



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

2020

INTERIM 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 interim report, guarantee that there are no false representations, misleading statements or material omissions contained in the interim 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 interim report.

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

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

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

I Important Notice, Table of Contents and Definitions

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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
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
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
Hongtai Real Estate	means	Shanghai Hongtai Real Estate Co., Ltd.
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)
Corporate Bonds	means	18 Chenming Bond 01 and 17 Chenming Bond 01
Preference Shares	means	Chenming You 01, Chenming You 02 and Chenming You 03
Perpetual Bonds	means	17 Lu Chenming MTN001 and 17 Lu Chenming MTN002
B shares	means	Chenming B
Grant Thornton	means	Grant Thornton (Special General Partnership)
reporting period	means	The period from 1 January 2020 to 30 June 2020
the beginning of the year or the period	means	1 January 2020
the end of the interim period or the period	means	30 June 2020

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業 晨鳴B 晨鳴優01 晨鳴優02 晨鳴優03	Stock code	000488 200488 140003 140004 140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

	Secretary to the Board	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	0536-2158008	+852-21629600
Facsimile	0536-2158977	+852-25010028
Email address	chenmmingpaper@163.com	liamchu@li-partners.com

III. Other information

1. Contact methods of the Company

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

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2019 Annual Report for details.

2. Information disclosure and places for inspection

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

Applicable Not applicable

There was no change of the newspapers designated by the Company for information disclosure, designated websites for the publication of the interim report as approved by CSRC and places for inspection of the Company's interim report during the reporting period. Please refer to 2019 Annual Report for details.

II Company Profile and Key Financial Indicators

IV. Major accounting data and financial indicators

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

Yes No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	13,599,805,765.86	13,348,648,113.70	1.88%
Net profit attributable to shareholders of the Company (RMB)	516,326,703.48	509,795,572.29	1.28%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	67,882,116.23	303,144,996.21	-77.61%
Net cash flows from operating activities (RMB)	2,327,033,784.68	2,699,770,891.69	-13.81%
Basic earnings per share (RMB per share)	0.051	0.013	292.31%
Diluted earnings per share (RMB per share)	0.051	0.013	292.31%
Rate of return on weighted average net assets	0.84%	0.21%	Increase by 0.63 percentage point

	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Total assets (RMB)	99,034,079,672.06	97,958,909,935.15	1.10%
Net assets attributable to shareholders of the Company (RMB)	24,907,632,671.76	25,169,743,863.75	-1.04%

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

Net profit attributable to shareholders of the Company does not exclude the effect on interest of perpetual bonds and the dividends on preference shares paid and declared to be paid. When calculating financial indicators such as earnings per share and the rate of return on weighted average net assets, the interest on perpetual bonds from 1 January 2020 to 30 June 2020 of RMB96,734,246.58 and the dividend on preference shares paid and declared to be paid in 2020 of RMB270,776,073.42 are deducted.

II Company Profile and Key Financial Indicators

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

3. Reasons for differences in accounting data under domestic and overseas accounting standards

Applicable Not applicable

VI. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount	Explanation
Profit or loss from disposal of non-current assets (including write-off of asset impairment provision)	13,758,306.22	
Government grants accounted for in profit or loss for the current period	767,184,012.96	
Change in fair value of consumable biological assets/change in fair value of other non-current financial assets	-9,246,743.86	
Non-operating income and expense other than the above items	-2,416,979.09	
Subtotal	769,278,596.23	
Less: Effects of income tax	179,535,882.21	
Effects of non-controlling interests (after tax)	141,298,126.77	
Total	448,444,587.25	

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

Applicable Not applicable

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

III Business Overview

I. Principal 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 integrated conglomerate principally engaged in pulp production and paper making. 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 forestry, 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 and thermal paper, with each major product ranking among the highest in terms of market share in China, with duplex press paper and electrostatic paper ranking first and white paper board and coated paper ranking second in their respective markets. 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 232 national patents including 19 patents for invention, with 7 products selected as national new products. The Company has obtained 14 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 62 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.

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.

III 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
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.
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.

III 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, establish synergistic relationships, leverage core enterprise scale advantages, and improve the competitiveness of the supply chain.

(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 forestry, 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

The Company has a mature sales network, and has set up specialised sales companies responsible for the development of domestic and overseas markets and product sales. 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.

The Company has 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.

(4) Research and development management model

The Company has strong research and development capabilities, which rank among the first in the industry. The Company has set up scientific research institutions including a national enterprise technology centre, the postdoctoral working station as well as state certified CNAS pulp and paper testing centre and Shandong Pulp and Paper Making Laboratory. In addition to its own technological innovation, the Company has also established technology development and talent training cooperation relationships with institutions of higher learning and research institutes such as Nanjing Forestry University, Qilu University of Technology, Qingdao University of Science and Technology and China National Pulp and Paper Research Institute Co., Ltd.

The Company has obtained 252 national patents including 19 patents for invention, with 7 products selected as national new products. The Company has obtained 15 science and technology progress awards above the provincial level and undertaken 5 national science and technology projects and 62 provincial technological innovation projects.

(II) Performance drivers

1. Prominent industry concentration

Prominent industry 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 mature sales network, and has set up specialised sales companies responsible for the development of domestic and foreign market and, product sales. Relying on the customer resources established for many years and good sales networks, the Company has successfully expanded its overseas markets.

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

III 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.

As environmental protection inspections by the National Development and Reform Commission and the Ministry of Environment become a long-term and common practice, and environmental protection production restriction policies are implemented based on classification and hierarchy, import quotas for waste paper continue to tighten. Against the backdrop of the waste paper import ban which will be implemented by the end of 2020, the forestry, pulp and paper integration strategy of the Company starts to work gradually. However, 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 rebounds, 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

Since recent years, the Company had been closely following the economic and market conditions in China and in the industry. 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 at the date of this report, the Company has invested more than RMB8,000 million in environmental protection projects. The Group has 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 metres.

The Company is the first to obtain ISO14001 environmental management system certification among its industry peers in China. The Company has been named the environmental friendly enterprise, the recycling economy exemplary enterprise, the outstanding energy efficiency unit, Environmentally Friendly Enterprise of Shandong Province, Circular Economy Demonstration Enterprise of Shandong Province, Advanced Unit for Saving Efficiency of Shandong Province and the outstanding unit in comprehensive utilisation of resources of Shandong Province, which reflects its outstanding achievements in both economic development and environment protection. Zhanjiang Chenming was awarded the title of "Green Factory" by the Ministry of Industry and Information Technology in 2019.

III Business Overview

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	During the reporting period, the Company made additional investment in Chenrong Fund.
Fixed assets	During the reporting period, the assets of the pulping project and biomass power generation project of Huanggang Chenming were transferred.
Construction in progress	During the reporting period, the assets of the pulping project and biomass power generation project of Huanggang Chenming were transferred.
Financial leasing assets	During the reporting period, the Company continuously reduced the scale of the financial leasing business, with net recovery of RMB1,056 million.
Inventories	During the reporting period, inventories of the Company increased due to the COVID-19 epidemic.

2. Major Assets Overseas

Applicable Not applicable

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

As at 30 June 2020, the Group's current ratio was 82.81%. The quick ratio was 72.80%. The gearing ratio was 73.49%.

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

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

As at 30 June 2020, the total bank borrowings, corporate bonds, short-term commercial paper and medium-term notes of the Group were RMB49,527 million, RMB1,628 million, RMB151 million and RMB3,384 million, respectively (as at the end of the prior year: the total bank borrowings, corporate bonds, medium-term notes and short-term commercial paper of the Group were RMB48,544 million, RMB2,157 million, RMB3,043 million and RMB222 million, respectively). As at 30 June 2020, the Group had monetary funds of RMB19,302 million (as at the end of the prior year: RMB19,307 million) in total (For the breakdown of monetary funds, please refer to X. VII. 1 Note on Monetary Funds in this report).

To strengthen its financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2020, the Group had 12,649 employees. The total staff remuneration for the first half of 2020 amounted to RMB632.5982 million (The Group had 13,677 employees in 2019. The total staff remuneration for 2019 amounted to RMB1,348.4511 million).

There will be no major investment project of the Company during the second half of 2020.

The Company's existing bank deposits were primarily used for production and operation, construction projects and investment in technology research and developments.

For details of the assets with restricted ownership of the Group as at 30 June 2020, please refer to X. VII. 62. Details of assets with restricted ownership or right to use in this report.

For details of the contingent event required to be disclosed by the Group as at 30 June 2020, please refer to X. VII. 34 Provisions.

III Business Overview

IV. 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 integrated conglomerate principally engaging in pulp production and paper making. 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 reporting period, the Company had 4,300,000-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.

III Business Overview

IV. 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. The Company has scientific research institutions such as the national enterprise technology centre, the post-doctoral scientific research station, and the nationally recognised CNAS Pulp and Paper Testing Center. The Company has obtained 232 national patents, including 19 patents for invention and 7 products selected as national new products. The Company has obtained 14 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 62 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.

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 invested more than RMB8 billion to construct 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 metres.

IV Discussion and Analysis of Operations

I. Overview

During the reporting period, the paper making industry was greatly affected by the epidemic. The overseas epidemic outbreak suppressed the overseas demand for paper products. In addition, the domestic demand for paper had been sluggish since the epidemic. The downward pressure on the prices of major paper types had increased. There was a significant decline in the economic benefit of the paper making industry as a whole.

Wuhan Chenming and Huanggang Chenming, subsidiaries of the Company, were at the centre of the epidemic. Their suspension of production to fight against the epidemic affected the overall performance of the Company to a certain extent. However, other major production bases of the Company not only did their best to prevent and control the epidemic, but also achieved production at close to full capacity, gradually demonstrating the benefits of pulp and paper integration. Various operating indicators improved during the first half of the year as compared to the corresponding period of last year, including completing pulp production of 1.66 million tonnes and machine-made paper production of 2.75 million tonnes, representing a year-on-year increase of 59.70% and 27.90% respectively; achieving revenue of RMB13.6 billion, representing a year-on-year increase of 1.88%; and achieving net profit of RMB516 million, steadily increasing from the corresponding period of last year.

