066,029.50	440,199,456.27	42,546,452,344.03
2. Increase for the period	1,101,144,203.55	7,998,189,981.53	33,305,487.67	26,726,134.79	9,309,950,501.03
(1) Acquisition	178,039,614.34	393,317,184.19	13,790,229.85	14,186,430.78	749,918,152.65
(2) Transferred from construction in progress	923,104,589.21	7,604,872,797.34	19,515,257.82	12,539,704.01	8,560,032,348.38
3. Decrease for the period	829,168,855.31	607,690,846.73	27,341,909.96	68,557,533.88	1,683,343,839.37
(1) Disposal or retirement	246,662,919.20	605,652,693.33	12,693,006.16	67,234,646.44	1,082,827,958.62
(2) Others	582,505,936.11	2,038,153.40	14,648,903.80	1,322,887.44	600,515,880.75
4. Closing balance	9,941,580,880.78	39,482,080,460.52	351,029,607.21	398,368,057.18	50,173,059,005.69
II. Accumulated depreciation					
1. Opening balance	1,678,906,121.65	12,326,017,656.16	173,353,238.78	257,772,524.59	14,436,049,541.18
2. Increase for the period	238,241,029.23	1,382,386,217.87	31,350,459.05	13,844,069.75	1,665,821,775.90
(1) Provision	238,241,029.23	1,382,386,217.87	31,350,459.05	13,844,069.75	1,665,821,775.90
3. Decrease for the period	120,817,150.11	411,312,338.50	15,806,863.60	13,845,694.20	561,782,046.41
(1) Disposal or retirement	116,657,524.35	395,263,144.41	6,430,300.72	12,700,957.97	531,051,927.45
(2) Others	4,159,625.76	16,049,194.09	9,376,562.88	1,144,736.23	30,730,118.96
4. Closing balance	1,796,330,000.77	13,297,091,535.53	188,896,834.23	257,770,900.14	15,540,089,270.67
III. Provision for impairment					
1. Opening balance	50,958,113.15	145,083,130.77	13,092.92	362,313.33	196,416,650.17
2. Increase for the period	27,808,852.79	135,295,622.68	13,889.13	7,434,552.87	170,552,917.47
(1) Provision	27,808,852.79	135,295,622.68	13,889.13	7,434,552.87	170,552,917.47
3. Decrease for the period	50,958,113.15	122,601,345.91	13,092.92	362,313.33	173,934,865.31
(1) Disposal or retirement	50,958,113.15	122,601,345.91	13,092.92	362,313.33	173,934,865.31
4. Closing balance	27,808,852.79	157,777,407.54	13,889.13	7,434,552.87	193,034,702.33
IV. Carrying amount					
1. Closing carrying amount	8,117,442,027.22	26,027,211,517.45	162,118,883.85	133,162,604.17	34,439,935,032.69
2. Opening carrying amount	7,939,741,297.74	19,620,480,538.79	171,699,697.80	182,064,618.35	27,913,986,152.68

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

14. Fixed assets (Cont'd)

(1) Particulars of fixed assets (Cont'd)

Notes: (1) As at 31 December 2019, housing, building structure and equipment with the carrying amount of RMB10,573,696,190.50 (31 December 2018: carrying amount of RMB8,079,811,565.53) were pledged as collateral for intangible assets with the carrying amount of RMB880,676,428.58 (31 December 2018: carrying amount of RMB873,985,362.13), and investment properties with the carrying amount of RMB4,519,487,976.25 (31 December 2018: carrying amount of RMB4,691,453,227.24) was pledged as collateral for long-term borrowings with the carrying amount of RMB5,110,291,847.19 (31 December 2018: carrying amount of RMB4,733,171,900.00) and short-term borrowings with the carrying amount of RMB180,000,000.00 (31 December 2018: carrying amount of RMB180,000,000.00).

(2) Other decreases in the original carrying amount and accumulated depreciation was due to the disposal of subsidiary, Haicheng Haiming Mining Co., Ltd., during the period.

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Housing and building structure	95,712,983.12	14,236,532.95	1,430,613.21	80,045,836.96
Machinery and equipment	1,036,068,969.74	484,306,592.65	127,431,431.68	424,330,945.41
Transportation equipment	12,200.00	10,980.00	119.59	1,100.41
Electronic equipment and others	766,226.60	651,788.26	8,478.26	105,960.08
Total	1,132,560,379.46	499,205,893.86	128,870,642.74	504,483,842.86

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

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Housing and building structure (Zhanjiang Chenming Pulp & Paper Co., Ltd.)	1,182,521,604.07	Handling
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	476,756,148.62	Handling
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	422,122,695.70	Handling
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	246,454,191.11	Handling
Housing and building structure (Shandong Chenming Paper Holdings Limited)	132,010,908.01	Handling
Housing and building structure (Shandong Chenming Investment Limited)	93,311,859.03	Handling
Housing and building structure (Wuhan Chenming Hanyang Paper Holdings Co., Ltd.)	81,493,301.27	Handling
Housing and building structure (Chengdu Chenming Culture Communication Co., Ltd.)	13,289,619.14	Handling
Total	2,647,960,326.95	

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

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	5,467,321,406.80	11,861,494,351.33
Materials for project	8,801,522.15	9,856,470.22
Total	5,476,122,928.95	11,871,350,821.55

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
400T/d Mechanical pulp project (Headquarters)				190,246,507.11		190,246,507.11
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)				1,426,602,125.57		1,426,602,125.57
Chemical pulp project (Meilun)				3,016,785,495.66		3,016,785,495.66
High-end cultural paper (Meilun)	179,056,842.38		179,056,842.38	1,701,781,479.30		1,701,781,479.30
Haiming mining magnesite deep processing project (Haiming)				486,501,551.60		486,501,551.60
200,000-ton magnesia-alumina spinel project (Haiming)				558,876,283.14		558,876,283.14
Huanggang Chenming integrated forestry, pulp and paper project	4,601,844,646.274		4,601,844,646.274	3,605,150,078.66		3,605,150,078.66
Biomass power generation project	193,548,348.79		193,548,348.79	157,540,365.92		157,540,365.92
Membrane treatment project (Zhanjiang Chenming)	25,833,751.07		25,833,751.07	74,505,129.72		74,505,129.72
Back pressure unit project (Zhanjiang Chenming)				26,452,503.41		26,452,503.41
Technological modification project	67,088,127.35		67,088,127.35	60,368,232.95		60,368,232.95
Upgrading and renovation of back pressure unit of captive power plant	263,626,439.57		263,626,439.57	177,001,786.08		177,001,786.08
Fly ash cement ceramsite production project	51,767,628.00		51,767,628.00	30,122,443.49		30,122,443.49
Others	114,080,363.78	29,524,740.41	84,555,623.37	376,989,304.54	27,428,935.82	349,560,368.72
Total	5,496,846,147.21	29,524,740.41	5,467,321,406.80	11,888,923,287.15	27,428,935.82	11,861,494,351.33

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

15. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects for the period

Unit: RMB

Project name	Budget (RMB'00 million)	Opening balance	Increase for the period	Transfer to fixed asset for the period	Other deductions for the period	Closing balance	Accumulated Investment to budget	Construction in progress	Accumulated capitalised interest	Of which: capitalised interest amount for the period	Capitalisation rate of the interest amount for the period	Source of fund
Upgrading and renovation of back pressure unit of captive power plant (Headquarter)	2.74	177,001,786.08	86,624,653.49			263,626,439.57	96%	92%	822,004.98	822,004.98	5.36%	self-raised and borrowings
400T/d Mechanical pulp project (Headquarters)	2.09	190,246,507.11	29,905,920.80	220,152,427.91			105%	100%	6,659,293.48	2,800,225.15	5.57%	self-raised and borrowings
Membrane treatment for reclaimed water recycling (Headquarters)	3.00	145,410,753.42	147,752,923.23	293,163,676.65			98%	100%	5,427,899.12	5,427,899.12	5.52%	self-raised and borrowings
New annual 200,000 ton of fly ash cement ceramsite production project	0.76	30,122,443.49	21,645,184.51			51,767,628.00	68%	70%				self-raised
Newsprint machine to cultural paper machine and related pulp line transformation (Headquarters)	15.02	1,426,602,125.57	185,117,357.76	1,611,719,483.33			107%	100%	16,038,785.31	1,482,337.16	6.22%	self-raised and borrowings
Chemical pulp project (Meilun)	43.77	3,016,785,495.66	1,239,086,862.96	4,314,872,358.62			99%	100%	235,662,801.02	98,372,335.67	5.42%	self-raised and borrowings
High-end cultural paper (Meilun)	37.61	1,701,781,479.30	345,927,249.60	1,868,651,868.52		179,056,842.38	54%	99%	64,161,971.31	22,003,288.79	5.71%	self-raised and borrowings
Haiming mining magnesite deep processing project (Haiming)		486,501,551.60			486,501,551.60		0%	0%	97,619,920.72			self-raised and borrowings
200,000-ton magnesite-alumina spinel project		558,876,283.14			558,876,283.14		0%	0%	8,915,496.55			self-raised and borrowings
Huanggang Chenming Forest and Paper Integration Project (Pulping Project) (Huanggang Chenming)	44.85	3,605,150,078.66	1,027,583,783.38	30,889,195.77		4,601,844,646.27	103%	98%	223,845,072.85	75,599,965.83	5.35%	self-raised and borrowings
Differentiated viscose and spinning and chemical project (Huanggang Chenming)	109.35	10,199,525.60	2,283,840.02			12,483,365.62	0%	0%				self-raised
Biomass power generation project (southern district) (Huanggang Chenming)	2.05	157,540,365.92	36,007,982.87			193,548,348.79	94%	100%				self-raised
Membrane treatment project (Zhanjiang Chenming)	1.2	74,505,129.72	25,833,751.07	74,505,129.72		25,833,751.07	84%	90%				self-raised
Back pressure unit project (Zhanjiang Chenming)	0.6	26,452,503.41		26,452,503.41			100%	100%				self-raised
Total	263.04	11,607,176,028.68	3,206,789,489.69	8,440,406,661.93	1,045,377,834.74	5,328,161,021.70			659,153,245.34	206,508,056.70		—

Explanation: The disposal of the subsidiary Haicheng Haiming Mining Co., Ltd. during the period resulted in the decrease in magnesite deep processing projects.

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

15. Construction in progress (Cont'd)

(3) Particulars of provision for construction in progress impairment

Unit: RMB

Item	Amount for the year	Reason for the provision
Huang Pulp & Paper project	5,838,644.59	Project suspension
Total	5,838,644.59	—

(4) Materials for project

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Special materials	8,801,522.15		8,801,522.15	9,856,470.22		9,856,470.22
Total	8,801,522.15		8,801,522.15	9,856,470.22		9,856,470.22

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

16. Right-of-use assets

Unit: RMB

Item	Land use rights	Total
I. Original carrying amount		
1. Opening balance		
2. Increase for the period	163,334,964.90	163,334,964.90
3. Decrease for the period		
4. Closing balance	163,334,964.90	163,334,964.90
II. Accumulated depreciation		
1. Increase for the period	11,193,082.85	11,193,082.85
(1) Provision	11,193,082.85	11,193,082.85
2. Decrease for the period		
(1) Disposal		
3. Closing balance	11,193,082.85	11,193,082.85
III. Provision for impairment		
1. Opening balance		
2. Increase for the period		
(1) Provision		
3. Decrease for the period		
(1) Disposal		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	152,141,882.05	152,141,882.05
2. Opening carrying amount		

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

17. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Unpatented technology	Software	Total
I. Original carrying amount				
1. Opening balance	2,303,026,559.35	15,908,674.87	20,666,526.26	2,339,601,760.48
2. Increase for the period	5,900,102.31		36,109.30	5,936,211.61
(1) Acquisition	5,900,102.31		36,109.30	5,936,211.61
3. Decrease for the period	127,063,110.15		20,452.12	127,083,562.27
(1) Disposal	1,130,379.12		20,452.12	1,150,831.24
(2) Transferred to right-of-use assets	20,446,841.03			20,446,841.03
(3) Others	105,485,890.00			105,485,890.00
4. Closing balance	2,181,863,551.51	15,908,674.87	20,682,183.44	2,218,454,409.82
II. Accumulated amortisation				
1. Opening balance	379,780,407.96	1,705,328.66	18,760,748.88	400,246,485.50
2. Increase for the period	47,468,676.99	5,301,096.84	331,072.18	53,100,846.01
(1) Provision	47,468,676.99	5,301,096.84	331,072.18	53,100,846.01
(2) Transferred to right-of-use assets	15,954,826.20			15,954,826.20
(3) Others	1,606,907.78			1,606,907.78
3. Decrease for the period	6,788,096.24			6,788,096.24
(1) Disposal	7,559,822.18			7,559,822.18
4. Closing balance	411,294,258.75	7,006,425.50	19,091,821.06	437,392,505.31
III. Impairment provision				
IV. Carrying amount				
1. Closing carrying amount	1,770,569,292.76	8,902,249.37	1,590,362.38	1,781,061,904.51
2. Opening carrying amount	1,923,246,151.39	14,203,346.21	1,905,777.38	1,939,355,274.98

Explanation:

- ① As at 31 December 2019, housing, building structure and equipment with the carrying amount of RMB10,573,696,190.50 (31 December 2018: carrying amount of RMB8,079,811,565.53) were pledged as collateral for intangible assets with the carrying amount of RMB880,676,428.58 (31 December 2018: carrying amount of RMB873,985,362.13), and investment properties with the carrying amount of RMB4,519,487,976.25 (31 December 2018: carrying amount of RMB4,691,453,227.24) was pledged as collateral for long-term borrowings with the carrying amount of RMB5,110,291,847.19 (31 December 2018: carrying amount of RMB4,733,171,900.00) and short-term borrowings with the carrying amount of RMB180,000,000.00 (31 December 2018: carrying amount of RMB180,000,000.00).
- ② The emission right of Huanggang Pulp and Paper is categorised as others (Other Rights Certificate), with the number of pollutant discharge permit being 91421100679765869N001P, the issuing authority being Huanggang Ministry of Environmental Protection and the expiry date ranging between 14 September 2018 and 13 September 2021.

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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	Opening balance	Increase for the period	Decrease for the period	Closing balance
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	20,283,787.17			20,283,787.17

(2) Provision for impairment of goodwill

Unit: RMB

Name of investee	Opening balance	Increase for the period	Decrease for the period	Closing balance
Machine-made paper sector – Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	14,314,160.60			14,314,160.60

Explanation: The Company evaluated the recoverable amount of the goodwill and determined that the goodwill related to the Company's panel business had not been impaired. With the category of the main business as the basis for determining the reporting segments, the Company regarded Shandong Chenming Panels Co., Ltd. as a single asset group. The recoverable amount of the asset group Shandong Chenming Panels Co., Ltd. is determined based on the present value of the estimated future cash flows. Future cash flows are based on the financial budget from 2020 to 2024 approved by the management, and adopt 7.28% as the discount rate which is the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows of the asset group Shandong Chenming Panels Co., Ltd. for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows include the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believes that any reasonable change in the above assumptions will not result in the total book value of the asset group Shandong Chenming Panels Co., Ltd. exceeding its recoverable amount.