In the second half of the year, with the epidemic further under control, the economy is expected to gradually regain its vitality, market demand will gradually rebound, and the prices of the Company's major paper types will steadily rise. Coupled with the gradual recovery of wood pulp market prices, the core advantage of pulp and paper balance of the Company will be further brought into play. The performance of the Company will significantly improve with the recovery of the national economy and market conditions.

II. Analysis of principal operations

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

Year-on-year changes in major financial information

Unit: RMB

Item	During the reporting period	During the corresponding period of the prior year	Increase/decrease year on year	Reason for the change
Revenue	13,599,805,765.86	13,348,648,113.70	1.88%	
Operating costs	10,185,300,033.31	9,754,097,799.82	4.42%	
Selling and distribution expenses	652,742,420.35	590,584,957.47	10.52%	Transportation expenses increased year on year during the reporting period.
Administrative expenses	491,987,245.33	562,417,399.25	-12.52%	Depreciation expenses decreased year on year during the reporting period.
Research and development expense	548,557,146.89	431,483,716.06	27.13%	The Company increased efforts in research and development during the reporting period.
Finance expenses	1,346,217,562.46	1,516,848,723.80	-11.25%	Interest expenses of the Company decreased year on year during the reporting period.
Net cash flows from operating activities	2,327,033,784.68	2,699,770,891.69	-13.81%	The net recovery of the Leasing Company decreased year on year during the reporting period.
Net cash flows from investing activities	94,823,534.32	-2,094,526,965.30	104.53%	The payment for the equity interest in Nanyue Bank was made during the corresponding period of last year.
Net cash flows from financing activities	-3,094,384,197.10	-780,976,710.04	-296.22%	The Company reduced its debts during the reporting period.

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

Applicable Not applicable

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

IV Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

Components of revenue

Unit: RMB

	During the reporting period		During the corresponding period of the prior year		Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	13,599,805,765.86	100%	13,348,648,113.70	100%	1.88%

By industry

Machine-made paper	11,558,358,972.70	84.99%	11,561,215,578.29	86.61%	-0.02%
Electricity and steam	77,835,853.84	0.57%	90,744,501.22	0.68%	-14.23%
Chemical products	65,927,709.45	0.48%	56,149,320.48	0.42%	17.41%
Construction materials	178,629,808.17	1.31%	126,059,123.60	0.94%	41.70%
Hotel	7,284,272.63	0.05%	13,188,285.58	0.10%	-44.77%
Financial leasing	523,141,507.84	3.85%	947,166,321.20	7.10%	-44.77%
Others	1,188,627,641.23	8.74%	554,124,983.33	4.15%	114.51%

By product

Duplex press paper	3,132,410,469.07	23.03%	3,213,175,197.38	24.07%	-2.51%
Coated paper	1,791,146,258.55	13.17%	1,556,419,430.61	11.66%	15.08%
White paper board	3,188,834,251.43	23.45%	3,712,516,190.44	27.81%	-14.11%
Electrostatic paper	1,869,067,585.37	13.74%	1,121,377,047.63	8.40%	66.68%
Anti-sticking raw paper	480,463,979.97	3.53%	619,876,429.25	4.64%	-22.49%
Other machine-made paper	1,096,436,428.31	8.06%	1,337,851,282.98	10.02%	-18.04%
Electricity and steam	77,835,853.84	0.57%	90,744,501.22	0.68%	-14.23%
Chemical products	65,927,709.45	0.48%	56,149,320.48	0.42%	17.41%
Construction materials	178,629,808.17	1.31%	126,059,123.60	0.94%	41.70%
Hotel	7,284,272.63	0.05%	13,188,285.58	0.10%	-44.77%
Financial leasing	523,141,507.84	3.85%	947,166,321.20	7.10%	-44.77%
Others	1,188,627,641.23	8.74%	554,124,983.33	4.15%	114.51%

By geographical segment

Mainland China	11,957,574,405.64	87.92%	11,249,807,122.53	84.28%	6.29%
Other countries and regions	1,642,231,360.22	12.08%	2,098,840,991.17	15.72%	-21.76%

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

√ Applicable □ Not applicable

IV Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

Components of revenue (Cont'd)

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	11,558,358,972.70	8,953,332,081.47	22.54%	-0.02%	-1.68%	1.30%
Financial leasing	523,141,507.84	54,916,315.24	89.50%	-44.77%	-46.77%	0.40%
By product						
Duplex press paper	3,132,410,469.07	2,399,209,094.08	23.41%	-2.51%	-2.55%	0.03%
Coated paper	1,791,146,258.55	1,373,594,825.68	23.31%	15.08%	10.96%	2.85%
White paper board	3,188,834,251.43	2,466,957,387.87	22.64%	-14.11%	-20.68%	6.41%
Electrostatic paper	1,869,067,585.37	1,405,945,384.28	24.78%	66.68%	71.00%	-1.90%
Anti-sticking raw paper	480,463,979.97	346,351,242.25	27.91%	-22.49%	-20.97%	-1.39%
Financial leasing	523,141,507.84	54,916,315.24	89.50%	-44.77%	-46.77%	0.40%
By geographical segment						
Mainland China	11,957,574,405.64	8,698,744,557.97	27.25%	6.29%	9.25%	-1.94%
Other countries and regions	1,642,231,360.22	1,486,555,475.34	9.48%	-21.76%	-15.52%	-7.22%

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

Affected by the overseas novel coronavirus epidemic, the Company's machine-made paper sale in other countries and regions decreased, and revenue decreased during the reporting period.

III. Analysis of non-principal operations

Applicable Not applicable

IV Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

Item	As at the end of the reporting period		As at the end of the prior year		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Accounts receivable financing	1,418,702,732.26	1.43%	442,915,861.70	0.45%	0.98%	Number of bills held at the end of the reporting period increased from the beginning of the year.
Other receivables	3,129,061,804.47	3.16%	2,216,654,598.66	2.26%	0.90%	Final payment of relocation compensation of Wuhan Chenming was not received by the end of the reporting period.
Fixed assets	38,215,983,514.51	38.59%	34,439,935,032.69	35.16%	3.43%	The assets of the pulping project and biomass power generation project of Huanggang Chenming were transferred.
Construction in progress	598,051,166.87	0.60%	5,476,122,928.95	5.59%	-4.99%	
Bills payable	2,747,606,761.17	2.77%	1,515,048,206.00	1.55%	1.22%	During the reporting period, the Company increased its payment for goods with bills.

IV Discussion and Analysis of Operations

IV. Assets and liabilities (Cont'd)

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Other changes	Closing balance
Financial assets								
Other non-current financial assets	147,445,653.55							147,445,653.55
Subtotal of financial assets	147,445,653.55							147,445,653.55
Consumable biological assets	1,541,004,633.42	-9,246,743.86			31,725,785.63	6,729,888.54		1,556,753,786.65
Total	1,688,450,286.97	-9,246,743.86			31,725,785.63	6,729,888.54		1,704,199,440.20

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

Yes No

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

Unit: RMB

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	18,718,827,955.87	As deposits for bank acceptance bills, letters of credit and bank borrowings, and deposit reserves
Bills receivable	624,106,580.39	As collateral for short-term borrowings, letters of guarantee and letters of credit
Fixed assets	9,433,004,439.14	As collateral for bank borrowings and long-term payables
Intangible assets	855,039,400.00	As collateral for bank borrowings and long-term payables
Investment property	4,581,606,847.89	As collateral for bank borrowings
Total	34,212,585,223.29	–

V. Analysis of Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of the prior year (RMB)	Change
42,000,000.00	1,890,000,000.00	-97.78%

IV Discussion and Analysis of Operations

V. Analysis of Investments (Cont'd)

2. Material equity investments during the reporting period

Applicable Not applicable

3. Material non-equity investments during the reporting period

Applicable Not applicable

4. Financial assets measured at fair value

Applicable Not applicable

Unit: RMB

Category of asset	Initial investment cost	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Purchase amount during the reporting period	Amount sold during the reporting period	Cumulative investment income	Closing balance	Source of fund
Other non-current financial assets	147,445,653.55						147,445,653.55	Self-owned funds
Total	147,445,653.55						147,445,653.55	-

5. 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.

VI. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

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

2. Disposal of material equity interest

Applicable Not applicable

IV Discussion and Analysis of Operations

VII. Analysis of major subsidiaries and investees

Applicable Not applicable

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

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhejiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of pulp, duplex press paper, and electrostatic paper	5,550,000,000	23,173,377,185.88	8,694,068,953.57	5,491,037,594.32	247,556,739.81	238,666,765.98
Shandong Chenming Group Finance Co., Ltd.	Subsidiary	Financial service	5,000,000,000	10,896,995,232.49	5,497,129,464.35	196,779,902.79	147,287,423.74	109,679,944.36
Shanghai Chenming Industrial Co., Ltd.	Subsidiary	Business consulting, property management and material sales	3,000,000,000	5,659,980,259.75	2,510,297,785.53	35,672,030.09	-130,618,251.69	-127,912,577.85
Guangdong Nanyue Bank Co., Ltd.	Associate	Financial service	7,877,476,000	225,927,232,071.20	18,047,154,466.30	2,372,383,445.87	961,364,313.81	746,448,582.48

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
Shouguang Chenming Industrial Logistics Co., Ltd.	Disposal	Net profit increase by RMB3.97 million
Qingdao Chenming International Logistics Co., Ltd.	Disposal	Net profit increase by RMB360,000
Chenming (Overseas) Co., Ltd.	Establishment	Nil
Chenming (Singapore) Co., Ltd.	Establishment	Nil

VIII. Structured entities controlled by the Company

Applicable Not applicable

IX. Estimate of the operating results from January to September 2020

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

Applicable Not applicable

IV Discussion and Analysis of Operations

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

1. Macroeconomic risk

Paper making industry is a basic raw materials industry, with particularly significant cyclicity, and its prosperity is positively correlated with macroeconomic trends. Since the first half of the year, the epidemic has affected the growth of the national economy, and weak consumer demand in the market has directly affected 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, making use of cost advantages to steadily address to the crises.

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, the Sino-US trade war in recent years has also had effect on the exports of the Company to a certain extent.

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.

3. 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.

For this purpose, the Company adheres to the development path of "forestry, pulp and paper integration". With the operation commencement of the Huanggang Chenming and Shouguang Meilun chemical wood pulp projects, the Company currently has three pulp mills in Zhanjiang, Huanggang and Shouguang, the largest wood pulp production capacity in China. With production capacity of more than 4.3 million tonnes, it is the first integrated forestry, pulp and paper enterprise in China with self-sufficiency in wood pulp and perfect complementary pulp and paper production capacity. In the future, the gross profit rate of its products will increase significantly, and its anti-risk capability will also be effectively enhanced.

IV Discussion and Analysis of Operations

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

4. 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.

In recent years, the Company and its subsidiaries have invested more than RMB8 billion to construct 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 metres.

5. 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. 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 control for its projects. Besides, its clients are mostly state-owned enterprises and government platforms, with strong risk resistance and low risk of default. In addition, the financial leasing company has been continuously reducing the scale of the financial leasing business in recent years, adhering to the policy of "continuous reduction".

V Material Matters

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

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of investors	Convening date	Disclosure date	Disclosure index
2020 first extraordinary general meeting	Extraordinary general meeting	3.41%	9 March 2020	10 March 2020	http://www.cninfo.com.cn
2020 second extraordinary general meeting	Extraordinary general meeting	9.03%	15 May 2020	16 May 2020	http://www.cninfo.com.cn
2020 first class meeting for holders of domestic-listed shares	Class meeting	7.74%	15 May 2020	16 May 2020	http://www.cninfo.com.cn
2020 first class meeting for holders of overseas listed shares	Class meeting	14.94%	15 May 2020	16 May 2020	http://www.cninfo.com.cn
2019 annual general meeting	Annual general meeting	29.39%	19 June 2020	20 June 2020	http://www.cninfo.com.cn

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

Applicable Not applicable

II. Profit distribution and conversion of capital reserves into share capital during the reporting period

Applicable Not applicable

The Company does not propose distribution of cash dividends and bonus shares, and increase of share capital from reserves for the interim period.

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

Applicable Not applicable

During the reporting period, there was no undertaking made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period.

IV. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

The interim financial report is unaudited.

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

Applicable Not applicable

VI. Opinions of the Board regarding the "modified auditor's report" for the prior year

Applicable Not applicable

V Material Matters

VII. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VIII. Litigation

Material litigation and arbitration

Applicable Not applicable

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

Other litigations

Applicable Not applicable/

IX. Media questioning

Applicable Not applicable

Issue questioned by the media	Disclosure date	Disclosure index
Some media reported that the People's Procuratorate of Nanchang City prosecuted Jiangxi Chenming Paper Co., Ltd. and 7 persons including Guo XX and Li XX for environmental pollution crimes.	19 June 2020	http://www.cninfo.com.cn

X. Punishment and rectification

Applicable Not applicable

Name	Type	Reason	Type of investigation punishment	Conclusion (if any)	Disclosure date	Disclosure index
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Excessive emissions of suspended matter	Administrative penalty by the environmental protection department	In November 2019, during a daily environmental protection inspection of Jiangxi Chenming, Nanchang Ecological Environment Bureau found that the suspended matter in the wastewater discharged from its wastewater treatment outlet was 55 mg/L, which exceeded the standard by 0.83 time. Therefore, Jiangxi Chenming was fined RMB401,000. As of the date of the report, the above violation has been corrected and the fine has been paid.	Not applicable	Not applicable
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Excessive discharge of water pollutants	Administrative penalty by the environmental protection department	During an environmental protection inspection of Zhanjiang Chenming, Zhanjiang Ecological Environment Bureau found that the rainwater discharge outlet of the rainwater channel in the Zhanjiang Chenming factory area had excessive discharge of water pollutants. Therefore, Zhanjiang Chenming was fined RMB1 million. As of the date of the report, the above violation has been corrected and the fine has been paid.	Not applicable	Not applicable

V Material Matters

X. Punishment and rectification (Cont'd)

Rectification

Applicable Not applicable

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 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 that the rectification for out-of-limit waste water (SS standard) of Jiangxi Chenming had been completed.

After Zhanjiang Chenming discovered that water pollutants flowed outside its factory, it immediately suspended the cleaning of the reservoir and shut down the production system of the section where the green liquid tank was located. Meanwhile, emergency measures were initiated to prevent the continuous outflow of water pollutants within a very short time. The water pollutants trapped in the factory were recycled to the sewage treatment system and the rainwater gutter was thoroughly cleaned. After the implementation of the above measures, when the relevant department conducted a sampling inspection again in the water area connected to the rainwater discharge outlet the next day, the relevant indicators met the national standards, and the rectification measures achieved good results.

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

Applicable Not applicable

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

Applicable Not applicable

1. On 30 March 2020, the ninth extraordinary meeting of the ninth session of the Board of the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary, the Resolution in Relation to the Assessment Management Measures for the Implementation of the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited, and the Resolution in Relation to the Authorisation Granted by the General Meeting to the Board to Deal with Matters Relating to the Share Incentive Scheme of the Company. On the same date, the fourth extraordinary meeting of the ninth session of the Supervisory Committee of the Company considered and approved the above resolutions and verified the list of proposed participants of the incentive scheme. Independent Directors of the Company issued independent opinions on the incentive scheme.
2. On 3 April 2020, the Company announced the list of participants through the Company's internal website for a period from 3 April 2020 to 12 April 2020. During the period, the Supervisory Committee of the Company and relevant departments did not receive any objection against the proposed participants. The Supervisory Committee verified the list of participants under the grant of the incentive scheme.

For details, please refer to the Explanation on the Status of Announcement and Review Opinions of the Supervisory Committee Regarding the List of Participants under 2020 Restricted A Share Incentive Scheme disclosed by the Company on CNINFO (www.cninfo.com.cn) on 8 May 2020.

V Material Matters

XII. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company (Cont'd)

3. On 15 May 2020, the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary, the Resolution in Relation to the Assessment Management Measures for the Implementation of the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited, and the Resolution in Relation to the Authorisation Granted by the General Meeting to the Board to Deal with Matters Relating to the Share Incentive Scheme of the Company were considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company. On 16 May 2020, the Company disclosed the Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme.
4. On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company. The independent Directors of the Company issued independent opinions thereon, agreed that the Board shall make adjustments to the list of proposed participants and the number of shares to be granted, and considered that the participants were legally and validly qualified and that the grant date determined was in compliance with relevant requirements.
5. On 28 June 2020, Grant Thornton issued a Capital Verification Report (Zhi Tong Yan Zi (2020) No. 371ZC00199), in which they verified the Company's subscription contribution status for the share incentive scheme as of 23 June 2020, and considered that:

The original registered capital of the Company was RMB2,904,608,200.00, and the paid-up capital (share capital) was RMB2,904,608,200.00. According to the resolutions passed at the Company's 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares, the provisions of the amended Articles of Association, as well as the approval Shou Guo Zi [2020] No.7 issued by the State-owned Assets Supervision and Administration Bureau of Shouguang City, the Company applied to increase its registered capital by RMB79,600,000.00 to RMB2,984,208,200.00. After our verification, as of 23 June 2020, the Company received from shareholders a subscription amount of RMB225,864,104.00 (RMB TWO HUNDRED TWENTY FIVE MILLION EIGHT HUNDRED SIXTY-FOUR THOUSAND ONE HUNDRED AND FOUR, net of issue expenses of RMB995,896.00), including the share capital of RMB79,600,000.00 and the capital reserve of RMB146,264,104.00

As at 23 June 2020, the registered capital after such change was RMB2,984,208,200.00, and the accumulated paid-up capital (share capital) was RMB2,984,208,200.00.

V Material Matters

XIII. 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 as the amount of similar transactions	Amount of transactions approved (RMB' 0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Jiangxi 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	6,860.61	0.67%	60,000	No	Bank acceptance and telegraphic transfer	Not applicable	29 March 2020	http://www.cninfo.com.cn
Total				-	-	6,860.61	-	60,000	-	-	-	-	-
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

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

Debts payable to any related party:

Related party	Relationship with the Company	Reason	Opening balance (RMB' 0,000)	Amount increased during the current period (RMB' 0,000)	Amount recovered during the current period (RMB' 0,000)	Interest rate	Interest for the current period (RMB' 0,000)	Closing balance (RMB' 0,000)
CHENMING HOLDINGS COMPANY LIMITED	The controlling shareholder of the Company	Financial support	70,844.09	82,222.97	153,067.06	7%	537.06	0
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.							

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XIII. 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.

XIV. 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.

XV. 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 RMB5,225.2927 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB94.5389 million.

As at 30 June 2020, 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 RMB13,357.9020 million, representing 53.63% of the equity attributable to shareholders of the Company as at June 2020.

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.