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	51,978,428.52		3,213,756.77	39,122,447.15	9,642,224.60
Others	82,937,813.29	166,458.72	4,219,273.64	40,323,814.26	38,561,184.11
Total	134,916,241.81	166,458.72	7,433,030.41	79,446,261.41	48,203,408.71

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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	1,791,356,735.71	417,688,820.31	1,009,229,761.95	201,814,843.08
Unrealised profit arising from intra-group transactions	164,089,227.26	41,022,306.82	53,691,645.13	13,422,911.28
Deductible loss	2,243,481,924.83	344,125,106.67	1,832,638,038.33	291,277,348.30
Outstanding payables	446,580,396.87	68,163,018.91	464,741,048.85	72,646,157.78
Deferred income	116,165,951.14	21,443,378.33	136,079,842.63	24,712,438.18
Total	4,761,674,235.81	892,442,631.04	3,496,380,336.89	603,873,698.62

(2) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Debt reconstructing	5,644,502.36	1,411,125.59		
Total	5,644,502.36	1,411,125.59		

(3) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	352,057,221.14	293,812,600.65
Deductible loss	521,737,724.53	618,945,325.05
Total	873,794,945.67	912,757,925.70

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

Unit: RMB

Year	Closing amount	Opening amount
2019	—	58,075,279.70
2020	674,989.71	68,154,676.89
2021	185,647.61	79,493,561.61
2022	11,628,813.14	91,517,702.92
2023	164,859,774.53	321,704,103.93
2024	344,388,499.54	—
Total	521,737,724.53	618,945,325.05

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

21. Other non-current assets

Whether the New Revenue Standard has been implemented

Yes No

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Prepayments for properties	9,800,000.00		9,800,000.00	458,224,099.89		458,224,099.89
Prepayments for land	101,130,000.00		101,130,000.00	45,230,000.00		45,230,000.00
Prepayments for engineering	47,430,952.09		47,430,952.09	22,445,137.18		22,445,137.18
Prepayments for equipment	15,514,874.58		15,514,874.58	223,822,509.86		223,822,509.86
Deposits				36,000,000.00		36,000,000.00
Equity transfer				694,000,000.00		694,000,000.00
Pre-paid expenses				42,771,382.73		42,771,382.73
Total	173,875,826.67		173,875,826.67	1,522,493,129.66		1,522,493,129.66

22. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Discounted borrowings	21,587,694,481.53	21,626,534,000.00
Credit borrowings	7,174,060,275.17	7,531,565,147.43
Guaranteed borrowings	7,082,088,423.98	9,918,242,061.05
Pledged borrowings	859,312,833.51	971,604,153.41
Mortgage borrowings	180,000,000.00	180,000,000.00
Total	36,883,156,014.19	40,227,945,361.89

Explanation:

- ① For classification and amount of mortgage borrowing and mortgage borrowing, please see notes in relation to monetary funds and assets with restricted ownerships or right to use.

For classification and amount of pledged borrowing and mortgage borrowing, please see notes in relation to monetary funds and assets with restricted ownerships or right to use.

- ② Overdue short-term borrowings

Total outstanding accounts payable as at the end of the year amounted to RMB0.00.

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

23. Bills payable

Unit: RMB

Classification	Closing balance	Opening balance
Commercial acceptance bills	625,325,798.18	49,670,407.62
Bank acceptance bills	889,722,407.82	4,169,299,147.31
Total	1,515,048,206.00	4,218,969,554.93

Explanation: Total outstanding bills payable as at the end of the period amounted to RMB0.

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Loans	3,393,786,063.51	3,137,376,535.33
Payment for engineering	408,694,349.00	327,682,450.74
Payment for equipment	312,292,221.48	474,915,744.05
Service expense	199,838,288.95	131,889,382.02
Others	36,476,659.04	78,364,532.52
Total	4,351,087,581.98	4,150,228,644.66

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
XD Baoji Electric Co., Ltd.	22,343,730.83	Quality guarantee deposit for engineering
Omya Haiming (Nanchang) Chemical Co. Ltd.	16,000,000.00	Quality guarantee deposit for engineering
China Light Industry Nanning Design Engineering Co., Ltd.	15,217,955.12	Quality guarantee deposit for engineering
Hangzhou Water Treatment Technology Development Center Co., Ltd.	13,068,000.00	Quality guarantee deposit for engineering
Shandong Shenhua Shanda Energy & Environment Co., Ltd.	11,736,736.36	Quality guarantee deposit for engineering
Total	78,366,422.31	-

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

25. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance loans	968,082,063.13	419,540,133.74
Total	968,082,063.13	419,540,133.74

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	135,108,374.13	1,348,451,077.12	1,294,553,070.53	189,006,380.72
II. Retirement benefit plan—defined contribution scheme	265,033.57	193,837,915.85	192,879,446.62	1,223,502.80
Total	135,373,407.70	1,542,288,992.97	1,487,432,517.15	190,229,883.52

(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	54,864,072.32	1,106,708,111.64	1,040,937,184.08	120,634,999.88
2. Staff welfare		38,374,252.23	38,374,252.23	
3. Social insurance premium	1,453,195.45	84,973,131.23	84,554,394.38	1,871,932.30
Of which: Medical insurance premium	484,700.11	73,988,756.01	73,633,207.30	840,248.82
Work-related injury insurance premium	2,559.91	4,263,030.53	4,242,520.56	23,069.88
Maternity insurance premium	965,935.43	6,721,344.69	6,678,666.52	1,008,613.60
4. Housing provident funds	8,814,407.42	89,852,004.69	89,809,868.49	8,856,543.62
5. Union funds and workers' education	26,540,500.67	22,076,711.09	12,786,187.83	35,831,023.93
6. Other short-term remuneration	43,436,198.27	6,466,866.24	28,091,183.52	21,811,880.99
Total	135,108,374.13	1,348,451,077.12	1,294,553,070.53	189,006,380.72

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

26. Staff remuneration payables (Cont'd)

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	13,533.34	186,731,483.19	185,711,254.11	1,033,762.42
2. Unemployment insurance	251,500.23	7,106,432.66	7,168,192.51	189,740.38
Total	265,033.57	193,837,915.85	192,879,446.62	1,223,502.80

27. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	81,745,671.90	101,147,703.11
Enterprise income tax	166,389,232.03	279,044,478.52
Individual income tax	29,565,363.87	21,204,181.79
Urban maintenance and construction tax	5,844,684.79	1,675,884.94
Land use tax	8,206,677.02	16,727,507.78
Property tax	8,239,300.78	26,049,416.88
Educational surcharges and others	6,850,900.34	2,685,191.81
Stamp duty	4,712,286.00	3,116,833.81
Total	311,554,116.73	451,651,198.64

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	208,189,699.15	226,788,777.59
Other payables	2,386,059,927.39	1,550,929,239.89
Total	2,594,249,626.54	1,777,718,017.48

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

28. Other payables (Cont'd)

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	103,432,934.98	132,103,351.62
Interest payable on short-term borrowings	27,960,930.86	34,393,759.32
Interest on medium-term notes	76,795,833.31	60,291,666.65
Total	208,189,699.15	226,788,777.59

(2) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	1,287,822,732.06	164,919,560.22
Deposit	451,756,402.26	969,423,011.35
Accrued expenses	506,095,837.14	281,151,124.64
Others	140,384,955.93	135,435,543.68
Total	2,386,059,927.39	1,550,929,239.89

2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
Nine Dragons Dawei Holdings Co., Ltd.	30,000,000.00	Deposit
Shenzhen Dongchan Capital Group Co., Ltd.	9,093,918.30	Deposit
State-owned Shouguang Qingshuipo Farm	8,800,000.00	Open credit
Lu Haobin	6,830,800.00	Deposit
Shandong Yingli Industrial Co., Ltd.	6,286,020.00	Deposit
Total	61,010,738.30	

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

29. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	2,520,582,051.43	4,234,248,448.36
Bonds payable due within one year	899,122,500.00	
Long-term payables due within one year	2,238,647,651.02	2,732,057,322.65
Lease liabilities due within one year	4,606,717.58	
Other non-current liabilities due within one year		250,000,000.00
Total	5,662,958,920.03	7,216,305,771.01

30. Other current liabilities

Whether the New Revenue Standard has been implemented

Yes No

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	222,402,500.00	2,816,956,481.68
Total	222,402,500.00	2,816,956,481.68

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

30. Other current liabilities (Cont'd)

Increase/decrease in short-term bonds payable:

Unit: RMB

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance
2018 Fifth Tranche of Super & Short-term Commercial Paper	1,000,000,000.00	2018-4-24	270 days	998,500,000.00	683,129,134.97				683,129,134.97	
2018 Sixth Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018-5-9	270 days	599,100,000.00	630,791,666.71		3,616,666.67	100,000.00	634,508,333.38	
2018 Tenth Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018-8-9	270 days	599,066,750.00	425,794,527.78		14,000,000.00	400,000.00	440,194,527.78	
2018 Eleventh Tranche of Super & Short-term Commercial Paper	600,000,000.00	2018-10-29	270 days	599,004,115.00	455,887,448.33		21,116,666.67	600,000.00	477,604,115.00	
2018 Twelfth Tranche of Super & Short-term Commercial Paper	620,000,000.00	2018-12-19	176 days	619,393,778.00	621,353,703.89		18,203,888.89	505,185.00	640,062,777.78	
2019 First Tranche of Super & Short-term Commercial Paper	500,000,000.00	2019-1-18	175 days	499,513,889.00		499,513,889.00	15,944,444.44	486,111.00	515,944,444.44	
2019 Second Tranche of Super & Short-term Commercial Paper	600,000,000.00	2019-2-27	270 days	599,100,000.00		599,100,000.00	26,758,333.33	900,000.00	626,758,333.33	
2019 Third Tranche of Super & Short-term Commercial Paper	300,000,000.00	2019-3-28	270 days	299,550,000.00		299,575,471.70	13,533,333.33	324,528.30	313,433,333.33	
2019 Fourth Tranche of Super & Short-term Commercial Paper	300,000,000.00	2019-4-30	270 days	299,550,000.00		299,550,000.00	12,915,000.00	450,000.00	260,000,000.00	52,915,000.00
2019 Fifth Tranche of Super & Short-term Commercial Paper	300,000,000.00	2019-5-24	270 days	299,550,000.00		299,550,000.00	11,655,000.00	400,000.00	300,000,000.00	11,605,000.00
2019 Sixth Tranche of Super & Short-term Commercial Paper	300,000,000.00	2019-7-31	270 days	299,550,000.00		299,550,000.00	8,032,500.00	300,000.00	150,000,000.00	157,882,500.00
Subtotal	5,720,000,000.00			5,711,878,532.00	2,816,956,481.68	2,296,839,360.70	145,775,833.33	4,465,824.30	5,041,635,000.01	222,402,500.00

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

31. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings	74,823,068.83	362,064,033.51
Secured borrowings	5,110,291,847.19	4,733,171,900.00
Guarantee borrowings	5,695,114,793.03	6,097,254,963.85
Credit borrowings	780,692,035.94	840,692,035.94
Less: long-term borrowings due within 1 year	2,520,582,051.43	4,234,248,448.36
Total	9,140,339,693.56	7,798,934,484.94

Explanation: For classifications and amounts of secured borrowings and pledged assets, please see notes in respect of monetary funds and assets with restricted ownerships or right to use.

For classifications and amounts of pledge borrowings and pledged assets, please see notes in respect of monetary funds and assets with restricted ownerships or right to use.

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming Bond 01- Chenming Group	89,070,000.00	1,198,710,000.00
18 Chenming Bond 01- Chenming Group		898,852,500.00
Chenming USD Bonds	1,169,200,909.49	
Total	1,258,270,909.49	2,097,562,500.00

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

32. Bonds payable (Cont'd)

- (2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Unit: RMB

Bond name	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 Group	1,200,000,000.00	2017-8-22	5 years	1,198,200,000.00	1,198,710,000.00		78,000,000.00	360,000.00	1,188,000,000.00		89,070,000.00
18 Chenming Bond											
01- Chenming Group	900,000,000.00	2018-4-2	5 years	898,650,000.00	898,852,500.00		65,520,000.00	270,000.00	65,520,000.00		899,122,500.00
Chenming USD Bonds	1,137,120,600.00	2019-8-6	2.6 years	1,125,276,863.46		1,125,276,863.46	42,073,462.20	1,850,583.83			1,169,200,909.49
Total	3,237,120,600.00	-	-	3,222,126,863.46	2,097,562,500.00	1,125,276,863.46	185,593,462.20	2,480,583.83	1,253,520,000.00		2,157,393,409.49
Less: Bonds payable due within one year											899,122,500.00
Total	3,237,120,600.00			3,222,126,863.46	2,097,562,500.00	1,125,276,863.46	185,593,462.20	2,480,583.83	1,253,520,000.00		1,258,270,909.49

33. Lease liabilities

Unit:

Item	Closing balance	Opening balance
Lease payments payable	90,539,867.03	
Less: Unrecognised financing expenses	26,236,020.80	
Subtotal	64,303,846.23	
Less: Lease liabilities due within one year	4,606,717.58	
Total	59,697,128.65	

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

34. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	3,321,535,538.94	3,900,255,693.44
Total	3,321,535,538.94	3,900,255,693.44

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	160,190,103.51	167,083,436.84
China Development Bank Special funds	595,000,000.00	622,500,000.00
Financial leasing	4,804,993,086.45	5,842,729,579.25
Less: due within 1 year	2,238,647,651.02	2,732,057,322.65
Total	3,321,535,538.94	3,900,255,693.44

35. Provision

Whether the New Revenue Standard has been implemented

Yes No

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	—

Other explanations, including the explanations on significant assumptions and estimation related to significant provision:

Note: In February 2017, ArjowigginsHKK2Limited ("HKK2 Company") submitted a H share winding-up petition to Hong Kong High Court due to a joint venture dispute, which required a compensation for economic loss of RMB167 million and interest thereon, and legal costs of USD3.54 million and arbitration fee of HK\$3.3 million and interest thereon to HKK2. The Company made provision of RMB325 million for such pending litigation in 2017. As at the balance sheet date, Hong Kong High Court had not given a verdict for such litigation.

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

36. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,862,395,197.61		91,381,862.50	1,771,013,335.11	Financial provision
Total	1,862,395,197.61		91,381,862.50	1,771,013,335.11	—

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
Project fund for National technological support scheme	1,617,224.68			164,699.68			1,452,525.00	Asset-related
Sewage treatment and water conservation configuration project	64,466,819.64			1,192,682.93			63,274,136.71	Asset-related
Financial grants for technological modification project	180,966,256.91			12,783,808.11			168,182,448.80	Asset-related
Subsidy Funds, for environmental protection	749,420,276.75			49,191,971.56			700,228,305.19	Asset-related
Logistics park project	51,960,000.00						51,960,000.00	Asset-related
Zhanjiang integrated forestry, pulp and paper project	71,141,834.42			4,094,632.92			67,047,201.50	
Huanggang pulp-forestry-paper project	681,564,072.66						681,564,072.66	Asset-related
Others	61,258,712.55			1,589,455.08	22,364,612.22		37,304,645.25	Asset-related
Total	1,862,395,197.61			69,017,250.28	22,364,612.22		1,771,013,335.11	Asset-related

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

37. Other non-current liabilities

Whether the New Revenue Standard has been implemented

Yes No

Unit: RMB

Item	Closing balance	Opening balance
Wealth management direct financing		250,000,000.00
Less: other non-current liabilities due within one year		250,000,000.00
Medium-term notes	3,042,841,328.86	2,047,948,069.73
Total	3,042,841,328.86	2,047,948,069.73

38. Share capital

Unit: RMB

	Opening balance	New issue	Increase/decrease during the year(+/-)			Subtotal	Closing balance
			Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,904,608,200.00					2,904,608,200.00	

39. Other equity instruments

(1) Preference shares, perpetual bonds and other financial instruments outstanding at the end of the period

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Perpetual bonds	2,988,000,000.00			2,988,000,000.00
Preference shares	4,477,500,000.00			4,477,500,000.00
Total	7,465,500,000.00			7,465,500,000.00

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

39. Other equity instruments (Cont'd)

- (2) Changes in preference shares, perpetual bonds and other financial instruments outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase for the period		Decrease for the period		End of the period	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
17 Lu Chenming MTN001	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00
17 Lu Chenming MTN002	20,000,000.00	1,992,000,000.00					20,000,000.00	1,992,000,000.00
Chenming You 01	22,500,000.00	2,238,750,000.00					22,500,000.00	2,238,750,000.00
Chenming You 02	10,000,000.00	999,000,000.00					10,000,000.00	999,000,000.00
Chenming You 03	12,500,000.00	1,239,750,000.00					12,500,000.00	1,239,750,000.00
	75,000,000	7,465,500,000.00					75,000,000	7,465,500,000.00

Changes (increase or decrease) in other equity instruments during the period, the reasons for such changes, and the basis for relevant accounting treatment:

1. Note: ① Particulars of issue:

The Company issued medium-term notes amounting to RMB3,000 million on 12 July and 28 September 2017 at a coupon rate of 6.80% and 6.30% respectively. The proceeds net of issue costs amounted to RMB2,988.00 million.

- ② Particulars of the notes as perpetual bonds

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company. The interest rate of the bills is determined by the basic interest rate + the initial interest rate + 300BP. It has the feature of capped interest rates and the capped interest rate does not exceed the average interest rate level of the same type of instruments in the same industry in the same period; The Company has the right to defer any payment of interest. The right of redemption of the notes is vested in the Company so that it is up to the Company to decide whether to redeem or not; the priority of repayment of the principal and interest of medium-term notes for the period is the same as other outstanding debt financing instruments of the issuers in the event of winding up, because there is low probability of bankruptcy that the Company will not be liable for contractual obligations to deliver cash or other financial assets expected.

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 are eligible to be recognised and accounted for as equity instruments and included under other equity instruments.

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

39. Other equity instruments (Cont'd)

(2) Changes in preference shares, perpetual bonds and other financial instruments outstanding at the end of the period (Cont'd)

2. Note: ① Particulars of issue:

The Company non-publicly issued preference shares amounting to RMB4,500 million on 17 March, 17 August and 22 September 2016 respectively. The proceeds net of issue costs amounted to RMB4,477.50 million.

② Particulars of the preference shares as equity Instruments

Holders 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.

Other explanations:

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)

39. Other equity instruments (Cont'd)

(2) Changes in preference shares, perpetual bonds and other financial instruments 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 accounted for as other equity instruments – preference shares.

40. Capital reserves

	Unit: RMB			
Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	4,421,127,407.93	11,683,737.93	16,447,225.77	4,416,363,920.09
Other capital reserves	670,322,507.21			670,322,507.21
Total	5,091,449,915.14	11,683,737.93	16,447,225.77	5,086,686,427.30

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

- ① The Company previously held 100% of equity interest in Shouguang Meilun Paper Co., Ltd. In December 2019, the Company entered the capital increase and share expansion agreement among Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and Shouguang Meilun Paper Co., Ltd.. Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) made a unilateral capital injection into Shouguang Meilun Paper Co., Ltd. Upon completion of the capital increase, its equity interest in Shouguang Meilun Paper Co., Ltd. was 8% by Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), and the transaction did not result in the loss of our control of Shouguang Meilun Paper Co., Ltd. As of 31 December 2019, the implementation of this agreement was completed, and the capital increase was RMB415 million. The transaction resulted in an increase in minority interest of RMB431.42 million and a decrease in capital reserves of RMB16.44 million.
- ② The capital increase and share expansion and the introduction from external shareholders from Goldtrust Futures Co., Ltd., joint venture of the Company resulted in the dilution of the equity interest of the Company, but the Company still had a significant impact on it. Upon the capital increase, the balance of the net asset share calculated according to the new shareholding ratio prior to the capital increase was RMB116.8 million based on the original shareholding ratio, and the capital reserve increase was adjusted to RMB11.68 million.

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

41. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before income tax for the period	During the period		Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from Other Comprehensive Income in prior periods or loss during the period	Less: Transferred from Other Comprehensive Income in prior periods to retained earnings during the period				
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-736,520,181.01	-142,931,954.09				-142,931,954.09		-879,452,135.10
Including: Exchange differences on translation of foreign operations	-736,520,181.01	-142,931,954.09				-142,931,954.09		-879,452,135.10
Total other comprehensive income	-736,520,181.01	-142,931,954.09				-142,931,954.09		-879,452,135.10

42. Special reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Safety production	3,257,998.47		3,257,998.47	0
Total	3,257,998.47		3,257,998.47	0

Explanation: The decrease in special reserves for the period represents the disposal of Haicheng Haiming Mining Co., Ltd.

43. General risk reserves

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
General risk reserves	64,123,919.23	9,998,724.97		74,122,644.20
Total	64,123,919.23	9,998,724.97		74,122,644.20

Note: Pursuant to the requirements under the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20), the assets of a financial enterprise that are subject to risks and losses shall make provisions, including loans and advances, available-for-sale financial assets, held-to-maturity investments, long-term equity investments, deposits with banks, borrowings, debt assets, other receivables and others. The general reserve balance shall not be lower than 1.5% of the closing balance of the risk assets in principle. The general provisions may be used to make up the losses, but not for dividend distribution or capital transfers.

The Company makes provision for general risk in accordance with 1.5% of the closing balance of deposits with banks, loans, discounted assets, borrowings, held-for-trading financial assets, debt investments and other receivables.

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

44. Surplus reserves

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Closing balance
Statutory surplus reserves	1,148,888,912.11	63,120,197.86		1,212,009,109.97
Total	1,148,888,912.11	63,120,197.86		1,212,009,109.97

45. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	9,107,422,690.85	8,866,614,844.40
Accumulated adjustments to retained profit as at the beginning of the year (increase "+", decrease "-")		
Retained profit as at the beginning of the year after adjustment	9,107,422,690.85	8,866,614,844.40
Plus: Net profit for year attributable to shareholders of the parent company	1,656,566,584.88	2,509,828,858.47
Less: Transfer of statutory surplus reserves	63,120,197.86	16,772,805.71
Transfer of general risk reserves	9,998,724.97	64,123,919.23
Ordinary dividend payable	697,105,968.00	1,161,843,280.20
Dividends payable to minority shareholders		
Perpetual bonds interest payable	194,000,000.00	347,140,000.00
Preferred shares interest payable	493,494,767.52	679,141,006.88
Retained profit as at the end of the period	9,306,269,617.38	9,107,422,690.85
Including: Surplus reserve attributable to the Parent Company extracted by subsidiaries	175,282,280.06	161,466,873.84

46. Revenue and operating cost

Unit: RMB

Item	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	29,731,389,708.33	21,311,249,692.71	28,215,233,444.13	19,278,736,866.85
Other activities	664,044,365.02	462,634,592.68	660,522,719.43	567,019,951.66
Total	30,395,434,073.35	21,773,884,285.39	28,875,756,163.56	19,845,756,818.51

Whether the New Revenue Standard has been implemented

Yes No

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

46. Revenue and operating cost (Cont'd)

Information in relation to revenue:

Unit: RMB

Category of contract	Machine – made paper	Financial services	Magnesium mining	Real estate	Others	Total
Type of goods						
Machine-made paper	25,911,568,864.48					25,911,568,864.48
Financial leasing		1,815,459,714.28				1,815,459,714.28
Magnesium mining			278,633,403.31			278,633,403.31
Electricity and steam	143,725,243.14					143,725,243.14
Construction materials					311,264,909.38	311,264,909.38
Paper chemicals	126,550,115.28					126,550,115.28
Others	1,557,952,590.89	51,132,956.66		105,094,250.42	94,052,025.51	1,808,231,823.48
Total	27,739,796,813.79	1,866,592,670.94	278,633,403.31	105,094,250.42	405,316,934.89	30,395,434,073.35
By geographical area						
Domestic	24,132,497,135.20	1,866,592,670.94	278,633,403.31	105,094,250.42	405,316,934.89	26,788,134,394.76
Overseas	3,607,299,678.59					3,607,299,678.59
Total	27,739,796,813.79	1,866,592,670.94	278,633,403.31	105,094,250.42	405,316,934.89	30,395,434,073.35

Breakdown of revenue from principal activities

① By industry

Industry	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	25,911,568,864.47	19,455,165,308.40	24,303,557,365.13	17,849,873,914.56
Financial leasing	1,815,459,714.28	119,934,602.87	2,202,061,690.16	167,892,149.50
Paper chemicals	311,264,909.38	252,296,926.73	288,669,257.79	228,873,017.91
Magnesium mining	278,633,403.31	125,112,807.37	416,152,447.97	198,076,427.48
Electricity and steam	143,725,243.14	114,507,240.78	154,541,407.23	115,739,913.92
Construction materials	126,550,115.28	112,807,283.45	110,998,714.22	104,827,034.51
Others	1,144,187,458.47	1,131,425,523.11	739,252,561.63	613,454,408.97
Total	29,731,389,708.33	21,311,249,692.71	28,215,233,444.13	19,278,736,866.85

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

46. Revenue and operating cost (Cont'd)

② Machine-made paper by category of major products

Item	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Duplex press paper	7,728,877,039.07	5,734,589,199.80	6,155,644,742.23	4,518,550,774.15
White paper board	6,908,899,578.15	5,755,130,694.57	6,440,247,745.66	5,395,302,715.50
Coated paper	3,779,487,348.44	2,722,530,177.96	4,697,177,229.03	3,407,051,401.87
Electrostatic paper	3,270,064,358.54	2,295,436,749.00	2,404,374,935.48	1,440,077,827.51
Anti-sticking raw paper	1,238,578,315.18	846,933,499.50	1,208,193,494.70	728,105,243.01
Household paper	620,993,038.46	515,992,003.79	749,151,937.19	703,211,713.08
Others	2,364,669,186.64	1,584,552,983.78	2,647,586,420.34	1,656,767,066.92
Total	25,911,568,864.47	19,455,165,308.40	24,302,376,504.62	17,849,066,742.04

③ Machine-made paper by geographical areas

Item	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	22,304,269,185.88	16,179,838,701.97	20,008,292,214.92	13,741,799,550.40
Other countries and regions	3,607,299,678.59	3,275,326,606.43	4,295,265,150.21	4,108,074,364.17
Total	25,911,568,864.47	19,455,165,308.40	24,303,557,365.13	17,849,873,914.56

④ Revenue from top 5 customers

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2019	3,193,575,635.94	10.51%
2018	2,031,261,823.95	7.03%

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

47. Taxes and surcharges

Unit: RMB

Item	Amount for the year	Amount for the prior year
Urban maintenance and construction tax	68,851,026.86	54,001,398.48
Educational surcharges	30,207,914.38	26,130,730.37
Resource tax	11,038,459.80	14,792,493.31
Property tax	70,397,206.93	54,081,329.55
Land use tax	34,686,247.44	51,224,066.03
Vehicle and vessel tax	112,050.62	216,968.91
Stamp duty	26,151,364.68	26,256,847.64
Local education surcharges	18,602,695.08	12,085,006.25
Water engineering funds	2,576,414.28	2,718,637.28
Land appreciation tax	701,320.66	368,549.40
Others	12,608,739.08	8,482,450.88
Total	275,933,439.81	250,358,478.10

48. Selling and distribution expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Wages	143,945,947.37	132,591,972.27
Depreciation expenses	12,421,773.86	13,122,208.66
Office expenses	4,737,474.20	4,403,154.36
Travel expenses	31,547,133.82	29,777,817.13
Selling commissions	8,642,790.19	26,874,918.19
Transportation expenses	961,299,229.05	869,865,309.41
Cargo handling charges	15,086,234.94	13,435,084.73
Rental expenses	10,481,463.36	9,362,720.62
Hospitality expenses	66,310,236.64	57,922,888.46
Warehouse expenses	7,548,664.33	3,137,071.93
Others	35,175,241.08	30,006,092.73
Total	1,297,196,188.84	1,190,499,238.49

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

49. General and administrative expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Wages and surcharges	336,234,528.59	286,951,672.01
Welfare expenses	51,837,962.58	47,180,086.08
Depreciation expenses	146,845,808.97	192,962,832.24
Amortisation of intangible assets and long-term expenses	48,927,936.41	39,967,397.65
Production interruption loss	146,340,924.01	55,876,227.19
Repair cost and consumption of materials	49,131,088.84	35,079,467.58
Audit fees	6,131,215.01	5,755,228.95
Travel expenses	23,656,024.87	24,336,676.68
Business hospitality expenses	101,735,867.20	74,890,255.06
Waste disposal expenses	8,621,732.91	12,445,936.32
Insurance premium	27,737,182.97	25,343,799.30
Office expenses	13,277,878.29	10,861,986.20
Others	174,247,241.19	156,189,076.64
Total	1,134,725,391.84	967,840,641.90

50. R&D expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Installation expenses	880,370.71	1,489,393.97
Depreciation expenses	47,736,244.65	36,497,685.73
Consumption of materials	656,418,640.23	656,847,566.98
Travel expenses	163,071.13	521,322.61
Wages and surcharges	136,792,729.52	106,705,510.89
Welfare expenses	3,484,889.21	3,019,837.65
Housing provident funds	4,647,016.68	4,232,757.63
Insurance premium	12,437,428.25	19,103,988.33
Union funds	104,485.65	415,339.74
Utilities	126,993,184.82	99,972,218.72
Other expenses	2,654,895.89	1,068,066.15
Total	992,312,956.74	929,873,688.40

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

51. Finance expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Interest expenses	3,780,373,270.56	3,667,168,014.56
Less: capitalised interest amount	206,508,056.70	318,561,106.91
Less: interest income	836,491,207.55	692,370,142.41
Foreign exchange gains and losses	-78,262,003.10	-156,373,853.85
Bank charges	256,917,151.16	241,623,526.64
Total	2,916,029,154.37	2,741,486,438.03

52. Other income

Unit: RMB

Source of other income	Amount for the year	Amount for the prior year
Government grants – amortised deferred income included in profit or loss	91,381,862.50	70,998,592.61
Government grants – directly included in profit or loss	470,171,768.01	26,815,747.81
Total	561,556,630.51	97,814,340.42

53. Investment income

Unit: RMB

Item	Amount for the year	Amount for the prior year
Income from long-term equity investments accounted for using the equity method	-2,995,932.01	-20,475,760.38
Investment gain on disposal of long-term equity investments	176,212,409.13	113,688,671.06
Disposal of other non-current financial assets	784,345.77	155,750,000.00
Total	174,000,822.89	248,962,910.68

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

54. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the year	Amount for the prior year
Gain on change in fair value of consumable biological assets measured at fair value	-19,752,911.94	-21,464,400.65
Gain on change in fair value of other non-current financial assets	46,445,653.55	-94,000,000.00
Total	26,692,741.61	-115,464,400.65

55. Credit impairment loss

Unit: RMB

Item	Amount for the year	Amount for the prior year
Bad debt loss of bills receivable		-1,494,362.23
Bad debt loss of accounts receivable	-173,401,791.27	-25,891,565.05
Bad debt loss of other receivables	-280,868,224.23	-112,957,716.39
Loss on debt restructuring impairment	-55,792,548.82	
Bad debt loss of financial lease payments	-523,805,364.41	12,698,726.94
Total	-1,033,867,928.73	-127,644,916.73