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XV. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Unit: RMB' 0,000

External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)								
Name of obligee	Date of the related Announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Weifang Sime Darby West Port Co., Ltd	24 July 2017	17,500	20 December 2017	13,500	General guarantee	10 years	No	No
Total external guarantees approved during the reporting period (A1)		0	Total actual external guarantees during the reporting period (A2)					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

Guarantees between the Company and its subsidiaries								
Name of obligee	Date of the related Announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	14 June 2018	200,000	31 October 2018	510,451.50	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	1,088,000			General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 March 2020	200,000			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	31 March 2020	162,372.86	General guarantee	5 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	100,000	21 September 2017	2,500.00	General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000			General guarantee	7 years	No	No
Shanghai Chenming Financial Leasing Co., Ltd.	14 February 2018	50,000			General guarantee	3 years	No	No
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	14 February 2018	50,000			General guarantee	3 years	No	No
Guangzhou Chenming Financial Leasing Co., Ltd.	14 February 2018	50,000			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	5 January 2017	112,777.75	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	22 November 2019	161,305.00	General guarantee	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	9 December 2019	65,122.73	General guarantee	10 years	No	No

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XV. 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	Guarantees between the Company and its subsidiaries					Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date	Guarantee provided	Type of guarantee	Term		
Shouguang Meilun Paper Co., Ltd.	30 March 2019	100,000			General guarantee	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	27 March 2020	400,000			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	30 November 2018	67,934.88	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	6 March 2020	11,805.35	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
Nanchang Chenming Arboriculture Development Co., Ltd.	27 March 2020	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 Pulp & Paper Sales Co., Ltd.	30 March 2019	300,000	27 December 2019	3,500.00	General guarantee	5 years	No	No
Shanghai Chenming Industry Co., Ltd.	11 October 2018	400,000			General guarantee	3 years	No	No
Shanghai Hongtai Real Estate Co., Ltd.	27 March 2020	140,000			General guarantee	10 years	No	No
Shanghai Hongtai Property Management Co., Ltd.	27 March 2020	10,000			General guarantee	5 years	No	No
Chenming (Overseas) Co., Ltd.	27 March 2020	100,000			General guarantee	5 years	No	No
Chenming (Singapore) Co., Ltd.	27 March 2020	100,000			General guarantee	5 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		960,000			Total amount of guarantee provided for subsidiaries during the reporting period (B2)			522,829.27
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		7,921,000			Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)			1,097,770.08

V Material Matters

XV. 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	Amount of guarantee	Guarantees between subsidiaries				Fulfilled or not	Guarantee to related parties or not
			Guarantee date	Guarantee provided	Type of guarantee	Term		
Chenming (HK) Limited	30 March 2019	200,000	2 April 2019	199,597.52	General guarantee	5 years	No	No
Chenming (HK) Limited	30 March 2019	100,000	19 March 2020	24,922.60	General guarantee	5 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					9,453.89
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		300,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)					224,520.12
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)		960,000	Total amount of guarantee during the reporting period (A2+B2+C2)					532,283.16
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		8,238,500	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)					1,335,790.20
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company								53.63%
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)								471,827.86
Total amount of guarantee provided in excess of 50% of net assets (F)								90,408.56
Sum of the above three amount of guarantee (D+E+F)								562,236.43

(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 wealth management

Applicable Not applicable

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

4. Other material contracts

Applicable Not applicable

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

V Material Matters

XVI. Fulfilment of Social Responsibility

1. Major 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	Pollutant emission standards implemented		Total emissions	Approved total emissions	Excessive emissions
					Emission concentration				
Shandong Chenming Paper Holdings Limited	COD	Organised emission	2	Within Chenming Industrial Park	183.4mg/m ³	300mg/L	1767t	6510.74t	No
	Ammonia nitrogen	Organised emission	2	Within Chenming Industrial Park	6.9mg/m ³	30mg/L	62.219t	650.7t	No
	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	Power plant: 3.795mg/m ³	Power plant: 35mg/m ³	Power plant: 6.233t	Power plant: 160.32t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	Power plant: 32.5mg/m ³	Power plant: 50 mg/m ³	Power plant: 53.14t	Power plant: 233.91t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	Power plant: 0.828mg/m ³	Power plant: 5mg/m ³	Power plant: 1.3209t	Power plant: 23.39t	No
Shouguang Meilun Paper Co., Ltd.	Sulphur dioxide	Organised emission	4	Within Chenming Industrial Park	Power plant: 6.63mg/m ³	Power plant: 35mg/m ³	Power plant: 22.7436t	Power plant: 303.6t	No
					Alkali recovery: 2.59mg/m ³	Alkali recovery: 50mg/m ³	Alkali recovery: 10.712t	Alkali recovery: 119.51t	
					Lime kiln: 4.63mg/m ³	Lime kiln: 50mg/m ³	Lime kiln: 3.23t		
	Nitrogen oxide	Organised emission	4	Within Chenming Industrial Park	Power plant: 31.15mg/m ³	Power plant: 50mg/m ³	Power plant: 120.737t	Power plant: 616.02t	No
					Alkali recovery: 75.3mg/m ³	Alkali recovery: 100mg/m ³	Alkali recovery: 358.995t	Alkali recovery: 747.57t	
					Lime kiln: 8.81mg/m ³	Lime kiln: 100 mg/m ³	Lime kiln: 6.53t		
	Smoke	Organised emission	4	Within Chenming Industrial Park	Power plant: 0.836mg/m ³	Power plant: 5mg/m ³	Power plant: 2.6912t	Power plant: 64.693t	No
					Alkali recovery: 0.919mg/m ³	Alkali recovery: 10mg/m ³	Alkali recovery: 4.25t	Alkali recovery: 73.37t	
					Lime kiln: 1.33mg/m ³	Lime kiln: 10mg/m ³	Lime kiln: 0.905t		
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	COD	Organised emission	1	East of the factory area	23.99mg/l	80mg/L	22.71t	184.30t	No
	Ammonia nitrogen	Organised emission	1	East of the factory area	1.56mg/l	8 mg/L	1.48t	17.30t	No
	Sulphur dioxide	Organised emission	2	Within Qianneng Electric Power factory area	130t/h furnace: 8.36mg/m ³	50mg/m ³	3.481t	102.58t	No
					75t/h furnace: 4.8mg/m ³				
	Nitrogen oxide	Organised emission	2	Within Qianneng Electric Power factory area	130t/h furnace: 61.48mg/m ³	100 mg/m ³	26.789t	205.16t	No
Smoke	Organised emission	2	Within Qianneng Electric Power factory area	130t/h furnace: 2.79mg/m ³	20mg/m ³	1.079t	41.03t	No	
				75t/h furnace: 1.98mg/m ³					

V Material Matters

XVI. Fulfilment of Social Responsibility (Cont'd)

1. Major environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Jiangxi Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	26.54mg/L	90mg/L	123.355t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.29mg/L	8mg/L	5.958t	112t	No
	Sulphur dioxide	Organised emission	2	Within factory area	90.89mg/m ³	200mg/m ³	169.45t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	81.27mg/m ³	200 mg/m ³	176.376t	806t	No
	Smoke	Organised emission	2	Within factory area	10.23mg/m ³	30mg/m ³	12.976t	135t	No
Jilin Chenming Paper Co., Ltd.	COD	Organised emission	1	At the boundary of factory area	43.03mg/L	90mg/L	81.25t	357t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	1.34mg/L	8mg/L	2.22t	34t	No
	Sulphur dioxide	Organised emission	1	Within factory area	4.64mg/m ³	100mg/m ³	2.02t	97t	No
	Nitrogen oxide	Organised emission	1	Within factory area	32.28mg/m ³	100mg/m ³	10.21t	213t	No
	Smoke	Organised emission	1	Within factory area	13.34mg/m ³	30mg/m ³	3.8t	51.66t	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	1	Within factory area	45.612mg/L	90mg/L	414.101t	1943t	No
	Ammonia nitrogen	Organised emission	1	Within factory area	1.439mg/L	8mg/L	12.664t	43.9t	No
	Total phosphorus	Organised emission	1	Within factory area	0.229mg/L	0.8mg/L	2.068t	21.36t	No
	Total nitrogen	Organised emission	1	Within factory area	5.195mg/L	12mg/L	46.686t	320.4t	No
	Smoke	Organised emission	5	Within factory area	Alkali recovery: 16.707mg/m ³ Power plant 1#: 7.334mg/m ³ Power plant 2#: 7.846mg/m ³ Power plant 3#: 5.980mg/m ³ Power plant 4#: 4.206mg/m ³	Alkali recovery: 30mg/m ³ 1#2#3# circulating fluidised bed boilers furnace: 30mg/m ³ 4#circulating fluidised bed boilers furnace: 10mg/m ³	120.094t	196t	No
	Sulphur dioxide	Organised emission	5	Within factory area	Alkali recovery: 15.420mg/m ³ Power plant 1#: 10.279mg/m ³ Power plant 2#: 6.176mg/m ³ Power plant 3#: 12.335mg/m ³ Power plant 4#: 3.124mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3# circulating fluidised bed boilers furnace: 100mg/m ³ 4# circulating fluidised bed boilers furnace: 35mg/m ³	119.505t	620t	No
	Nitrogen oxide	Organised emission	5	Within factory area	Alkali recovery: 160.271mg/m ³ Power plant 1#: 13.745mg/m ³ Power plant 2#: 21.328mg/m ³ Power plant 3#: 25.334mg/m ³ Power plant 4#: 21.407mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3# circulating fluidised bed boilers furnace: 100mg/m ³ 4# circulating fluidised bed boilers furnace: 50mg/m ³	754.863t	2169.70t	No

V Material Matters

XVI. Fulfilment of Social Responsibility (Cont'd)

1. Major environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants		Number of emission outlets	Distribution of emission outlets	Pollutant emission standards implemented		Total emissions	Approved total emissions	Excessive emissions
	Way of emission	Emission concentration			Alkali furnace:	Lime kiln:			
Huanggang Chenming Pulp & Paper Co., Ltd.	Smoke	Continuous	2	Within factory area	Alkali furnace:	Alkali furnace:	Alkali furnace:	Alkali furnace:	No
					6.23mg/m ³	30mg/m ³	6.286t	124.357t	
					Lime kiln:	Lime kiln:	Lime kiln: 1.549t	Lime kiln: 26.44 t	
	Sulphur dioxide	Continuous	2	Within factory area	Alkali furnace:	Alkali furnace:	Alkali furnace:	Alkali furnace:	No
					11.56mg/m ³	200mg/m ³	7.049t	321.193t	
					Lime kiln:	Lime kiln:	Lime kiln: 13.905t	Lime kiln: 158.304 t	
	Nitrogen oxide	Continuous	1	Within factory area	Alkali furnace:	Alkali furnace:	Alkali furnace:	Alkali furnace:	No
					88.07 mg/m ³	850mg/m ³	152.64t	950.882 t	
	COD	Continuous	1	Within factory area	Alkali furnace:	Alkali furnace:	Alkali furnace:	Alkali furnace:	No
					164.52mg/m ³	200 mg/m ³	63.86t	563.72 t	
	Ammonia nitrogen	Continuous	1	Within factory area	Alkali furnace:	Alkali furnace:	Alkali furnace:	Alkali furnace:	No
					23.06 mg/m ³	150 mg/L	2.88t	40.12 t	

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) In recent years, the Company and its subsidiaries have invested more than RMB8 billion to construct 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 metres.
- (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.