56. Loss on impairment of assets

Whether the New Revenue Standard has been implemented

Yes No

Unit: RMB

Item	Amount for the year	Amount for the prior year
Loss on inventory impairment	61,394,424.83	-117,733,282.00
Loss on long-term equity investments impairment	-5,994,545.96	
Loss on fixed asset impairment	-170,552,917.47	-5,177,720.12
Loss on construction in progress impairment	-5,838,644.59	-27,428,935.82
Loss on goodwill impairment		-14,314,160.60
Total	-120,991,683.19	-164,654,098.54

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

57. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the year	Amount for the prior year
Disposal of fixed assets	-29,073,731.05	17,149,722.72
Total	-29,073,731.05	17,149,722.72

58. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in the current non-recurring profit and loss
Non-current assets damage and scrap profits	1,360,844.76	146,138.79	1,360,844.76
Unpaid debt	9,170,357.94		9,170,357.94
government subsidy	86,353,174.56	277,480,950.83	86,353,174.56
Fine income	3,244,945.04	6,061,107.57	3,244,945.04
Adjustment in equity book value	364,597,001.77		364,597,001.77
Others	28,667,590.80	35,708,040.08	28,667,590.80
Total	493,393,914.87	319,396,237.27	493,393,914.87

Government grants included in profit or loss for the year:

Unit: RMB

Grants item	Amount for the year	Amount for the prior year	Asset-related/ income-related
Amortised deferred income		17,480,975.56	Asset-related
Grant income	86,353,174.56	259,999,975.27	Income-related
Total	86,353,174.56	277,480,950.83	

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

59. Non-operating expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year	Amounts included in extraordinary gains or losses for the year
Charitable donation expenditures	11,947,836.00	8,740,500.00	11,947,836.00
Litigation		3,590,000.00	
Loss on destroyed and scrapped non-current assets	12,610,269.22	3,324,345.71	12,610,269.22
Others	4,026,488.78	3,529,693.40	4,026,488.78
Total	28,584,594.00	19,184,539.11	28,584,594.00

60. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the year	Amount for the prior year
Income tax expenses for the period	564,800,047.60	723,140,689.50
Deferred income tax expenses	-269,619,411.14	-81,563,194.58
Total	295,180,636.46	641,577,494.92

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	2,048,478,829.27
Income tax expenses calculated at statutory (or applicable) tax rates	307,271,824.39
Impact of applying different tax rates to certain subsidiaries	66,184,045.82
Adjustments to current income tax in previous periods	-11,281,025.57
Profit and loss of joint ventures and associates accounted for using the equity method	-462,773.83
Non-taxable income (listed with "-")	-97,258,402.51
Non-deductible costs, expenses and losses	29,485,040.12
Utilization of the tax effect of unrecognized deductible losses and deductible temporary differences in previous years (listed with "-")	-7,736,927.40
Tax effects of unrecognized deductible losses and deductible temporary differences	116,346,380.50
Tax effect of R & D fee deduction (listed with "-")	-107,367,525.06
Income tax expense	295,180,636.46

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

61. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Default penalty and fine	31,483,669.33	52,469,446.81
Finance expenses – Interest income	301,405,794.11	278,115,215.56
Income-related government grants	502,905,296.95	362,143,279.08
Open credit and other income	228,147,969.26	35,794,381.99
Net proceedings from the financial leasing business	5,885,287,081.31	6,191,859,054.14
Total	6,949,229,810.96	6,920,381,377.58

Explanation on cash received relating to other operating activities:

Explanation on cash received relating to other operating activities: Pursuant to the new standards, the government grants related to assets and income were all included in operating activities.

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Financial institutions charge	249,130,994.84	241,636,705.91
Business hospitality expenses	134,787,611.84	128,872,141.01
Travel expenses	55,277,692.76	55,398,230.16
Office expenses	21,976,874.36	19,426,972.84
Transportation expenses	1,035,450,908.40	937,436,432.35
Leasing expenses	14,283,881.89	14,452,327.88
Waste disposal expenses	18,686,112.18	31,586,754.90
Insurance premium	19,412,563.18	19,073,069.46
Repair expenses	54,630,753.25	51,165,035.29
Cargo handling charges	37,988,391.76	19,073,069.46
Intermediary service expenses	43,965,039.03	62,252,620.51
Donation	11,947,836.00	8,530,000.00
Others	105,542,724.58	112,331,848.36
Total	1,803,081,384.07	1,701,235,208.13

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

61. Items on statements of cash flow (Cont'd)

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Recovery of consideration for equity transfer	767,670,000.00	
Total	767,670,000.00	

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Security deposit for Goldtrust Futures		36,000,000.00
Security deposit for Western Trust		5,000,000.00
Security deposit for acquisition of equity interest in Nanyue Bank		694,000,000.00
Compensation liability		103,042,210.54
Prepayments for land	101,130,000.00	
Total	101,130,000.00	838,042,210.54

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Short-term commercial paper	3,081,090,437.86	12,915,683,724.57
Loans to the Finance Company		100,000,000.00
Equipment leaseback	1,717,600,000.00	3,702,500,000.00
Loans to Chenming Holdings Co., Ltd.	332,440,865.27	
Net recovery of guarantee deposit	734,974,699.49	
Total	5,866,106,002.62	16,718,183,724.57

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

61. Items on statements of cash flow (Cont'd)

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the year	Amount for the prior year
Repayment of short-term commercial paper and MTN	5,070,000,000.00	18,036,968,519.46
Repayment of bonds	1,182,150,000.00	2,600,000,000.00
Repayment of equipment leaseback	3,155,141,094.22	2,790,756,044.94
Repayment of interest on preference shares	493,494,767.52	679,141,006.88
Repayment of interest on perpetual bonds	194,000,000.00	347,140,000.00
Increase in restricted bank deposits for the year		5,272,132,418.30
Security deposit for financial leasing	15,000,000.00	32,200,000.00
Acquisition of non-controlling interests in Shanghai Hongtai		2,089,074,400.00
Acquisition of non-controlling interests in Guangdong Huirui		120,600,000.00
Acquisition of non-controlling interests in Wuhan Chenming		60,896,600.00
Total	10,109,785,861.74	32,028,908,989.58

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

62. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the year	Amount for the prior year
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	1,753,298,192.81	2,564,738,621.27
Plus: loss on impairment of assets	120,991,683.19	164,654,098.54
Credit impairment loss	1,033,867,928.73	127,644,916.73
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	1,853,139,090.52	1,686,464,360.70
Amortisation of intangible assets	53,100,846.01	49,169,532.63
Amortisation of long-term prepaid expenses	7,433,030.41	8,377,363.10
Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" denotes gain)	30,173,140.18	-16,986,475.18
Loss on scrapped fixed assets ("—" denotes gain)	1,361,320.41	
Loss on changes in fair value ("—" denotes gain)	-26,692,741.61	115,279,025.65
Finance expenses ("—" denotes gain)	3,073,865,213.86	3,348,593,728.38
Investment loss ("—" denotes gain)	-538,508,597.83	-248,962,910.68
Decrease in deferred income tax assets ("—" denotes increase)	-288,568,932.42	-81,584,848.22
Increase in deferred income tax liabilities ("—" denotes decrease)	1,411,125.59	
Decrease in inventories ("—" denotes increase)	2,093,523,272.65	-748,682,942.57
Decrease in operating receivables ("—" denotes increase)	7,690,318,930.21	12,866,522,125.36
Increase in operating payables ("—" denotes decrease)	-4,625,917,052.94	-5,735,524,708.67
Others		
Net cash flows from operating activities	12,232,707,222.94	14,099,701,887.04
2. Major investing and financing activities not involving cash settlements:		
Capital converted from debts		
Convertible bonds of the Company due within one year		
Finance leases of fixed assets		
3. Net change in cash and cash equivalents:		
Closing balance of cash	2,890,328,027.40	2,381,558,242.52
Less: Opening balance of cash	2,381,558,242.52	2,804,408,374.46
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	508,769,784.88	-422,850,131.94

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

62. Supplementary information on cash flow statement (Cont'd)

(2) Net cash received from disposal of subsidiaries during the current period

Unit: RMB

	Amount
Disposal of cash or cash equivalents received by subsidiaries during the period	238,326,500.00
Of which:	-
Haicheng Haiming Mining Co., Ltd.	221,000,000.00
Beijing Chenming Meilun Technology Co., Ltd.	12,316,500.00
Wuxi Songling Paper Co., Ltd.	5,010,000.00
Less: Cash and cash equivalents held by the company on the day in the event that the control is lost	22,905,416.76
Of which:	-
Haicheng Haiming Mining Co., Ltd.	22,843,749.03
Beijing Chenming Meilun Technology Co., Ltd.	60,797.95
Wuxi Songling Paper Co., Ltd.	869.78
Net cash received from disposal of subsidiaries	215,421,083.24

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,890,328,027.40	2,381,558,242.52
Of which: Treasury cash	2,418,131.86	2,078,321.66
Bank deposit that can be used for payment at any time	2,887,909,895.54	2,379,479,920.86
Other monetary funds that can be used for payment at any time		
Deposit at central bank deposit that can be used for payment		
Amount due from banks		
Amount due to banks		
II. Cash equivalents		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalent at end of period	2,890,328,027.41	2,381,558,242.52
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

Other explanation: Cash and cash equivalents did not include the restricted cash and cash equivalents used by the Company or subsidiaries within the Group.

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

63. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	16,176,241,805.78	As guarantee deposits for bank acceptance bills and letter of credit and deposit reserves (Note VII.1)
Bills receivable/accounts receivable financing	152,714,290.24	As collateral for short-term borrowings, letters of guarantee and letters of credit (Note VII.4)
Fixed assets	10,573,696,190.50	As collateral for bank borrowings (Note VII.14)
Intangible assets	880,676,428.58	As collateral for bank borrowings and long-term payables (Note VII.17)
Investment property	4,519,487,976.25	As collateral for bank borrowings (Note VII.13)
Total	32,302,816,691.35	

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

64. 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	110,500,218.68	6.9762	770,871,625.55
EUR	405,730.03	7.8155	3,170,983.04
HKD	710,980.25	0.8958	636,881.89
JPY	4,980.96	0.0641	319.21
GBP	2,034.18	9.1501	18,612.93
Accounts receivables			
Of which: USD	100,358,916.38	6.9762	700,123,872.43
EUR	5,844,790.93	7.8155	45,679,963.48
JPY	146,734,998.00	0.0641	9,403,659.08
Accounts payable			
Of which: USD	120,461,073.62	6.9762	840,360,541.80
EUR	12,302,034.94	7.8155	96,146,554.03
Long-term borrowings			
Of which: USD	211,200,000.00	6.9762	1,473,373,440.00
Bonds payable			
Of which: USD	167,598,536.38	6.9762	1,169,200,909.49
Short-term borrowings			
Of which: USD	127,401,000.63	6.9762	888,774,860.61
HKD	34,999,986.66	0.8958	31,352,288.05
Prepayments			
Of which: USD	218,766.49	6.9762	1,526,158.79
JPY	121,696.00	0.0641	7,799.01
Other receivables			
Of which: USD	685,767.62	6.9762	4,784,052.09
EUR	315,311.82	7.8155	2,464,319.53
Contract liabilities			
Of which: USD	10,517,400.64	6.9762	73,371,490.31
Other payables			
Of which: USD	13,252,216.09	6.9762	92,450,109.89
EUR	352,861.30	7.8155	2,757,787.49
HKD	173,783.57	0.8958	155,671.85

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

64. 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 International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
4	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
5	Chenming Paper United States Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD

65. Government grants

- (1) General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount included in the current profit and loss
National Science and Technology Support Program			
Project Funding	164,700.00	Other revenue	164,700.00
Sewage treatment and water saving reconstruction	1,192,682.88	Other revenue	1,192,682.88
Financial subsidies for technical transformation items	110,054,807.72	Other revenue	110,054,807.72
Zhanjiang Forest Pulp & Paper Integration Item	4,094,632.92	Other revenue	4,094,632.92
Industrial logistics park reconstruction compensation	4,705,900.00	Other revenue	4,705,900.00
Financial discount	22,364,612.22	Financial cost	22,364,612.22
Research and development grants	74,923,512.88	Other revenue	74,923,512.88
Funding for environmental protection	49,361,843.85	Other revenue	49,361,843.85
Government awards	228,000,000.00	Other revenue	228,000,000.00
VAT is levied and reimbursed immediately	1,217,058.15	Other revenue	1,217,058.15
Afforestation subsidy	3,891,820.00	Other revenue	3,891,820.00
Tax return	80,382,428.92	Other revenue	80,382,428.92
Enterprise reform and development subsidies	31,070,010.00	Non-operating income	31,070,010.00
Investment promotion subsidy	41,542,500.00	Non-operating income	41,542,500.00
Others	17,307,907.75	Non-operating income, other revenue	17,307,907.75
Total	670,274,417.29		670,274,417.29

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VIII. Change in scope of consolidation

1. Disposal of subsidiaries

Whether there is loss of control over subsidiaries on a single disposal

Yes No

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Nature of disposal of equity interest	Time of loss of control	Basis for time	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Remaining shareholding as of the date of loss of control	Carrying amount of remaining shareholding as of the date of loss of control	Fair value of remaining shareholding as of the date of loss of control	Gain or loss in fair value of remaining shareholding	Determination and key assumption of fair value of remaining shareholding as of the date of loss of control	Relevant other comprehensive income of former subsidiary transferred to profit or loss
Haicheng Haiming Mining Company Limited	421,000,000.00	60.00	Transfer	2019.8.31	Without control	163,300,169.59	0.00	0.00	0.00	0.00		
Beijing Chenming Meilun Technology Co., Ltd.	12,316,500.00	100.00	Transfer	2019.9.30	Without control	6,656,201.20	0.00	0.00	0.00	0.00		
Wuxi Song Ling Paper Co., Ltd.	5,010,000.00	100.00	Transfer	2019.12.31	Without control	6,256,038.34	0.00	0.00	0.00	0.00		

2. Others

During the year, the scope of consolidation had 4 newly established subsidiaries, namely Shanghai Chenming Pulp & Paper Sales Co., Ltd., Meilun (BVI) Limited, Shandong Chenming Panels Co., Ltd., and Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership). Please refer to Note IX. 1. Interest in subsidiaries for details.