V Material Matters

XVI. Fulfilment of Social Responsibility (Cont'd)

1. Major environmental protection matters (Cont'd)

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

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

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

Emergency plan for emergency environmental incidents

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

Environmental self-monitoring programme

The Company has strictly complied with self-monitoring laws and regulations, and conducted self-monitoring in accordance with the environmental protection requirements to establish and perfect the corporate environmental management ledgers and materials. At present, self-monitoring is a combination of manual monitoring and automatic monitoring. At the same time, qualified units are engaged to conduct regular monitoring. 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.

2. Fulfilment of social responsibility regarding targeted poverty relief

The Company did not commence any work regarding targeted poverty relief in the first half of the year and had no follow-up targeted poverty relief plan.

V Material Matters

XVII. Other matters of significance

√ Applicable Not applicable

1. Approval of registration of super & short-term commercial paper

On 16 February 2020, the super & short-term commercial paper issue of the Company was registered and approved by the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. SCP27) of the National Association of Financial Market Institutional Investors. The super & short-term commercial paper of the Company approved for registration amounted to RMB7 billion, and the registered amount was valid for 2 years from the issue date of the notice, and can be issued in tranches during the effective term of the registration.

For details, please refer to the relevant announcement (announcement no.: 2020-005) of the Company published on CNINFO on 17 February 2020.

2. Implementation of the 2020 restricted A shares incentive scheme

For details, please refer to XII. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company in V Material Matters of this report.

3. 2019 profit distribution plan for ordinary shares

On 19 June 2020, the Company convened the 2019 annual general meeting, at which the 2019 profit distribution plan was considered and approved: 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.

For details, please refer to the relevant announcement (announcement no.: 2020-053) of the Company published on CNINFO on 20 June 2020.

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XVII. Other matters of significance (Cont'd)

4. Information disclosure index for the first half of 2020

Announcement no.	Subject matter	Date of publication	Publication website and index
2020-001	Announcement on Resolutions of the Seventh Extraordinary Meeting of the Ninth Session of the Board	8 January 2020	http://www.cninfo.com.cn
2020-002	Announcement on the Establishment of Overseas Subsidiaries by Foreign Investment	8 January 2020	http://www.cninfo.com.cn
2020-003	Announcement on Pledge of Shareholders' Shares	22 January 2020	http://www.cninfo.com.cn
2020-004	Announcement on External Donations to Support the Fight Against the Novel Coronavirus Pneumonia	8 February 2020	http://www.cninfo.com.cn
2020-005	Announcement on Approval of Registration of Super & Short-term Commercial paper	18 February 2020	http://www.cninfo.com.cn
2020-006	The First Indicative Announcement on the Adjustment of the Coupon Rate of "18 Chenming Bond 01" and Repurchase Measure for Bondholders	19 February 2020	http://www.cninfo.com.cn
2020-007	Announcement on Resolutions of the Eighth Extraordinary Meeting of the Ninth Session of the Board	22 February 2020	http://www.cninfo.com.cn
2020-008	Announcement on Resolutions of the Third Extraordinary Meeting of the Ninth Session of the Supervisory Committee	22 February 2020	http://www.cninfo.com.cn
2020-009	Announcement on Delay in Increase of Shares of the Company by the Controlling Shareholder	22 February 2020	http://www.cninfo.com.cn
2020-010	Notice of 2020 First Extraordinary General Meeting	22 February 2020	http://www.cninfo.com.cn
2020-011	The Second Indicative Announcement on the Adjustment of the Coupon Rate of "18 Chenming Bond 01" and Repurchase Measure for Bondholders	21 February 2020	http://www.cninfo.com.cn
2020-012	The Third Indicative Announcement on the Adjustment of the Coupon Rate of "18 Chenming Bond 01" and Repurchase Measure for Bondholders	25 February 2020	http://www.cninfo.com.cn
2020-013	Announcement on Repurchase Report of Investor of "18 Chenming Bond 01"	28 February 2020	http://www.cninfo.com.cn
2020-014	Announcement on the Continued Pledge of Shares held by Shareholders	7 March 2020	http://www.cninfo.com.cn
2020-015	Announcement on the Distribution of Dividend of Preference Share	10 March 2020	http://www.cninfo.com.cn
2020-016	Announcement on Resolution of the 2020 First Extraordinary General Meeting	10 March 2020	http://www.cninfo.com.cn
2020-017	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Board	28 March 2020	http://www.cninfo.com.cn
2020-018	Announcement on Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	28 March 2020	http://www.cninfo.com.cn

V Material Matters

XVII. Other matters of significance (Cont'd)

4. Information disclosure index for the first half of 2020 (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2020-019	2019 Annual Report Summary	28 March 2020	http://www.cninfo.com.cn
2020-020	Notice of 2019 Annual General Meeting	28 March 2020	http://www.cninfo.com.cn
2020-021	Announcement on Appointment of Auditor for 2020	28 March 2020	http://www.cninfo.com.cn
2020-022	Announcement on the Cancellation of Guarantee Amount for Some Subsidiaries and the Expected Increase in New Guarantee Amount	28 March 2020	http://www.cninfo.com.cn
2020-023	Announcement on the Estimated Day-to-day Related Party Transactions for 2020	28 March 2020	http://www.cninfo.com.cn
2020-024	Announcement on Financial Assistance from a Subsidiary to Its Investee	28 March 2020	http://www.cninfo.com.cn
2020-025	Supplemental Announcement on Estimated Day-to-day Related Party Transactions for 2020	30 March 2020	http://www.cninfo.com.cn
2020-026	Announcement of Resolutions of the Ninth Extraordinary Meeting of the Ninth Session of the Board	31 March 2020	http://www.cninfo.com.cn
2020-027	Announcement of Resolutions of the Fourth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	31 March 2020	http://www.cninfo.com.cn
2020-028	Notice of 2020 Second Extraordinary General Meeting	31 March 2020	http://www.cninfo.com.cn
2020-029	Notice of 2020 First Class Meeting for Holders of Domestic-listed Shares and 2020 First Class Meeting for Holders of Overseas Listed Shares	31 March 2020	http://www.cninfo.com.cn
2020-030	Announcement on Public Solicitation of Voting Rights by Independent Directors	31 March 2020	http://www.cninfo.com.cn
2020-031	Announcement on Receipt of Government Subsidies by Subsidiaries	31 March 2020	http://www.cninfo.com.cn
2020-032	Announcement on Repurchase Report on Bondholders of "18 Chenming Bond 01"	31 March 2020	http://www.cninfo.com.cn
2020-033	Announcement on payment of 2020 interest with respect to the first tranche of corporate bonds publicly issued to qualified investors in 2018	31 March 2020	http://www.cninfo.com.cn
2020-034	Announcement on Pledge of Shares held by Shareholders	7 April 2020	http://www.cninfo.com.cn
2020-035	Announcement on Estimated Results for First Quarter of 2020	14 April 2020	http://www.cninfo.com.cn
2020-036	Announcement on the Release of Pledge of Shares held by Shareholders	15 April 2020	http://www.cninfo.com.cn
2020-037	Reply to the inquiry letter of Shenzhen Stock Exchange Regarding Annual Report	17 April 2020	http://www.cninfo.com.cn
2020-038	2020 First Quarterly Report	21 April 2020	http://www.cninfo.com.cn
2020-039	Announcement on Result of the Issue of 2020 First Tranche of Super & Short-term Commercial Paper	24 April 2020	http://www.cninfo.com.cn
2020-040	Announcement on Postponement of Resale of "18 Chenming Bond 01" Corporate Bonds	30 April 2020	http://www.cninfo.com.cn

V Material Matters

XVII. Other matters of significance (Cont'd)

4. Information disclosure index for the first half of 2020 (Cont'd)

Announcement no.	Subject matter	Date of publication	Publication website and index
2020-041	Announcement on Approval of 2020 Restricted A Share Incentive Scheme by the State-owned Assets Supervision and Administration Bureau of Shouguang City	6 May 2020	http://www.cninfo.com.cn
2020-042	The Explanation on the Status of Announcement and Review Opinions of the Supervisory Committee Regarding the List of Participants under 2020 Restricted A Share Incentive Scheme	8 May 2020	http://www.cninfo.com.cn
2020-043	Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme	16 May 2020	http://www.cninfo.com.cn
2020-044	Announcement on Resolutions of 2020 Second Extraordinary General Meeting, 2020 First Class Meeting for Holders of Domestic-listed Shares, and 2020 First Class Meeting for Holders of Overseas Listed Shares	16 May 2020	http://www.cninfo.com.cn
2020-045	Announcement on Receipt of Government Subsidies by Subsidiaries	28 May 2020	http://www.cninfo.com.cn
2020-046	Announcement on Resolutions of the Tenth Extraordinary Meeting of the Ninth Session of the Board	30 May 2020	http://www.cninfo.com.cn
2020-047	Announcement on Resolutions of the Fifth Extraordinary Meeting of the Ninth session of the Supervisory Committee	30 May 2020	http://www.cninfo.com.cn
2020-048	Announcement on Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme	30 May 2020	http://www.cninfo.com.cn
2020-049	Announcement on Grant of Restricted Shares to the Participants	30 May 2020	http://www.cninfo.com.cn
2020-050	Announcement on the Results of Resale of "18 Chenming Bond 01" Bonds	1 June 2020	http://www.cninfo.com.cn
2020-051	Announcement on Pledge of Shares held by Shareholders	6 June 2020	http://www.cninfo.com.cn
2020-052	Explanation on Media Coverage of a Subsidiary	19 June 2020	http://www.cninfo.com.cn
2020-053	Announcement on Resolutions of 2019 Annual General Meeting	20 June 2020	http://www.cninfo.com.cn
2020-054	Announcement on Resolutions of the Eleventh Extraordinary Meeting of the Ninth Session of the Board	20 June 2020	http://www.cninfo.com.cn
2020-055	Announcement on Estimated Securities Investment Quota for 2020	20 June 2020	http://www.cninfo.com.cn
2020-056	Supplemental Announcement on the Poll Results of 2020 Second Extraordinary Meeting, the 2020 First Class Meeting for Holders of Domestic-listed Shares, and 2020 First Class Meeting for Holders of Overseas-listed Shares	20 June 2020	http://www.cninfo.com.cn

V Material Matters

XVIII. Matters of significant of subsidiaries of the Company

√ Applicable Not applicable

1. Outbound investment and establishment of overseas subsidiaries

The Resolution in relation to the Establishment of Overseas Subsidiaries through Outbound Investment was considered and approved at the seventh extraordinary meeting of the ninth session of the Board of the Company on 7 January 2020 to propose to establish Chenming (Overseas) Co., Ltd. and Chenming (Singapore) Co., Ltd.

For details, please refer to the relevant announcement (announcement no.: 2020-002) of the Company published on CNINFO on 7 January 2019.

2. Cancellation of the guarantee amount for some subsidiaries and the expected increase of the guarantee amount

In order to strengthen the guarantee management of its subsidiaries, effectively control the Company's guarantee amount for its subsidiaries, combined with the capital needs and financing guarantee arrangements of its subsidiaries, the Company intended to cancel some of guarantee amount approved in the previous review but not actually used. At the same time, in order to guarantee the Company's related subsidiaries' project construction and normal production and operation needs, the Company intended to provide guarantees for the comprehensive credit lines to be applied by the relevant subsidiaries, with a total guarantee not exceeding RMB9,600.00 million, and the guarantee methods including security guarantee, mortgage guarantee and pledge guarantee. Among the total guarantee amount, the guarantee for subsidiaries with a gearing ratio higher than 70% amounted to RMB5,600.00 million and that for subsidiaries with a gearing ratio lower than 70% amounted to RMB4,000.00 million.

For details, please refer to the relevant announcement (announcement no.: 2020-022) of the Company published on CNINFO on 28 March 2020.

3. Explanation on matters related to media coverage of a subsidiary

For details, please refer to V Material Matters IX. Media questioning in this report.

VI Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Shares converted		Subtotal	Amount	Percentage
					from reserves	Others			
I. Restricted shares	10,580,524	0.36%	79,600,000	0	0	-34,925	79,565,075	90,145,599	3.02%
1. Shares held by other domestic investors	10,580,524	0.36%	79,600,000	0	0	-34,925	79,565,075	90,145,599	3.02%
Including: Shares held by domestic natural persons	10,580,524	0.36%	79,600,000	0	0	-34,925	79,565,075	90,145,599	3.02%
II. Non-restricted shares	2,894,027,676	99.64%	0	0	0	34,925	34,925	2,894,062,601	96.98%
1. RMB ordinary shares	1,659,337,160	57.13%	0	0	0	34,925	34,925	1,659,372,085	55.61%
2. Domestic listed foreign share	706,385,266	24.32%	0	0	0	0	0	706,385,266	23.67%
3. Overseas listed foreign shares	528,305,250	18.19%	0	0	0	0	0	528,305,250	17.70%
III. Total number of shares	2,904,608,200	100.00%	79,600,000	0	0	0	79,600,000	2,984,208,200	100.00%

The reasons for such changes

Applicable Not applicable

- ① 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, 34,925 restricted RMB ordinary shares (A shares) held by Directors and the senior management who resigned became non-restricted shares.
- ② On 28 June 2020, Grant Thornton issued a Capital Verification Report (Zhi Tong Yan Zi (2020) No. 371ZC00199), in which they verified the Company's subscription contribution status for the 2020 Restricted A Share Incentive Scheme as of 23 June 2020, and determined that the total share capital of the Company changed to 2,984,208,200 shares. On 15 July 2020, 79,600,000 shares granted to the participants under the 2020 Restricted A Shares Incentive Scheme of the Company were issued and listed. The restricted shares of the Company subject to trading moratorium were increased to 90,145,599 shares.

Approval of changes in shareholding

Applicable Not applicable

For details, please refer to XII. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company in V Material Matters.

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

VI Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

1. Changes in shares (Cont'd)

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

2. Changes in restricted shares of Directors, Supervisors and Senior Management

Applicable Not applicable

Unit: share

Name of shareholder	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 the period	Reason for restriction	Date of release from restriction
Chen Gang	139,700	34,925	0	104,775	Locked-up shares held by directors, supervisors and senior management	Under relevant requirements for shares held by directors, supervisors and senior management
Total	139,700	34,925	0	104,775	-	-

Explanation of changes in other restricted shares: On 15 July 2020, 79,600,000 shares granted to the participants under the 2020 Restricted A Shares Incentive Scheme of the Company were issued and listed. The total number of shares of the Company was changed to 2,984,208,200 shares and restricted shares of the Company subject to trading moratorium were increased to 90,145,599 shares. For details of changes in shares, please refer to XI. Changes in Share Capital and Shareholders. I. 1. Changes in shares as at the disclosure date of the report.

II. Issuance and listing of securities

Applicable Not applicable

Name of shares and its derivatives	Date of issue	Issue price (or interest rate)	Issue size	Listing date	With listing permission	Delisting date	Disclosure index	Disclosure date
Shares								
Equity incentive restricted shares	15 July 2020	RMB2.85/share	79,600,000	15 July 2020	79,600,000	N/A	http://www.cninfo.com.cn	15 July 2020

VI Changes in Share Capital and Shareholders

III. Total number of shareholders and shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	109,060, of which 88,863 were holders of A shares, 19,834 were holders of B shares and 363 were holders of H shares	Total number of holders of preference shares with restored voting right as at the end of the reporting period (if any)	0
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Shareholdings of ordinary shareholders interested in more than 5% of the shares of the Company or Top 10 ordinary shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes		Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
				(increase or decrease)	during the reporting period				
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	14.93%	445,396,128					Pledge	322,700,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.51%	373,325,625	161,750					
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.20%	364,131,563						
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.02%	60,206,850						
Chen Hongguo	Domestic natural person	1.04%	31,080,044	20,000,000		28,310,033	2,770,011		
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	0.79%	23,434,111	10,195,648					
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.49%	14,603,170	1,988,000					
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	13,121,946	209,589					
Chen Suiqiang	Domestic natural person	0.43%	12,800,000	1,789,800					
National Social Security Fund 418	Others	0.42%	12,633,902	9,427,651					

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, Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under the Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. 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.

Other explanation:

On 28 June 2020, Grant Thornton issued a Capital Verification Report, in which they verified the Company's subscription contribution status for the 2020 Restricted A Share Incentive Scheme as of 23 June 2020, and determined that the total share capital of the Company changed to 2,984,208,200 shares.

On 15 July 2020, 79,600,000 restricted shares granted to the participants were issued and listed. The number of shares held by Mr. Chen Hongguo changed to 31,080,044 shares.

VI Changes in Share Capital and Shareholders

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

Name of shareholder	Shareholdings of the top ten non-restricted ordinary shareholders		
	Number of non-restricted ordinary shares held as at the end of the reporting period	Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	445,396,128	RMB ordinary shares	445,396,128
HKSCC NOMINEES LIMITED	373,325,625	Domestic listed foreign shares	373,325,625
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
HONG KONG SECURITIES CLEARING COMPANY LIMITED	23,434,111	RMB ordinary shares	23,434,111
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,603,170	Domestic listed foreign shares	14,603,170
VANGUARD EMERGING MARKETS STOCK INDEX FUND	13,121,946	Domestic listed foreign shares	13,121,946
Chen Suiqiang	12,800,000	RMB ordinary shares	12,800,000
National Social Security Fund 418	12,633,902	RMB ordinary shares	12,633,902
CITIC Securities Co., Ltd.-Social Security Fund 1106 Portfolio	10,679,175	RMB ordinary shares	10,679,175

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

A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under the Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. 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

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 12,800,000 RMB ordinary shares, of which 0 share was held through ordinary account and 12,800,000 shares were held through credit guarantee security account.

VI Changes in Share Capital and Shareholders

III. 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 non-restricted ordinary shareholders of the Company

Yes No

IV. Change of controlling shareholders or beneficial controllers

The change of controlling shareholders during the reporting period

Applicable Not applicable

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

Change of beneficial controllers during the reporting period

Applicable Not applicable

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

VII Preference Shares

√ Applicable □ Not applicable

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

□ Applicable √ Not applicable

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

II. Holders of preference shares and their shareholdings

Unit: share

Total number of shareholders of preference shares as at the end of the reporting period 8

Shareholding of holders interested in more than 5% of the preference shares or top ten holders of preference shares

Name of shareholder	Nature of shareholder	Preference shareholding	Number of preference shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Share pledged or locked-up Status of shares	Number
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.78%	12,500,000	0	Pledged	12,500,000
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.167 SINGLE CAPITAL TRUST	Others	22.44%	10,100,000	0		
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.136 SINGLE CAPITAL TRUST	Others	14.22%	6,400,000	0		
QILU BANK CO., LTD. – QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	13.33%	6,000,000	0		
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	11.11%	5,000,000	0		
SHANGHAI SHIJIE BUSINESS CONSULTING CO., LTD.	Domestic non-state-owned legal person	8.59%	3,867,000	2,867,000		
LEAD CAPITAL MANAGEMENT CO., LTD.- LEAD CAPITAL – LI DE YING NO. 1 ASSET MANAGEMENT PLAN	Others	1.51%	680,000	680,000		
LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL- LI DE YING NO. 2 ASSET MANAGEMENT PLAN	Others	1.01%	453,000	453,000		

Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution (Note 4)

Nil

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 ordinary shareholders

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”, and “LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO.1 ASSET MANAGEMENT PLAN” and “LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO.2 ASSET MANAGEMENT PLAN”, are persons acting in concert. Save for the above, it is not aware that whether 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 aforesaid ordinary shareholders are related to each other.