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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	Type of legal entity	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	For-profit legal entity	100.00%		Establishment	0	0
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	For-profit legal entity	92.00%		Establishment	0	0
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper making	For-profit legal entity	100.00%		Merger and acquisition	0	0
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp production	For-profit legal entity	100.00%		Establishment	0	0
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper products	For-profit legal entity	100.00%		Establishment	0	0
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	For-profit legal entity	100.00%		Establishment	0	0
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi, China	Jiangxi, China	Trading	For-profit legal entity		70.00%	Establishment	0	0
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Paper product trading	For-profit legal entity	100.00%		Establishment	0	0
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	For-profit legal entity	100.00%		Establishment	0	0
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	For-profit legal entity	100.00%		Merger and acquisition	0	0
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	For-profit legal entity	100.00%		Establishment	0	0
Shouguang Chenming Industrial Logistics Co., Ltd.	Shouguang, China	Shouguang, China	Logistics	For-profit legal entity	100.00%		Establishment	0	0
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment Management	For-profit legal entity	100.00%		Establishment	0	0
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	For-profit legal entity	100.00%		Establishment	0	0
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	For-profit legal entity	100.00%		Establishment	0	0
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper products	For-profit legal entity	100.00%		Establishment	0	0
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power	For-profit legal entity	100.00%		Establishment	0	0
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang, China	Shouguang, China	Customs declaration	For-profit legal entity	100.00%		Establishment	0	0
Shanghai Chenming Industrial Co., Ltd.	Shanghai, China	Shanghai, China	Property investment and management	For-profit legal entity	100.00%		Establishment	0	0
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper products	For-profit legal entity	100.00%		Establishment	0	0
Shandong Chenming Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	For-profit legal entity	80.00%	20.00%	Establishment	0	0
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper making	For-profit legal entity	42.46%	40.79%	Establishment	0	0
Qingdao Chenming International Logistics Co., Ltd.	Qingdao, China	Qingdao, China	Logistics	For-profit legal entity	30.00%	70.00%	Establishment	0	0
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	For-profit legal entity	75.00%		Establishment	0	0
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper making	For-profit legal entity	75.00%		Establishment	0	0

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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	Type of legal entity	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	For-profit legal entity	70.00%		Establishment	0	0
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper making	For-profit legal entity	65.21%		Establishment	0	0
Chengdu Chenming Culture Communication Co., Ltd.	Chengdu, China	Chengdu, China	Marketing	For-profit legal entity	100.00%		Establishment	0	0
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing	For-profit legal entity		100.00%	Establishment	0	0
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	Qingdao, China	Qingdao, China	Financial leasing	For-profit legal entity		100.00%	Establishment	0	0
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Paper product trading	For-profit legal entity		100.00%	Establishment	0	0
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging	For-profit legal entity		100.00%	Merger and acquisition	0	0
Shouguang Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal	For-profit legal entity		100.00%	Merger and acquisition	0	0
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and sale of waste	For-profit legal entity		100.00%	Merger and acquisition	0	0
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics	For-profit legal entity		100.00%	Merger and acquisition	0	0
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panels	For-profit legal entity		100.00%	Merger and acquisition	0	0
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor Board	For-profit legal entity		100.00%	Merger and acquisition	0	0
Shouguang Chenming Cement Co., Limited	Shouguang, China	Shouguang, China	Cement	For-profit legal entity		100.00%	Establishment	0	0
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Thermal power	For-profit legal entity		51.00%	Establishment	0	0
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment	For-profit legal entity		100.00%	Establishment	0	0
Japan Chenming Paper Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Paper product trading	For-profit legal entity		100.00%	Establishment	0	0
Chenming International Co., Ltd.	Los Angeles, the United States	Los Angeles, the United States	Paper product trading	For-profit legal entity		100.00%	Establishment	0	0
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture	For-profit legal entity		100.00%	Establishment	0	0
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture	For-profit legal entity		100.00%	Establishment	0	0
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture	For-profit legal entity		100.00%	Establishment	0	0
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment	For-profit legal entity		100.00%	Merger and acquisition	0	0
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials	For-profit legal entity		100.00%	Establishment	0	0
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall materials	For-profit legal entity		100.00%	Establishment	0	0

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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	Type of legal entity	Shareholding		Acquisition	Issued debt securities	Issued share capital
					Direct	Indirect			
Jilin Chenming Logistics Co., Ltd.	Jilin, China	Jilin, China	Logistics	For-profit legal entity	100.00%		Establishment	0	0
Jiangxi Chenming Logistics Co., Ltd.	Nanchang, China	Nanchang, China	Logistics	For-profit legal entity	100.00%		Establishment	0	0
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper making	For-profit legal entity	100.00%		Establishment	0	0
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	For-profit legal entity	100.00%		Establishment	0	0
Shanghai Chenming Financial Leasing Co., Ltd.	Shanghai, China	Shanghai, China	Financial leasing	For-profit legal entity	100.00%		Establishment	0	0
Guangzhou Chenming Financial Leasing Co., Ltd.	Guangzhou, China	Guangzhou, China	Financial leasing	For-profit legal entity	100.00%		Establishment	0	0
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai, China	Shanghai, China	Real estate	For-profit legal entity	100.00%		Merger and acquisition	0	0
Shanghai Hongtai Property Management Co., Ltd.	Shanghai, China	Shanghai, China	Property Management	For-profit legal entity	100.00%		Merger and acquisition	0	0
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan, China	Jinan, China	Business factoring	For-profit legal entity	100.00%		Establishment	0	0
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou, China	Guangzhou, China	Business factoring	For-profit legal entity		51.00%	Establishment	0	0
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	Qingdao, China	Qingdao, China	Trading	For-profit legal entity	30.00%	70.00%	Establishment	0	0
Shandong Chenming Coated Paper Sales Co. Ltd.	Shouguang, China	Shouguang, China	Sales	For-profit legal entity	100.00%		Establishment	0	0
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Cargo loading	For-profit legal entity	100.00%		Establishment	0	0
Beijing Chenming Financial Leasing Co., Ltd.	Beijing, China	Beijing, China	Finance	For-profit legal entity	100.00%		Establishment	0	0
Chenming Paper United States Co., Ltd.	The United States	3200 EL CAMINO REAL,SUITE 130,IRVINE,CA	Paper trading	For-profit legal entity	100.00%		Establishment	0	0
Guangdong Chenming Panels Co., Ltd.	Guangdong	Guangdong	Panels	For-profit legal entity	100.00%		Establishment	0	0
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Shanghai	Shanghai	Paper product trading	For-profit legal entity	100.00%		Establishment	0	0
Meilun (BVI) Limited	Cayman	Shouguang		For-profit legal entity		100.00%	Establishment	0	0
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Fund	For-profit legal entity	79%		Establishment	0	0
Nanjing Chenming Culture Communication Co., Ltd.	Nanjing	Nanjing	Marketing	For-profit legal entity	100.00%		Establishment	0	0

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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 interest	Gain or loss attributable to minority interest during the period	Dividend to minority interest declared during the period	Closing balance of minority interest
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	34.79%	27,220,765.44		111,697,321.19
Shouguang Chenming Art Paper Co., Ltd.	25%	17,088,924.63		98,366,240.06
Shouguang Meilun Paper Co., Ltd.	8%			431,429,276.54

(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	Current liabilities	Non-current liabilities	Total liabilities
	Current assets	Non-current assets	Total assets	Current assets	Non-current assets	Total assets						
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	242,300,843.28	1,042,530,549.73	1,284,831,393.01	854,628,918.22	84,521,086.72	939,150,004.94	304,800,513.20	1,128,834,779.70	1,433,635,292.90	1,116,394,677.03	43,004,618.52	1,159,399,295.55
Shouguang Chenming Art Paper Co., Ltd.	651,004,033.69	573,204,378.67	1,224,208,412.36	830,743,452.16		830,743,452.16	874,366,187.24	618,223,904.52	1,492,590,091.76	1,167,480,830.07		1,167,480,830.07
Shouguang Meilun Paper Co., Ltd.	5,071,137,194.65	11,453,793,662.17	16,524,930,856.82	10,013,297,488.59	1,186,061,831.08	11,199,359,319.67	1,731,551,339.38	10,007,456,117.42	11,739,007,456.80	5,339,163,271.76	1,700,271,079.40	7,039,434,351.16

Unit: RMB

Name of subsidiary	Revenue	Amount for the year			Amount for the prior year			Cash flows from operating activities
		Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	1,282,969,981.66	71,445,390.72	71,445,390.72	104,514,705.53	1,364,181,429.19	35,042,380.33	35,042,380.33	316,577,834.65
Shouguang Chenming Art Paper Co., Ltd.	765,841,628.21	68,355,698.51	68,355,698.51	-66,098,414.48	909,260,241.77	118,652,095.44	118,652,095.44	-99,931,648.76
Shouguang Meilun Paper Co., Ltd.	5,199,154,922.05	199,314,693.58	199,314,693.58	1,510,148,358.58	5,048,212,524.75	103,361,172.68	103,361,172.68	1,184,997,775.73

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IX. Interest in other entities (Cont'd)

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries

(1) Changing in shareholding in subsidiaries

The Company previously held 100% of equity interest in Shouguang Meilun Paper Co., Ltd. In December 2019, the Company entered the capital increase and share expansion agreement among Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) and Shouguang Meilun Paper Co., Ltd.. Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership) made a unilateral capital injection into Shouguang Meilun Paper Co., Ltd. Upon completion of the capital increase, its equity interest in Shouguang Meilun Paper Co., Ltd. was 8% by Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), and the transaction did not result in the loss of our control of Shouguang Meilun Paper Co., Ltd. As of 31 December 2019, the implementation of this agreement was completed, and the capital increase was RMB415 million. The transaction resulted in an increase in minority interest of RMB431.44 million and a decrease in capital reserves of RMB16.44 million.

(2) Effect on minority interest and equity attributable to the owners of the parent company

Unit: RMB

	Shouguang Meilun Paper Co., Ltd.
– Cash	4,978,090,322.16
Total acquisition cost/disposal consideration	415,000,000.00
Less: share of net assets in subsidiaries based on shares acquired/disposed	4,961,643,096.39
Difference	16,447,225.77
Of which: capital reserve adjustment	-16,447,225.77

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint venture and associate	Principle place of business	Principle place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Weifang Senda Meixi Port Co., Ltd.	Weifang, China	Weifang, China	Port construction	50.00%		Equity method
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo, China	Ningbo, China	Investment management	40.00%		Equity method
Weifang Xingxing United Chemical Co., Ltd.	Weifang, China	Weifang, China	Chemical	50.00%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	50.00%		Equity method
Goldtrust Futures Co., Ltd.	Changsha	Changsha	Futures	35.43%		Equity method
Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Investment management	44.44%		Equity method
Guangdong Nanyue Bank Co., Ltd.,	Guangdong	Guangdong	Bank	16.62%		Equity method

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

Unit: RMB

Item	Closing balance/Amount for the year		Opening balance/Amount for the prior year	
	Weifang Sime Darby West Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd.	Weifang Sime Darby West Port Co., Ltd.	Weifang Xingxing United Chemical Co., Ltd.
Current assets	26,890,506.23	94,334,994.14	55,386,175.28	97,755,183.56
Of which: Cash and cash equivalents	8,299,040.10	25,959,739.14	53,489,910.53	35,030,150.70
Non-current assets	543,566,206.60	32,100,379.42	528,403,804.86	38,098,361.81
Total assets	570,456,712.83	126,435,373.56	583,789,980.14	135,853,545.37
Current liabilities	16,216,196.08	27,927,549.31	1,236,372.30	32,584,182.76
Non-current liabilities	389,517,611.14	389,620,042.41	389,620,042.41	
Total liabilities	405,733,807.22	27,927,549.31	390,856,414.71	32,584,182.76
Minority interest				
Equity interest attributable to shareholders				
of the parent company	164,722,905.61	98,507,824.25	192,933,565.43	103,269,362.61
Share of net assets based on shareholding	82,361,452.81	49,253,912.13	96,466,782.72	51,634,681.31
Adjustments				
– Goodwill				
– Unrealised profit arising from intra-group transactions	7,365,218.95	44,562,645.26	6,693,074.99	57,618,555.81
– Others				
Carrying amount of investment in joint ventures	89,726,671.76	93,816,557.39	103,159,857.71	109,253,237.12
Fair value of investments in joint ventures with public quoted prices				
Revenue	29,834,105.08	132,763,766.49		166,613,896.54
Finance expenses	20,667,999.05	-394,709.39	-346,852.57	-8,403.59
Income tax expenses		4,706,185.72		8,790,141.65
Net profit	-26,827,919.17	14,118,557.12	-3,214,369.59	26,370,063.88
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-26,827,919.17	14,118,557.12	-3,214,369.59	26,370,063.88
Dividend received from joint ventures during the period		23,000,000.00		

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

Item	Closing balance/Amount for the year		Opening balance/Amount for the prior year	
	Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)
Current assets	43,709,912.78	5,810,979.79	79,292,150.81	5,492,635.42
Including: Cash and cash equivalents				
Non-current assets	154,450,006.00	99,020,000.00	119,000,000.00	99,020,000.00
Total assets	198,159,918.78	104,830,979.79	198,292,150.81	104,512,635.42
Current liabilities	21,826.94	5,000.00	13,135.40	5,000.00
Non-current liabilities				
Total liabilities	21,826.94	5,000.00	13,135.40	5,000.00
Minority interest				
Equity interest attributable to shareholders of the parent company	198,138,091.84	104,825,979.79	198,279,015.41	104,507,635.42
Share of net assets based on shareholding	79,255,236.74	52,412,989.90	79,311,606.16	52,253,817.72
Adjustments				
– Goodwill				
– Unrealised profit arising from intra-group transactions				
– Others	120,273,610.78		120,273,610.78	
Carrying amount of investment in associates	199,528,847.52	52,412,989.90	199,585,216.94	52,253,817.72
Fair value of investments in joint ventures with public quoted prices				
Revenue				
Finance expenses				
Income tax expenses				
Net profit	-154,058.98	318,344.37	1,510,109.81	670,768.61
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-154,058.98	318,344.37	1,510,109.81	670,768.61
Dividend received from joint ventures during the period				

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (Cont'd)

Item	Closing balance/Amount for the period		Opening balance/Amount for the prior period	
	Goldtrust Futures Co., Ltd.	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Goldtrust Futures Co., Ltd.	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Current assets	514,865,137.33	8,000,250.00		
Of which:Cash and cash equivalents				
Non-current assets	13,965,721.72	407,000,000.00		
Total assets	528,830,859.05	415,000,250.00		
Current liabilities	281,568,856.43	8,000,000.00		
Non-current liabilities	30,000,000.00			
Total liabilities	311,568,856.43	8,000,000.00		
Minority interests				
Equity interest attributable to shareholders of the parent company	217,262,002.62	407,000,250.00		
Share of net assets based on shareholding	76,975,927.53	180,870,911.10		
Adjustments				
– Goodwill	104,073,292.25			
– Unrealised profit arising from intra-group transactions				
– Others	11,683,737.93	-22,870,911.10		
Carrying amount of investment in joint ventures	192,732,957.71	158,000,000.00		
Fair value of investments in joint ventures with public quoted prices				
Revenue	48,222,356.65			
Financial cost				
Income tax expenses				
Net profit	329,683.17	250.00		
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	329,683.17	250.00		
Dividend received from joint ventures during the period				

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates (Cont'd)

Item	Closing balance/Amount for the period Guangdong Nanyue Bank Co., Ltd.	Opening balance/Amount for the prior period Guangdong Nanyue Bank Co., Ltd.
Current assets	43,993,240,945.90	
Of which:Cash and cash equivalents		
Non-current assets	162,549,835,269.08	
Total assets	206,543,076,214.98	
Current liabilities	172,504,238,508.02	
Non-current liabilities	17,098,918,091.65	
Total liabilities	189,603,156,599.67	
Minority interests		
Equity interest attributable to shareholders of the parent company	16,847,722,509.11	
Share of net assets based on shareholding	2,800,091,481.01	
Adjustments		
– Goodwill		
– Unrealised profit arising from intra-group transactions		
– Others		
Carrying amount of investment in joint ventures	2,800,091,481.01	
Fair value of investments in joint ventures with public quoted prices		
Revenue	11,008,440,467.50	
Financial cost		
Income tax expenses		
Net profit	1,634,495,792.15	
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	1,634,495,792.15	
Dividend received from joint ventures during the period		

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IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates (Cont'd)

(4) Summary financial information of non-major joint ventures and associates

Unit: RMB

	Closing balance/ Amount for the year	Opening balance/ Amount for the prior year
Joint ventures:	—	—
Total carrying amount of investment	9,669,667.61	3,572,834.79
Total amount of the following items based on shareholding	—	—
– Net profit	2,216,832.82	485,538.07
– Other comprehensive income		
– Total comprehensive income	2,216,832.82	485,538.07
Associates:	—	—
Total carrying amount of investment	10,359,850.83	18,761,580.99
Total amount of the following items based on shareholding	-494,921.70	-11,838,692.59
– Net profit	-494,921.70	-11,838,692.59
– Other comprehensive income		
– Total comprehensive income	-494,921.70	-11,838,692.59

(5) Excess loss of joint ventures or associates

Unit: RMB

Name of joint ventures or associates	Accumulated unrecognised loss incurred for prior periods	Unrecognised loss (or share of net profit) for the period	Unrecognised loss (or share of net profit) for the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	7,308,869.16		7,308,869.16

X. Risk relating to financial instruments

Main financial instruments of the Group include monetary funds, bills receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, other non-current financial assets, long-term receivables, short-term borrowings, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and Long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The Group aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Group's financial performance from financial risk. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and devise corresponding internal control procedures, and to monitor risks faced by the Group. Such risk management policies and internal control systems are reviewed regularly to adapt to changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

Risks associated with the financial instrument of the Group mainly include credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk).

The board of directors is responsible to plan and establish the Group's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Group has already made risk management risks to identify and analyse risks that the Group face. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Group regularly assesses market environment and the operation of the Group changes to determine if to make alteration to risk management policy and systems. The Group's risk management is implemented by Risk Management Committee according to the approval of the board of directors. Risk Management Committee work closely with other business department of the Group to identify, evaluating and avoiding certain risks. The Group's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Group.

The Group spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risks

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty.

The Group manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

X. Risk relating to financial instruments *(Cont'd)*

1. Risk management goals and policies *(Cont'd)*

(1) Credit risks *(Cont'd)*

The Group's bank deposit mainly deposits in state-owned banks and other large and medium-sized listed banks. The Group anticipated that the bank deposit does not have significant credit risk.

For bill receivable, accounts receivables, other receivables and long-term receivables, the Group set related policies to control exposure of credit risks. The Group evaluate client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Group keep monitor the client's credit record and for client with deteriorate credit records, the Group will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

The Group's debtor spread over different industry and area. The Group continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Group is the carrying amount of each financial assets in the balance sheet. The Group did not provide financial guarantee which resulted in credit risks.

The amount of top 5 accounts receivable of the Group accounted for 29.05% (2018: 26.99%) of the Group's total accounts receivables. The amount of top 5 other receivable of the Group accounted for 87.09% (2018: 87.42%) of the Group's total other receivables.

(2) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, we obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash was generated from capital and bank and other borrowings. As of 31 December 2019, the Group's unused bank loan credit is RMB34,072.1416 million (31 December 2018: 29,594.6933 million)

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X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(2) Liquidity risk (Cont'd)

As at the end of the period, the financial assets and financial liabilities of the Group are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

Item	2019.12.31					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,906,656.98					1,906,656.98
Accounts receivable	307,736.22					307,736.22
Accounts receivable financial	44,291.59					44,291.59
Other receivables	270,183.01					270,183.01
Long-term receivables		17,413.54	23,488.20	81,470.83		122,372.57
Other current assets	808,452.56					808,452.56
Non-current assets due within one year	697,303.80					697,303.80
Total financial assets	4,034,624.16	17,413.54	23,488.20	81,470.83		4,156,996.73
Financial liabilities:						
Short-term borrowings	3,688,315.60					3,688,315.60
Short-term borrowings	151,504.82					151,504.82
Accounts payable	435,108.76					435,108.76
Other payables	238,605.99					238,605.99
Non-current liabilities due within one year	566,295.89					566,295.89
Other current liabilities	22,240.25					22,240.25
Long-term borrowings		521,440.85	117,319.88	86,672.98	188,600.26	914,033.97
Bonds payable		116,920.09	8,907.00			125,827.09
Lease liabilities		457.07	443.29	472.83	7,220.12	8,593.31
Long-term payables		64,272.98	96,887.59	83,321.65	87,671.33	332,153.55
Total financial liabilities and contingent liabilities	5,102,071.31	703,090.99	223,557.76	170,467.46	283,491.71	6,482,679.23

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X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(2) Liquidity risk (Cont'd)

As at the beginning of the period, the financial assets and financial liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

Item	2018.12.31					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,929,277.47					1,929,277.47
Bills receivable	121,461.65					121,461.65
Accounts receivable	378,336.41					378,336.41
Other receivables	214,899.40					214,899.40
Long-term receivables		465,770.86	288,900.54	48,142.11	2,341.27	805,154.78
Other current assets	1,029,380.61					1,029,380.61
Non-current assets due within one year	400,750.33					400,750.33
Total financial assets	4,074,105.87	465,770.86	288,900.54	48,142.11	2,341.27	4,879,260.65
Financial liabilities:						
Short-term borrowings	4,022,794.54					4,022,794.54
Short-term borrowings	421,896.96					421,896.96
Accounts payable	415,022.86					415,022.86
Other payables	155,092.92					155,092.92
Non-current liabilities due within one year	713,832.58					713,832.58
Other current liabilities	281,695.65					281,695.65
Long-term borrowings		449,364.59	101,103.32	74,692.59	162,530.95	787,691.45
Bonds payable			209,756.25			209,756.25
Long-term payables		75,471.44	113,768.58	97,839.01	102,946.54	390,025.57
Total financial liabilities and contingent liabilities	6,010,335.51	524,836.03	424,628.15	172,531.60	265,477.49	7,397,808.78

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet.

Financial guarantees issued do not represent the amount to be paid.

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X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

Interest risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Group's finance department continuously monitors the interest rate position of the Group. The Group did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Group's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Group are as follows (in ten thousand RMB):

Item	Balance for the year	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,688,315.60	4,022,794.54
Long-term borrowings	914,033.97	779,893.45
Bonds payable	125,827.09	209,756.25
Total	4,728,176.66	5,012,444.24
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	288,790.99	237,947.99
Total	288,790.99	237,947.99

The financial instruments held by the Group at the reporting date expose the Group to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the reporting date expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for prior year.

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X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

Exchange rate risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Group is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, Euro and South Korean Won). Finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies to reduce the foreign exchange risks to the largest extent;

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and amounted to RMB as at 31 December 2019 are as follows (in RMB ten thousands):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	As at the end of the period	As at the beginning of the period	As at the end of the period	As at the beginning of the period
	USD	453,753.14	993,813.43	147,730.57
EUR	9,890.43	64,547.56	5,131.53	10,962.14
HKD	3,150.80		63.69	83.54
KRW				245.41
YEN		4.97	941.18	916.13
GBP			1.86	2.59
Total	466,794.37	1,058,365.96	153,868.82	325,041.11

The Company closely monitors the impact of exchange rate changes on the Company's foreign exchange risk. The Company has not taken any measures to avoid foreign exchange risks. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currency to RMB on the current profit and loss of the Group is as follows (in RMB ten thousands):

Increase (decrease) in after-tax profits	Balance for the year		Balance for the prior year	
Increase in exchange rate of USD	5%	-15,301.13	5%	-34,049.11
Decrease in exchange rate of USD	-5%	15,301.13	-5%	34,049.11
Increase in exchange rate of Euro	5%	-237.95	5%	-2,679.27
Decrease in exchange rate of Euro	-5%	237.95	-5%	2,679.27

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X. Risk relating to financial instruments (Cont'd)

2. Capital management

The objective of the Group's capital risk management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net liabilities divided by total capital. As at 31 December 2019, the Group's gearing ratio is 73.11% (31 December 2018: 75.43%).

XI. Fair value

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

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement of fair value	—	—	—	—
(I) Other non-current financial assets		147,445,653.55		147,445,653.55
(II) Biological assets				
1. Consumable biological assets		1,541,004,633.42		1,541,004,633.42
Total assets continuously measured at fair value		1,688,450,286.97		1,688,450,286.97

During the year, there were no transfers of fair value measurements of financial assets and financial liability between Level 1 and Level 2 and no transfers into or out of Level 3.

2. Quantitative Information About Significant Unobservable Inputs Used in the Level 3 Fair Value Measurement that Are Significant

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range (ton/RMB)
Equity instrument investments:				
Shandong Hongqiao Venture Capital Co., Ltd.	96,445,653.55	Cost method		
Consumable biological assets:				
Forestry	1,541,004,633.42	Replacement cost method	Cost per mu for the first year of Eucalyptus	800.00
			Cost per mu for the first year of Pines	580.00
		Roll back method of market price	Unit price per ton of Eucalyptus wood	580.00
			Unit price per ton of wet pine	540.00
			Unit price per ton of Chinese fir	850.00

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XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Co., Ltd.	Shouguang	Investment in manufacture of paper, electricity, steam, and arboriculture	1,238,787,700.00	27.87%	27.87%

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 IX. 3. 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
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company
Xuchang Chenming Paper Co., Ltd.	An associate of the Company
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Company
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	An associate of the Company
Jiangxi Chenming Port Co., Ltd.	An associate of the Company
Weifang Xingxing Joint Chemical Co., Ltd	A joint venture of the Company
Guangdong Nanyue Bank Co., Ltd.	An associate of the Company

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

4. Other related parties

Name of other related parties	Relation
Shandong Shouguang Jinxin Investment Development Holdings Group Co., Ltd.	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 the Company's Supervisors
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Supervisors
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Investee of the Company
Anhui Time Source Corporation	Investee of the Company
Shandong Hongqiao Venture Capital Co., Ltd.	Investee of the Company
Shanghai Hengzheng Venture Investment Center (Limited Partnership)	Investee of the Company
Lide Technology Co., Ltd.	Investee of the Company
Jiangxi Jiuyu Energy Co., Ltd. and its subsidiaries	Directors and senior management served by the Company's Directors in the past twelve months
Chen Hongguo, Hu Changqing, Li Xingchun, Geng Guanglin, Li Feng, Chen Gang, Dong Lianming and Yuan Xikun	Key management personnel

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

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amount for the reporting period	Transaction facility approved	Whether the Transaction facility is exceeded	Amount for the prior period
Jiangxi Jiuyu Energy Co., Ltd.	Procurement of natural gas and medium oil, etc.	381,124,206.33	600,000,000.00	No	347,639,077.35
Weifang Xingxing Joint Chemical Co., Ltd.	Procurement of hydrogen peroxide etc.	80,638,768.49		No	85,728,655.93

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
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity and gas	7,064,454.19	6,528,609.08
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	13,402,439.72	19,056,566.01

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

5. Related party transactions (Cont'd)

(2) Guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Weifang Sime Darby West Port Co., Ltd.	135,000,000.00	2017-12-20	2027-12-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	135,000,000.00	2019-2-2	2020-1-31	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,600,977.22	2019-1-14	2020-1-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019-1-22	2020-1-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2019-2-15	2020-2-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019-3-22	2020-3-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2019-6-3	2020-6-2	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	89,000,000.00	2019-7-18	2020-1-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	53,000,000.00	2019-7-29	2020-1-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2019-8-16	2020-8-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2019-8-21	2020-8-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	86,000,000.00	2019-9-12	2020-3-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019-9-12	2020-3-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2019-9-6	2020-9-6	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,108,549.49	2019-8-7	2020-8-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,000,000.00	2019-10-9	2020-10-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019-10-14	2020-10-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2019-10-16	2020-10-15	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	2019-11-1	2020-4-28	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	29,500,000.00	2019-11-5	2020-5-4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2019-11-27	2020-5-20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	91,875,000.00	2019-11-22	2020-5-22	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2019-11-25	2020-5-25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	34,000,000.00	2019-11-5	2020-11-4	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	2019-11-8	2020-11-7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2019-11-13	2020-11-13	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,668,000.00	2019-11-5	2020-11-14	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2019-12-5	2020-6-5	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	97,000,000.00	2019-12-9	2020-12-8	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019-12-17	2020-12-16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019-10-12	2020-3-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,461,960.00	2019-11-13	2020-11-5	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	48,833,400.00	2015-6-3	2020-5-21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14,000,000.00	2015-6-5	2020-5-21	No

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

5. Related party transactions (Cont'd)

(2) Guarantee

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.	15,347,640.00	2018-2-13	2020-2-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,000,000.00	2018-2-23	2020-2-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	2018-2-26	2020-2-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	10,000,000.00	2018-2-28	2020-2-11	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2018-10-31	2020-10-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	330,000,000.00	2018-10-31	2020-10-30	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2018-12-18	2020-10-31	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019-7-12	2021-7-12	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019-12-4	2021-12-3	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2019-12-27	2022-12-27	No
Shandong Chenming Paper Sales Co., Ltd.	690,643,800.00	2019-1-24	2020-1-16	No
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2019-3-19	2020-3-13	No
Shandong Chenming Paper Sales Co., Ltd.	50,000,000.00	2019-5-29	2020-5-28	No
Shandong Chenming Paper Sales Co., Ltd.	150,000,000.00	2019-7-30	2020-6-12	No
Shandong Chenming Paper Sales Co., Ltd.	270,000,000.00	2019-7-30	2020-7-29	No
Shandong Chenming Paper Sales Co., Ltd.	280,000,000.00	2019-9-6	2020-3-6	No
Shandong Chenming Paper Sales Co., Ltd.	254,102,620.85	2019-11-5	2020-5-4	No
Shandong Chenming Paper Sales Co., Ltd.	420,133,926.55	2019-11-22	2020-5-21	No
Shandong Chenming Financial Leasing Co., Ltd.	200,000,000.00	2017-9-21	2020-9-21	No
Huanggang Chenming Pulp & Paper Co., Ltd.	75,000,000.00	2016-6-24	2020-3-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,770,000.00	2016-6-24	2020-6-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	530,000.00	2017-1-5	2020-6-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,240,000.00	2017-1-5	2020-9-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	2017-1-5	2020-12-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	2017-1-5	2021-3-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017-1-5	2021-6-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017-1-5	2021-9-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	2017-2-3	2021-9-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	2017-2-3	2021-12-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017-2-3	2022-3-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017-2-3	2022-6-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	2018-9-19	2020-6-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,264,554.67	2018-11-14	2020-9-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	44,360,657.92	2017-4-12	2020-3-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	66,431,750.00	2017-4-12	2020-6-26	No
Huanggang Chenming Pulp & Paper Co., Ltd.	10,316,460.00	2019-9-29	2020-9-28	No