VII Preference Shares

III. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

IV. Resumption and exercise of voting rights

Applicable Not applicable

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

V. Accounting policy and reasons thereof

Applicable Not applicable

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

VIII Directors, Supervisors and Senior Management

I. Changes in shareholding of Directors, Supervisors and Senior Management as at the disclosure date of the report

√ Applicable □ Not applicable

Name	Position	Status	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)	Restricted shares granted as at the disclosure date of the report (shares)	Shares held (including restricted shares to be granted) as at the disclosure date of the report (shares)
Chen Hongguo	Chairman	In office	11,080,044	0	0	20,000,000	31,080,044
Hu Changqing	Vice Chairman	In office	42,857	0	0	5,000,000	5,042,857
Li Xingchun	Vice Chairman	In office	0	0	0	5,000,000	5,000,000
Li Feng	Director and General manager	In office	906,027	0	0	3,000,000	3,906,027
Li Xueqin	Deputy general manager	In office	861,322	0	0	3,000,000	3,861,322
Geng Guanglin	Deputy general manager	In office	716,950	0	0	2,000,000	2,716,950
Li Weixian	Deputy general manager	In office	240,200	0	0	2,000,000	2,240,200
Li Zhenzhong	Deputy general manager	In office	113,000	0	0	2,000,000	2,113,000
Dong Lianming	Financial controller	In office	69,600	0	0	1,000,000	1,069,600
Yuan Xikun	Secretary to the Board	In office	44,700	0	0	300,000	344,700
Total	-	-	14,074,700	0	0	43,300,000	57,374,700

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

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Li Feng	Director and general manager	Elected	19 June 2020	Elected as a Director at the fourth meeting of the ninth session of the Board, which was considered and approved at the 2019 annual general meeting
Chen Gang	Director and deputy general manager	Resignation	2 December 2019	Resignation from the position due to personal reasons

IX Corporate Bonds

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

Yes

I. Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB' 0,000)	Interest rate	Payment method
The public issuance of the corporate bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (tranche I)	17 Chenming Bond 01	112570	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 (tranche I)	18 Chenming Bond 01	112641	29 March 2018	2 April 2023	35,000	7.60%	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 for the bond repurchase portion of 18 Chenming Bond 01 was completed on 2 April 2019, and the resale of the bonds was completed during the reporting period. The number of the resale was 3,500,000, and the average resale price was RMB100 each. For details, please refer to the relevant announcements as disclosed on 19 February, 11 February, 25 February, 28 February, 31 March, 30 April and 1 June 2020.						
Performance of relevant terms during the reporting period, for special terms such as issuer or investor option and interchangeability term for corporate bonds (if any)	Both 17 Chenming Bond 01 and 18 Chenming Bond 01 are attached 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 at the end of the fourth year. After issuing the announcement on whether the coupon rate of the relevant tranche of bonds will be adjusted and the range of adjustment, the investors have the right to register for reselling during the period as announced to resell all or part of the relevant tranche of bonds held to the issuer at par value.						

IX Corporate Bonds

II. Information on bond custodian and credit rating agency

Bond custodian:

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

Name	China Chengxin International Credit Rating Co.Ltd.	Office address	Suite 60101, Unit 1, No. 2 Nanzhugan Lane, Dongcheng District, Beijing
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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.

III. Use of proceeds from corporate bonds

Use of proceeds from corporate bonds and its implementation

The use of proceeds from issuance of corporate bonds has strictly completed relevant application and approval procedures. As at the end of the reporting period, the proceeds from 17 Chenming Bond 01 and 18 Chenming Bond 01 were fully used.

Balance as at the end of the period (RMB'0,000)

0

Operation of special account for proceeds

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

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

Yes

IV. Credit rating of corporate bonds

The credit rating of 18 Chenming Bond 01 as granted by China Chengxin International Credit Rating Co. Ltd. remained at 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 (2020) was published on CNINFO on 28 May 2020.

The credit rating of 17 Chenming Bond 01 as granted by China Chengxin International Credit Rating Co. Ltd. remained at AA+, and the credit rating for the Company remained at AA+ (stable outlook). The 2017 public issuance of the corporate bonds (tranche I) updated rating report (2020) was published on CNINFO on 28 May 2020.

IX Corporate Bonds

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

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

VI. Convening of meeting for bondholders during the reporting period

There was no meeting for bondholders during the reporting period.

VII. Performance of bond custodian during the reporting period

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

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

Item	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Gearing ratio	82.81%	85.30%	-2.49%
Current ratio	73.49%	73.11%	0.38%
Quick ratio	72.80%	76.24%	-3.44%

	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year
EBITDA interest coverage ratio	2.75	2.20	25%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

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

Applicable Not applicable

EBITDA interest coverage ratio recorded an increase of 25% mainly due to the year-on-year decrease of interest expenses during the reporting period.

IX Corporate Bonds

IX. Overdue liabilities

Applicable Not applicable

The Company did not have any liabilities overdue.

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

Unit: RMB

Item	Amount of interest payment
Corporate bonds	965,520,000.00
Super & short-term commercial papers	198,830,327.86
Total	1,164,350,327.86

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

During the reporting period, the Company obtained bank credit of RMB82.8 billion, of which RMB47.4 billion was utilised and RMB35.4 billion outstanding. The Company repaid bank loans of RMB14.3 billion.

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

Nil

XIII. Matters of significance during the reporting period

Nil

XIV. Is there any guarantor for corporate bonds?

Yes No

X Financial Report

I. Auditors' Report

Is the interim report audited

Yes No

The interim financial report is unaudited.

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

30 June 2020

Unit: RMB

Item	30 June 2020	31 December 2019
CURRENT ASSETS:		
Monetary funds	19,301,761,154.66	19,306,529,473.33
Accounts receivable	2,297,695,446.74	2,525,083,311.03
Accounts receivable financing	1,418,702,732.26	442,915,861.70
Prepayments	731,403,235.76	603,573,549.08
Other receivables	3,129,061,804.47	2,216,654,598.66
Dividend receivable	13,000,000.00	13,000,000.00
Inventories	5,701,570,848.39	4,774,430,110.81
Non-current assets due within one year	6,010,580,174.26	6,974,539,613.30
Other current assets	8,558,407,649.13	8,108,707,394.70
Total current assets	47,149,183,045.67	44,952,433,912.61
Long-term receivables	763,545,520.11	1,200,575,810.95
Long-term equity investments	3,767,254,464.70	3,606,339,023.74
Other non-current financial assets	147,445,653.55	147,445,653.55
Investment property	5,198,377,514.70	5,082,362,293.11
Fixed assets	38,215,983,514.51	34,439,935,032.69
Construction in progress	598,051,166.87	5,476,122,928.95
Right-of-use assets	149,450,409.35	152,141,882.05
Intangible assets	1,659,117,513.78	1,781,061,904.51
Goodwill	5,969,626.57	5,969,626.57
Long-term prepaid expenses	50,949,493.93	48,203,408.71
Deferred income tax assets	960,555,695.05	892,442,631.04
Other non-current assets	368,196,053.27	173,875,826.67
Total non-current assets	51,884,896,626.39	53,006,476,022.54
Total assets	99,034,079,672.06	97,958,909,935.15

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

30 June 2020 (Cont'd)

Item	30 June 2020	31 December 2019
Short-term borrowings	38,554,311,235.00	36,883,156,014.19
Derivative financial liabilities		
Bills payable	2,747,606,761.17	1,515,048,206.00
Accounts payable	4,244,906,425.30	4,351,087,581.98
Contract liabilities	1,230,606,297.46	968,082,063.13
Employee benefits payable	231,418,118.45	190,229,883.52
Taxes payable	383,277,519.38	311,554,116.73
Other payables	2,453,998,030.51	2,594,249,626.54
Including: Interest payable	149,518,233.84	208,189,699.15
Dividend payable	610,109,667.16	
Non-current liabilities due within one year	6,936,859,454.99	5,662,958,920.03
Other current liabilities	150,686,164.01	222,402,500.00
Total current liabilities	56,933,670,006.27	52,698,768,912.12
Long-term borrowings	7,009,361,701.92	9,140,339,693.56
Bonds payable	1,628,134,192.59	1,258,270,909.49
Lease liabilities	60,271,769.90	59,697,128.65
Long-term payables	2,748,780,858.47	3,321,535,538.94
Provisions	325,259,082.28	325,259,082.28
Deferred income	1,692,501,835.30	1,771,013,335.11
Deferred income tax liabilities		1,411,125.59
Other non-current liabilities	2,384,489,390.18	3,042,841,328.86
Total non-current liabilities	15,848,798,830.64	18,920,368,142.48
TOTAL LIABILITIES	72,782,468,836.91	71,619,137,054.60