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

5. Related party transactions (Cont'd)

(2) Guarantee

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.	200,000,000.00	2019-12-23	2020-12-22	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2019-1-7	2020-1-7	No
Jiangxi Chenming Paper Co., Ltd.	64,285,135.37	2019-1-18	2020-1-15	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2019-2-28	2020-2-28	No
Jiangxi Chenming Paper Co., Ltd.	22,800,000.00	2019-3-15	2020-3-14	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2019-3-21	2019-3-21	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2019-3-29	2020-3-29	No
Jiangxi Chenming Paper Co., Ltd.	90,000,000.00	2019-3-29	2020-3-29	No
Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2019-5-22	2020-5-21	No
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	2019-12-6	2020-12-4	No
Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2019-12-2	2020-3-2	No
Jiangxi Chenming Paper Co., Ltd.	19,360,407.00	2019-6-28	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	2019-7-1	2020-6-27	No
Jiangxi Chenming Paper Co., Ltd.	300,000,000.00	2019-10-23	2022-6-27	No
Jiangxi Chenming Paper Co., Ltd.	85,000,000.00	2019-11-22	2022-6-27	No
Shouguang Meilun Paper Co., Ltd.	114,750,000.00	2019-8-6	2020-2-3	No
Shouguang Meilun Paper Co., Ltd.	249,935,732.90	2019-9-30	2020-9-30	No
Shouguang Meilun Paper Co., Ltd.	100,000,000.00	2019-10-16	2020-1-14	No
Shouguang Meilun Paper Co., Ltd.	99,507,360.09	2019-12-9	2020-12-3	No
Shouguang Meilun Paper Co., Ltd.	168,622,526.92	2019-12-9	2020-6-8	No
Chenming (HK) Limited	133,006,977.54	2019-6-19	2020-6-10	No
Chenming (HK) Limited	271,095,132.00	2019-1-12	2020-1-10	No
Chenming (HK) Limited	31,352,288.05	2018-4-23	2021-4-7	No
Chenming (HK) Limited	144,686,388.00	2018-5-4	2021-4-6	No
Chenming (HK) Limited	83,016,780.00	2018-5-17	2021-5-5	No
Chenming (HK) Limited	52,181,976.00	2019-4-30	2022-4-22	No
Chenming (HK) Limited	140,221,620.00	2018-5-11	2020-4-11	No
Chenming (HK) Limited	97,666,800.00	2018-11-30	2020-10-30	No
Jilin Chenming Paper Co., Ltd.	196,031,220.00	2019-3-15	2020-1-17	No
Jilin Chenming Paper Co., Ltd.	40,000,000.00	2019-9-3	2020-3-17	No
Jilin Chenming Paper Co., Ltd.	20,025,000.00	2019-11-15	2020-5-14	No
Jilin Chenming Paper Co., Ltd.	48,000,000.00	2019-11-15	2020-5-14	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30,000,000.00	2019-8-30	2020-8-7	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	20,000,000.00	2019-12-27	2020-12-24	No
Total	12,912,203,217.01			

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

5. Related party transactions (Cont'd)

(3) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Starting date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	708,440,865.27	3 September 2019	2 September 2020	
Lending				
Weifang Sime Darby West Port Co., Ltd.	59,500,000.00	9 July 2018	8 July 2022	

(4) Interests of related party lending and borrowing

Related party	Details of related party transaction	Amount during the year	Amount during the prior year
Weifang Sime Darby West Port Co., Ltd.	Interest income	4,052,621.83	2,363,749.98
Chenming Holdings Co., Ltd.	Interest expenses	27,905,072.21	4,820,277.79

(5) Remuneration of key management staff

Unit: RMB

Item	Amount during the year	Amount during the prior year
Remuneration of key management staff	3,057.25	2,460.15

(6) Other related party transactions

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amount during the year	Amount during the prior year
Total	3,057.25	RMB24.6015 million
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million	2	1
RMB3.60-4.00 million		
RMB3.20-3.60 million		
RMB2.80-3.20 million	1	
RMB2.40-2.80 million	1	
RMB2.00-2.40 million	2	3
RMB1.60-2.00 million	3	1
RMB1.20-1.60 million		5
RMB0.80-1.20 million	2	1
Below RMB0.80 million	21	15

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

5. Related party transactions (Cont'd)

(6) Other related party transactions (Cont'd)

② Breakdown of remuneration of key management staff

Key management staff	Amount during the year (RMB' 0,000)			Total (RMB' 0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Yin Meiqun	11.67			11.67
Yang Biao	11.67			11.67
Sun Jianfei	11.67			11.67
Pan Ailing	11.20			11.20
Huang Lei	5.37			5.37
Liang Fu	5.37			5.37
Wang Fengrong	5.37			5.37
Sub-total of independent non-executive Directors				
Directors	62.32			62.32
Li Chuanxuan	11.67			11.67
Han Tingde	11.67			11.67
Yang Guihua	5.37			5.37
Zhang Hong	11.20			11.20
Sub-total of non-executive Directors	39.91			39.91
Chen Hongguo	488.20	7.1	3.7	499.00
Hu Zhangqing	288.90	11.10	3.90	303.90
Li Xingchun	499.00	499.00		499.00
Geng Guanglin	151.60	7.10	3.70	162.40
Li Feng	176.00	7.10	3.70	186.80
Chen Gang	86.70	6.50	3.50	96.70
Sub-total of executive Directors	1690.40	38.90	18.50	1747.80
Pan Ailing				Reflected in the aforementioned independent non-executive Directors
Zhang Hong				Reflected in the aforementioned non-executive Directors
Li Xinggui	17.10	5.30	2.00	24.40
Qiu Lanju	20.70	4.20	2.00	26.90
Li Dong	0			
Sun Yinghua	7.30	3.60	2.50	13.40
Zhang Xiaofeng	1.12			1.12
Total of Supervisor	46.22	13.10	6.50	65.82
Sub-total of other senior management members	1,068.90	45.20	27.30	1,141.40
Total	2,907.75	97.20	52.30	3,057.25

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

5. Related party transactions (Cont'd)

(6) Other related party transactions (Cont'd)

② Breakdown of remuneration of key management staff (Cont'd)

Key management staff	Amount during the year (RMB' 0,000)			Total (RMB' 0,000)
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Pan Ailing	12.00			12.00
Huang Lei	12.00			12.00
Liang Fu	12.00			12.00
Wang Fengrong	12.00			12.00
Sub-total of independent non-executive Directors	48.00			48.00
Yang Guihua	12.00			12.00
Zhang Hong	12.00			12.00
Sub-total of non-executive Directors	24.00			24.00
Chen Hongguo	491.03	5.63	2.34	499.00
Hu Changqing	190.46	7.82	1.72	200.00
Yin Tongyuan	120.9	1.82	1.48	124.20
Geng Guanglin	146.24	5.63	2.34	154.21
Li Feng	132.51	5.63	2.34	140.48
Chen Gang	178.12	5.63	2.34	186.09
Sub-total of executive Directors	1259.26	32.16	12.56	1303.98
Li Dong				0
Sun Yinghua	60.05	5.63	2.34	68.02
Yang Hongqin	12.90	2.17	0.83	15.90
Zhang Xiaofeng	2.50			2.50
Total of Supervisors	75.45	7.80	3.17	86.42
Sub-total of other senior management members	946.77	34.54	16.48	997.79
Total	2,353.48	74.5	32.21	2,460.19

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

5. Related party transactions (Cont'd)

(6) Other related party transactions (Cont'd)

- ③ The 5 highest paid individuals of the Company during the year comprised of 3 directors and 2 other senior management members of the Company. The remuneration bands of the 2 senior management members were RMB2.00-2.40 million and RMB2.40-2.80 million.

A. Remuneration of the five highest paid individuals

Item	Amounts during the year (RMB' 0,000)	Amounts during the prior year (RMB' 0,000)
Basic annual remuneration	1,751.10	1262.58
Provident fund	15.00	11.08
Social welfare contribution	32.40	30.34
Total	1,798.50	1304.00

B. Distribution band of remuneration of the five highest paid individuals

Band of annual remuneration	Number of individuals during the year	Number of individuals during the prior year
RMB4.80-5.20 million	2	1
RMB3.20-3.60 million		
RMB2.80-3.20 million	1	
RMB2.40-2.80 million	1	
RMB2.00-2.40 million	1	3
RMB1.60-2.00 million		1
RMB1.20-1.60 million		

- ④ During the year, no other emoluments were paid by the Company to the directors of the Company and the 5 highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the year.

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

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt	Book balance	Bad debt
Prepayments	Shouguang Hengyuan Energy Co., Ltd.	20,179,937.87		25,586,691.33	
Other receivables	Shouguang Hengyuan Energy Co., Ltd.	10,000,000.00	757,910.97		
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	2,008,185.60	61,132.76	774,832.20	38,741.61
Prepayments	Jiangxi Jiuyu Energy Co., Ltd.	15,358,225.83		33,567,041.92	
Other receivables	Weifang Sime Darby West Port Co., Ltd.	64,889,583.26	5,151,661.58	60,836,961.43	304,184.80

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Weifang Xingxing Joint Chemical Co., Ltd	26,905,494.34	18,544,025.96
Other payables	Chenming Holdings Co., Ltd.	708,440,865.27	376,000,000.00
Other payables	Shouguang Hengtai Enterprise Investment Company Limited		44,392,007.69
Accounts payable	Jiangxi Jiuyu Energy Co., Ltd.	3,054,956.65	
Other current liabilities	Guangdong Nanyue Bank Co., Ltd.		400,000,000.00
Other non-current liabilities	Guangdong Nanyue Bank Co., Ltd.	400,000,000.00	

(3) Deposits with related parties

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	85,668.46	996,956.00
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	2,414,668,000.00	355,113,225.32

(4) Loans from related parties

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	2,948,970,000.00	496,670,000.00

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XIII. Undertaking and contingency

1. Significant commitments

Significant commitments as at the balance sheet date

(1) Capital commitment

Item	Closing balance	Opening balance
Contracted but not yet recognised in the financial statements		
Commitments in relation to acquisition and construction of long-term assets	260,421,348.84	1,463,816,242.90
Total	260,421,348.84	1,463,816,242.90

2. Contingency

(1) Significant contingency as at the balance sheet date

In October 2005, the Company and Hong Kong ArjowigginsHKK2Limited (“HKK2”) jointly established ArjoWiggins Chenming Specialty Paper Co., Ltd. in Shouguang, Shandong Province, which is engaged in the production of special paper, decoration paper and draft paper. However, such company experienced poor management due to financial crisis. Hence, such company was forced to dissolve in October 2008.

In October 2012, HKK2 submitted for arbitration application to Hong Kong International Arbitration Centre, Hong Kong Special Administration of PRC, on the ground of default of the joint venture agreement by the Company. In November 2015, Hong Kong International Arbitration Centre announced arbitration result, stating that the Company should compensate HKK2 with economic loss of RMB167 million, arbitration fee of HK\$3.30 million and legal fee of USD3.54 million, together with interest thereon calculated at 8% per annum. In October 2016, the Company received a statutory demand, stating that if the Company fails to perform the arbitration results within 21 days, the liquidation application on H shares of the Company will be submitted. Subsequently, HKK2 submitted H shares liquidation application to the arbitration centre.

In November 2016, the Company submitted application to the Court of First Instance of the High Court of the HKSAR and received an injunction, stating that “the applicant is prohibited from applying for liquidation on the Company”.

In February 2017, HKK2 submitted an appeal to the court. In June 2017, the court dismissed the injunction received by the Company. In the same month, the Company received the liquidation application submitted by the defendant to the High Court of Hong Kong, which alleged that the Company should compensate the defendant with economic loss of RMB167 million, legal fee of USD3.54 million and arbitration fee of HK\$3.30 million, together with interest thereon due to failure in compliance of the arbitration results.

In 2017, the Company made provision of RMB325,259,082.28 for the pending litigation. However, as of 31 December 2019, judgment of the court of Hong Kong was yet to be made, and the expected loss was uncertain. Hence, such provision was still stated under the balance sheet.

As at 31 December 2019, the Group has no other contingency that should be disclosed.

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XIV. Post-balance sheet event

1. Significant events after the balance sheet date

Unit: RMB

Item	Content	Effect to financial positions and operating results	Reason for not reliably estimated
Significant external Investment	Investment in overseas subsidiaries		Establishing a company has a wide-ranging impact on financial conditions and operating results

2. Profit distribution after the balance sheet date

Unit: (RMB)

Prefits or dividends declared upon approval 610,109,834.70

3. Description of other events after the balance sheet date

As of 27 March, 2019 (the date of approval of the report by the Board of Directors), the Group has no other events that should be disclosed after the balance sheet date.

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XV. Other material matters

1. Discontinued operation

Unit: RMB

Item	Amount for the period	Amount for the last period
Revenue from discontinued operations (A)	278,633,403.31	421,749,990.14
Less: Termination of operating expenses (B)	203,049,365.06	282,840,629.66
Total profit from discontinued operations (C)	75,584,038.25	138,909,360.48
Less: income tax expense for termination of operations (D)	11,759,914.64	16,901,157.85
Net profit from operating activities (E = C-D)	63,824,123.61	122,008,202.63
Asset impairment loss/(reversal) (F)		
Total proceeds from disposal (G)	277,000,000.00	
Disposal of related income tax expenses (H)	41,550,000.00	
Net profit of disposal (I = G-H)	235,450,000.00	
Net profit from discontinued operations (J = E + F + I)	299,274,123.61	122,008,202.63
Of which: Discontinued operating profit attributable to shareholders of the parent company	179,564,474.17	48,803,281.05
Discontinued operating profit attributable to minority shareholders	119,709,649.44	73,204,921.58
Net cash flow from operating activities	41,903,992.38	75,115,059.89
Net cash flow from investing activities	-33,026,830.74	-94,118,688.20
Net cash flow from financing activities	0.00	32,071,241.87

2. Segment information

(1) Basis for determination and accounting policies

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating business is divided into 5 reporting segments. These report segments are determined based on the financial information required by the company's daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The Group's reporting segments include:

- (1) Machine paper segment, which is responsible for production and sales of machine paper;
- (2) Financial services segment, which provides financial services;
- (3) Magnesium ore segment, which produces and sells magnesium ore;
- (4) Investment real estate segment, which is responsible for real estate rental;
- (5) Other segments, which is responsible for the above segments otherwise.

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XV. Other material matters (Cont'd)

2. Segment information (Cont'd)

(1) Basis for determination and accounting policies (Cont'd)

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These accounting policies and measurement basis are consistent with the accounting policies and measurement basis used in preparing the financial statements.

(2) Financial Information of Reporting Segment

Unit: (RMB' 0,000)

Item	Machine paper	Financial Services	Magnesite	Investment real estate	Others	Inter-segment offset	Total
Main business income	2,780,454.93	239,856.57	27,863.34	10,509.43	76,415.73	95,556.59	3,039,543.41
Main business cost	2,088,496.22	90,577.44	12,511.28	13,695.70	63,180.48	91,072.69	2,177,388.43
Total assets	9,045,841.65	3,178,178.27		574,470.33	477,198.61	3,479,797.86	9,795,890.99
Total liabilities	6,842,942.67	1,631,402.71		310,649.29	251,954.72	1,875,035.70	7,161,913.71

4. Government Subsidies

(1) Government subsidies included in deferred income will be subsequently measured using the gross method

Unit: RMB

Item of subsidies	Type	Opening Balance	New subsidy amount for the period	Amount transferred to profit or loss for the period	Others	Closing balance	Presentable items transferred to profit or loss	Asset-related/ return-related
National Science and Technology Support Program Project Funding	Financial appropriation	1,617,224.68		164,699.68		1,452,525.00	Other revenue	Asset-related
Sewage treatment and water saving reconstruction	Financial appropriation	64,466,819.64		1,192,682.93		63,274,136.71	Other revenue	Asset-related
Financial subsidies for technical transformation project	Financial appropriation	180,966,256.91		12,783,808.11		168,182,448.80	Other revenue	Asset-related
Funding for environmental protection	Financial appropriation	749,420,276.75		49,191,971.56		700,228,305.19	Other revenue	Asset-related
Industrial logistics park reconstruction compensation	Financial appropriation	51,960,000.00				51,960,000.00		Asset-related
Zhanjiang Forest Pulp & Paper Integration Item	Financial appropriation	71,141,834.42		4,094,632.92		67,047,201.50	Other revenue	Asset-related
Huanggang Forest Pulp and Paper Integration Item	Financial appropriation	681,564,072.66				681,564,072.66		Asset-related
Others	Financial appropriation	61,258,712.55		23,954,067.30		37,304,645.25	Other revenue · financial cost	Asset-related
Total		1,862,395,197.61		91,381,862.50		1,771,013,335.11		

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XV. Other material matters (Cont'd)

4. Government Subsidies (Cont'd)

(2) Government subsidies calculated into the current profit and loss using the total method

Unit: RMB

Subsidy Item	Type	Amount credited to profit or loss for the prior period	Amount credited to profit or loss for the period	Presentable items included in profit or loss	Asset-related/revenue-related
National Science and Technology Support Program					
Project Funding	Financial appropriation	164,700.00	164,700.00	Other revenue	Asset-related
Sewage treatment and water saving reconstruction	Financial appropriation	1,192,682.88	1,192,682.88	Other revenue	Asset-related
Financial subsidies for technical transformation items	Financial appropriation	13,582,557.60	110,054,807.72	Other revenue	Asset-related
Zhanjiang Forest Pulp & Paper Integration Item	Financial appropriation	5,396,664.12	4,094,632.92	Other revenue	Asset-related
Industrial logistics park reconstruction compensation	Financial appropriation	6,626,701.00	4,705,900.00	Other revenue	Asset-related
Financial discount	Financial appropriation	235,712,512.89	22,364,612.22	financial cost	Asset-related
Research and development grants	Financial appropriation	3,766,800.00	74,923,512.88	Other revenue	revenue-related
Funding for environmental protection	Financial appropriation	49,261,012.64	49,361,843.85	Other revenue	revenue-related
Risk subsidy	Financial appropriation	29,000,000.00	0.00	Other revenue	revenue-related
Government awards	Financial appropriation	586,334.54	228,000,000.00	Other revenue	revenue-related
VAT is levied and reimbursed immediately	Financial appropriation	4,699,443.06	1,217,058.15	Other revenue	revenue-related
Afforestation subsidy	Financial appropriation	14,230,270.00	3,891,820.00	Other revenue	revenue-related
Tax return	Financial appropriation	24,863,195.05	80,382,428.92	Other revenue	revenue-related
Enterprise reform and development subsidies	Financial appropriation	203,933,687.56	31,070,010.00	Non-operating income	revenue-related
Investment promotion subsidy	Financial appropriation	0.00	41,542,500.00	Non-operating income	revenue-related
Others	Financial appropriation	40,491,906.20	17,307,907.75	Non-operating income, Other revenue	revenue-related
Total		633,508,467.54	670,274,417.29		

4. Net Current Assets and Total Assets less Current Liabilities

(1) Net current assets

	2019.12.31	2018.12.31
Current assets	4,495,243.39	4,796,751.18
Less: Current liabilities	5,269,876.89	6,141,468.86
Net current assets	-774,633.50	-1,344,717.68

(2) Total assets less current liabilities

	2019.12.31	2018.12.31
Total assets	9,795,890.99	10,531,873.48
Less: Current liabilities	5,269,876.89	6,141,468.86
Total assets less current liabilities	4,526,014.10	4,390,404.63

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XVI. Major Item Notes of the Parent Company's Financial Statements

1. Bill receivable

Bill type	Closing balance		Opening Balance	
	Book balance	Provision for bad debts	Book value	Book balance
Bank acceptance bill	2,230,000,000.00		2,230,000,000.00	436,662,187.80
Commercial acceptance draft	1,024,460,000.00		1,024,460,000.00	436,662,187.80
Total	3,254,460,000.00		3,254,460,000.00	436,662,187.80

(1) Bill receivable pledged at the end of the period

Type	Amount pledged at the end of the period
Bank acceptance bill	152,714,290.24
Commercial acceptance draft	
Total	152,714,290.24

(2) Bills receivable endorsed or discounted at the end of the period but not yet due

Type	Amount determined at the end of the period	Amount not confirmed at the end of the period
Bank acceptance bill	420,262,029.16	2,230,000,000.00
Commercial acceptance draft		1,024,460,000.00
Total	420,262,029.16	3,254,460,000.00

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XVI. Major Item Notes of the Parent Company's Financial Statements

2. Accounts receivable

(1) Disclosure of Receivables classified

Unit: RMB

Type	Book balance		Closing balance			Book balance		Opening Balance		
	Amount	Proportion	Amount	Accrual ratio	Book value	Amount	Proportion	Amount	Accrual ratio	Book value
Accounts receivable with single item										
provision for bad debts	778,063.57	1.73%	778,063.57	100.00%						
Of which:										
Total accounts receivable with bad debt										
provision by group	44,083,258.79	98.27%	4,878,588.79	11.07%	39,204,670.00	1,349,962,797.42	100.00%	685,832.38	0.05%	1,349,276,965.04
Of which:										
Receivables from related parties	31,427,654.36	70.06%	157,138.27	0.50%	31,270,516.09	1,342,192,951.98	99.42%			1,342,192,951.98
Receivables from dealer customers	12,655,604.43	28.21%	4,721,450.52	37.31%	7,934,153.91	7,769,845.44	0.58%	685,832.38	8.83%	7,084,013.06
Total	44,861,322.36	100.00%	5,656,652.36	12.61%	39,204,670.00	1,349,962,797.42	100.00%	685,832.38	0.05%	1,349,276,965.04

Provision for bad debts per single item:

Name	Book balance	Provision for bad debts	Closing balance	
			Expected credit loss rate (%)	Reasons for provision
SANAYE GHAZAIYE MASTER FOODEH CO.	778,063.57	778,063.57	100%	Iran clients less likely to repay
Total	778,063.57	778,063.57	100%	

XIII Financial Report

XVI. Major Item Notes of the Parent Company's Financial Statements (Cont'd)

2. Accounts receivable (Cont'd)

(1) Disclosure of Receivables classified (Cont'd)

Total provision for bad debts by group:

Total accounts item by group: Accounts receivable from related parties

Unit: RMB

Aging	Accounts receivable	Closing balance Provision for bad debts	Expected credit loss rate
With 1 year	31,427,654.36	157,138.27	0.50%
Total	31,427,654.36	157,138.27	0.50%

Total accounts item by group: Accounts receivable from non-related parties

Unit: RMB

Aging	Accounts receivable	Closing balance Provision for bad debts	Expected credit loss rate
With 1 year	8,152,783.26	218,629.35	2.68%
1-2 years			
2-3 years			
Over 3 years	4,502,821.17	4,502,821.17	100.00%
Total	12,655,604.43	4,721,450.52	37.31%

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XVI. Notes to major items in financial statement of the Company (Cont'd)

2. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

If the provision for bad debts of accounts receivable is made in accordance with the general model of ECLs, please disclose the information about provision for bad debts with reference to the way of disclosure of other receivables:

Applicable Not applicable

Disclosed by ageing:

Ageing	Unit: RMB Book balance
Within 1 year (including 1 year)	40,358,501.19
1-2 years	
2-3 years	
Over 3 years	4,502,821.17
Total	44,861,322.36

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

Provision of bad debt provision for the period:

Category	Opening balance	Changes in the period			Closing balance
		Provision	Recovery or reversal	Written off	
Bad debt provision	685,832.38	4,970,819.98			5,656,652.36

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

The top five accounts receivable based on closing balance of debtors for the period amounted to RMB38,430,605.62 in total, accounting for 85.67% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB4,648,891.69 in total.

XIII Financial Report

XVI. Notes to major items in financial statement of the Company (Cont'd)

3. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	0	77,257,506.25
Other receivables	13,975,590,537.58	19,328,057,454.99
Total	13,975,590,537.58	19,405,314,961.24

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Fixed term deposit	0	77,257,506.25
Total	0	77,257,506.25

(2) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	14,082,545,251.05	19,297,217,793.30
Guarantee deposit	5,454,233.36	45,241,076.47
Advances	526,752.62	7,681,197.42
Insurance premium	13,979.13	9,958,377.28
Reserve and borrowings	8,089,922.34	466,935.72
Others	74,361,611.85	39,175,451.96
Total	14,170,991,750.35	19,399,740,832.15

XIII Financial Report

XVI. Notes to major items in financial statement of the Company (Cont'd)

3. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision

As at the end of the period, bad debt provision in phase 1 is analyzed as follows:

Unit: RMB

Type	Book balance	Expected credit loss rate in the next 12 months	Provision for bad debts	Book value	Reason
Provision for bad debts per item	92,164,832.92			92,164,832.92	
Interest receivable	92,164,832.92			92,164,832.92	
Dividends receivable					
Total provision for bad debts by group	14,168,200,849.23	1.36%	192,610,311.64	13,975,590,537.59	
Receivables from government	1,577,924.30	100%	1,577,924.30		
Receivables from related parties	13,041,636,606.52	0.5%	65,208,183.03	12,976,428,423.49	
Other receivables	1,124,986,318.41	11.18%	125,824,204.31	999,162,114.10	
Total	14,260,365,682.15	1.35%	192,610,311.64	14,067,755,370.51	

As at the end of the period, bad debt provision in phase 3 is analyzed as follows:

Category	Book balance	Expected credit loss rate over the entire life	Bad debt provision	Book value	Reason
Shouguang Paper Mill No.2	1,500,000.00	100%	1,500,000.00		Overdue for a prolonged period and unlikely to be recovered.
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,290,901.12	100%	1,290,901.12		Overdue for a prolonged period and unlikely to be recovered.
Total	2,790,901.12	100%	2,790,901.12		

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XVI. Notes to major items in financial statement of the Company (Cont'd)

3. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision (Cont'd)

Changes in carrying book balances with significant changes in loss provision for the year

Applicable Not applicable

Disclosed by ageing:

Unit: RMB

Ageing	Book balance
Within 1 year (including 1 year)	10,816,421,382.30
1-2 years	3,307,579,124.71
2-3 years	6,172,674.00
Over 3 years	40,818,569.34
Subtotal	14,170,991,750.35

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

Provision of bad debt provision for the period:

Unit: RMB

Category	Opening balance	Changes in the period			Closing balance
		Provision	Recovery or reversal	Written off	
Bad debt provision	71,683,377.16	123,717,835.61		195,401,212.77	

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XVI. Notes to major items in financial statement of the Company (Cont'd)

3. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

4) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the period was RMB11,142,774,722.18, which accounted for 78.63% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB55,713,873.61.

4. Long-term equity investments

Unit: RMB

Item	Closing balance		Opening balance	
	Book balance	Impairment provision	Book value	Book value
Investment in subsidiaries	23,275,652,649.90		23,275,652,649.90	22,114,152,649.90
Investment in joint ventures	93,516,339.37		93,516,339.37	106,732,692.50
Investment in associates	266,605,874.56	5,994,545.96	260,611,328.60	266,532,100.84
Total	23,635,774,863.83	5,994,545.96	23,629,780,317.87	22,487,417,443.24

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XVI. Notes to major items in financial statement of the Company (Cont'd)

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

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Additional contribution	Change for the period		Others	Closing balance (book value)	Closing balance provision of impairment
			Withdrawn contribution	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			0.00	
Hailaer Chenming Paper Co., Ltd.	12,000,000.00					12,000,000.00	
Huanggang Chenming Pulp & Paper Co., Ltd.	1,250,000,000.00	1,000,000,000.00				2,250,000,000.00	
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.	264,493,210.21					264,493,210.21	
Shandong Grand View Hotel Co., Ltd.	80,500,000.00					80,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,027,500,000.00	27,500,000.00				5,055,000,000.00	
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00					10,000,000.00	
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80					113,616,063.80	
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	100,000,000.00				762,641,208.20	
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.	4,000,000,000.00					4,000,000,000.00	
Chenming Arboriculture Co., Ltd.	45,000,000.00					45,000,000.00	
Shanghai Chenming Industry Co., Ltd.	3,000,000,000.00					3,000,000,000.00	
Chenming (HK) Limited	118,067,989.55					118,067,989.55	
Chenming Paper USA Co., Ltd.	6,407,800.00					6,407,800.00	
Shandong Coated Paper Sales Co. Ltd.		20,000,000.00				20,000,000.00	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)		158,000,000.00				158,000,000.00	
Total	22,114,152,649.90	1,305,500,000.00	144,000,000.00			23,275,652,649.90	

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XVI. Notes to major items in financial statement of the Company (Cont'd)

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

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance (book value)	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance (book value)	Closing balance provision of impairment
					Adjustment of other comprehensive income	Other change in equity interest						
I. Joint ventures												
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd												
	3,572,834.79			2,216,832.82			2,000,000.00				3,789,667.61	
Weifang Sime Darby West Port Co., Ltd.												
	103,159,857.71			-13,433,185.95							89,726,671.76	
Subtotal	106,732,692.50			-11,216,353.13			2,000,000.00				93,516,339.37	
II. Associates												
Jiangxi Jiangbao Media Colour Printing Co., Ltd												
	811,998.75			-811,998.75							0	
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)												
	52,253,817.72			159,172.19							52,412,989.91	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)												
	199,585,216.94			-56,369.42							199,528,847.52	
Chenming (Qingdao) Asset Management Co., Ltd.												
	7,886,521.47			782,969.70							8,669,491.17	
Xuchang Chenming Paper Co., Ltd.												
	5,994,545.96							5,994,545.96		0.00	5,994,545.96	
Subtotal	266,532,100.84			73,773.72				5,994,545.96			260,611,328.60	5,994,545.96
Total	373,264,793.34			-11,142,579.41			2,000,000.00	5,994,545.96			354,127,667.97	5,994,545.96

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XVI. Notes to major items in financial statement of the Company (Cont'd)

5. Revenue and operating costs

Unit: RMB

Item	Amount for the reporting period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	5,832,105,007.21	4,281,782,302.88	4,196,033,317.73	2,902,204,877.94
Other activities	1,082,049,793.98	994,302,334.92	1,478,808,522.94	1,378,583,504.42
Total	6,914,154,801.19	5,276,084,637.80	5,674,841,840.67	4,280,788,382.36

Whether the New Revenue Standard has been implemented

Yes No

6. Investment income

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method	1,085,829,000.00	590,000,000.00
Income from long-term equity investments accounted for using the equity method	-11,142,579.41	-16,957,355.99
Investment gain on disposal of long-term equity investments	277,000,000.00	
Investment gain from disposal of held-for-trading financial assets	784,345.77	155,750,000.00
Total	1,352,470,766.36	728,792,644.01

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XVII. Supplementary information

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

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets	135,669,108.82	
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	623,277,014.49	
Gain arising from investment costs for acquisition of subsidiaries, associates and joint-ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition	364,597,001.77	
Profit or loss from debt restructuring	-55,792,548.82	
Change in fair value of consumable biological assets	26,692,741.61	
Non-operating gains and losses other than the above items	24,876,982.31	
Less: Effect of income tax	131,148,729.27	
Effect of minority interest	33,934,072.32	
Total	954,237,498.59	

The Company defines non-recurring profit and loss according to the definition in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss and classifies non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss as nonrecurring profit and loss, please explain the reason.

Applicable Not applicable

2. Return 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	5.57%	0.33	0.33
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	0.09%	0.01	0.01

3. Accounting data difference under accounting standard at home and abroad

(1) Differences of net profit and net assets disclosed in financial reports prepared under IAS and Chinese accounting standards

Applicable Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under oversea and Chinese accounting standards

Applicable Not applicable

XIV Documents Available for Inspection

- I. The financial statements signed and sealed by the legal representative, financial representative and head of the financial department of the Company;
- II. The original copy of the auditor's report which is sealed by the accounting firm and signed and sealed by the certified public accountant;
- III. The original copies of the documents and announcements of the Company disclosed in the designated newspaper and on the website as approved by the CSRC during the reporting period;
- IV. The annual report disclosed on the website of the Stock Exchange of Hong Kong Limited;
- V. Other related information.



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