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

30 June 2020 (Cont'd)

Item	30 June 2020	31 December 2019
Share capital	2,984,208,200.00	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	5,264,000,531.30	5,086,686,427.30
Less: Treasury shares	226,860,000.00	
Other comprehensive income	-979,734,467.41	-879,452,135.10
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	74,122,644.20	74,122,644.20
Retained profit	9,114,386,653.70	9,306,269,617.38
Total equity attributable to owners of the Company	24,907,632,671.76	25,169,743,863.75
Minority interest	1,343,978,163.39	1,170,029,016.80
Total owners' equity	26,251,610,835.15	26,339,772,880.55
TOTAL LIABILITIES AND OWNERS' EQUITY	99,034,079,672.06	97,958,909,935.15

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	30 June 2020	31 December 2019
CURRENT ASSETS:		
Monetary funds	7,082,756,804.82	9,001,257,324.52
Bills receivable	1,618,500,000.00	3,254,460,000.00
Accounts receivable	953,020,387.81	39,204,670.00
Accounts receivable financing	245,133,081.69	189,873,567.14
Prepayments	200,265,805.92	722,472,479.01
Other receivables	13,615,203,417.43	13,975,590,537.58
Inventories	1,036,370,683.92	696,487,727.53
Non-current assets due within one year	20,557,909.14	129,546,826.00
Other current assets	78,459,437.08	80,815,659.84
Total current assets	24,850,267,527.81	28,089,708,791.62
NON-CURRENT ASSETS:		
Long-term receivables	418,750,862.51	418,750,862.51
Long-term equity investments	23,695,209,348.94	23,629,780,317.87
Investment in other equity instruments		3,000,000.00
Other non-current financial assets	147,445,653.55	147,445,653.55
Fixed assets	3,809,789,595.98	3,901,007,932.88
Construction in progress	336,462,019.25	350,623,821.42
Intangible assets	440,462,302.74	446,430,156.00
Deferred income tax assets	426,746,817.16	426,711,909.98
Other non-current assets	110,930,000.00	110,930,000.00
Total non-current assets	29,385,796,600.13	29,434,680,654.21
Total assets	54,236,064,127.94	57,524,389,445.83
CURRENT LIABILITIES:		
Short-term borrowings	12,202,091,264.37	11,601,509,632.09
Bills payable	9,145,715,195.57	9,890,041,170.20
Accounts payable	809,163,079.28	833,526,295.40
Contract liabilities	3,421,108,987.13	2,096,436,345.90
Employee benefits payable	78,493,509.03	71,040,017.13
Taxes payable	71,924,808.22	76,872,851.56
Other payables	4,392,332,152.34	6,426,648,847.95
Including: Interest payable	109,263,749.98	127,278,083.35
Dividend payable	610,109,667.16	
Non-current liabilities due within one year	2,709,973,345.32	3,695,934,663.30
Other current liabilities	301,864,166.67	932,402,500.00
Total current liabilities	33,132,666,507.93	35,624,412,323.53

X Financial Report

II. Financial Statements (Cont'd)

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

Item	30 June 2020	31 December 2019
NON-CURRENT LIABILITIES:		
Long-term borrowings	350,692,035.94	150,692,035.94
Bonds payable	439,943,750.00	89,070,000.00
Long-term payables	751,402,372.22	1,167,426,124.98
Provisions	325,259,082.28	325,259,082.28
Deferred income	39,900,252.91	42,070,840.27
Other non-current liabilities	1,792,083,342.67	2,789,283,340.67
Total non-current liabilities	3,699,280,836.02	4,563,801,424.14
TOTAL LIABILITIES	36,831,947,343.95	40,188,213,747.67
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	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	5,099,821,539.19	4,953,557,435.19
Less: Treasury shares	226,860,000.00	
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	881,627,516.74	812,690,534.91
Total owners' equity	17,404,116,783.99	17,336,175,698.16
TOTAL LIABILITIES AND OWNERS' EQUITY	54,236,064,127.94	57,524,389,445.83

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Unit: RMB

Item	January to June 2020	January to June 2019
I. Total revenue	13,599,805,765.86	13,348,648,113.70
Including: Revenue	13,599,805,765.86	13,348,648,113.70
II. Total operating costs	13,331,852,506.55	12,989,921,141.46
Including: Operating costs	10,185,300,033.31	9,754,097,799.82
Taxes and surcharges	107,048,098.21	134,488,545.06
Sales and distribution expenses	652,742,420.35	590,584,957.47
General and administrative expenses	491,987,245.33	562,417,399.25
Research and development expense	548,557,146.89	431,483,716.06
Finance expenses	1,346,217,562.46	1,516,848,723.80
Including: Interest expenses	1,439,500,160.77	1,576,756,279.30
Interest income	276,115,018.97	213,994,280.22
Plus: Other income	133,433,974.45	38,831,290.64
Investment income ("-" denotes loss)	136,893,482.97	-9,467,172.97
Including: Investment income from associates and joint ventures	122,749,789.02	-9,467,172.97
Gain on change in fair value ("-" denotes loss)	-9,246,743.86	-1,883,064.80
Credit impairment loss ("-" denotes loss)	-257,855,903.60	-62,440,283.34
Loss on impairment of assets ("-" denotes loss)	-163,717.76	83,464,107.59
Gain on disposal of assets ("-" denotes loss)	-4,705,886.89	22,823,551.43
III. Operating profit ("-" denotes loss)	266,308,464.62	430,055,400.79
Plus: Non-operating income	642,400,117.78	237,472,592.97
Less: Non-operating expenses	9,007,544.18	5,050,128.19
IV. Total profit ("-" denotes total loss)	899,701,038.22	662,477,865.57
Less: Income tax expenses	237,960,188.15	125,877,819.62
V. Net profit ("-" denotes net loss)	661,740,850.07	536,600,045.95
(I) Classification according to the continuity of operation		
1. Net profit from continuing operations ("-" denotes net loss)	661,740,850.07	536,600,045.95
2. Net profit from discontinued operations ("-" denotes net loss)		
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	516,326,703.48	509,795,572.29
2. Profit or loss of minority interest	145,414,146.59	26,804,473.66
VI. Net other comprehensive income after tax	-108,564,087.60	-16,016,688.20
Net other comprehensive income after tax attributable to shareholders of the Company	-108,564,087.60	-16,016,688.20
(I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-108,564,087.60	-16,016,688.20
Translation differences of financial statements denominated in foreign currency	-108,564,087.60	-16,016,688.20

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement (Cont'd)

Item	January to June 2020	January to June 2019
VII. Total comprehensive income	553,176,762.47	520,583,357.75
Total comprehensive income attributable to shareholders of the Company	407,762,615.88	493,778,884.09
Total comprehensive income attributable to minority interest	145,414,146.59	26,804,473.66
VIII. Earnings per share:		
(I) Basic earnings per share	0.051	0.013
(II) Diluted earnings per share	0.051	0.013

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	January to June 2020	January to June 2019
I. Revenue	3,847,193,657.53	2,696,012,416.10
Less: Operating costs	3,028,473,472.42	2,103,287,151.64
Taxes and surcharges	20,730,087.42	22,384,520.78
Sales and distribution expenses	124,148,775.89	95,933,113.16
General and administrative expenses	159,106,436.16	160,401,795.91
Research and development expense	128,662,995.77	122,265,471.50
Finance expenses	380,567,325.04	851,438,574.25
Including: Interest expenses	803,815,024.42	1,297,180,410.46
Interest income	512,123,486.08	524,005,473.68
Plus: Other income	4,164,682.46	2,180,872.36
Investment income ("-" denotes loss)	682,669,031.07	1,010,553,143.57
Including: Investment income from associates and joint ventures	-1,660,968.93	-12,799,856.43
Impairment loss of credit ("-" denotes loss)	15,237,901.51	-844,738.21
Impairment loss of assets ("-" denotes loss)		
Gains from assets disposal ("-" denotes loss)	16,102,859.30	22,416,169.42
II. Operating profit ("-" denotes loss)	723,679,039.17	374,607,236.00
Plus: Non-operating income	54,685,565.61	77,943,339.00
Less: Non-operating expenses	1,252,862.97	4,195,926.11
III. Total profit ("-" denotes total loss)	777,111,741.81	448,354,648.89
Less: Income tax expenses	-34,907.18	-96,575,704.73
IV. Net profit ("-" denotes net loss)	777,146,648.99	544,930,353.62
(1) Net profit from continuing operations ("-" denotes net loss)	777,146,648.99	544,930,353.62
(2) Net profit from discontinued operations ("-" denotes net loss)		
VI. Total comprehensive income	777,146,648.99	544,930,353.62
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Unit: RMB

Item	January to June 2020	January to June 2019
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	14,322,440,708.60	14,748,713,123.70
Tax rebates received	1,619,978.70	660,483.85
Cash received relating to other operating activities	1,563,110,217.95	2,298,196,240.97
Subtotal of cash inflows from operating activities	15,887,170,905.25	17,047,569,848.52
Cash paid for goods and services	11,303,287,012.69	11,576,281,103.39
Cash paid to and for employees	550,988,794.51	674,527,204.40
Payments of taxes and surcharges	622,011,647.05	1,096,901,907.86
Cash paid relating to other operating activities	1,083,849,666.32	1,000,088,741.18
Subtotal of cash outflows from operating activities	13,560,137,120.57	14,347,798,956.83
Net cash flows from operating activities	2,327,033,784.68	2,699,770,891.69
II. Cash flow from investing activities:		
Cash received from investment income	1,200,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	85,956,320.00	111,235,000.00
Net cash received from disposal of subsidiaries and other business units	217,547,669.15	
Cash received relating to other investing activities	129,197,968.06	
Subtotal of cash inflows from investing activities	433,901,957.21	111,235,000.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	143,811,622.89	376,939,086.06
Cash paid on investments	19,266,800.00	1,639,194,479.24
Cash paid relating to other investing activities	176,000,000.00	189,628,400.00
Subtotal of cash outflows from investing activities	339,078,422.89	2,205,761,965.30
Net cash flows from investing activities	94,823,534.32	-2,094,526,965.30

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

Item	January to June 2020	January to June 2019
III. Cash flows from financing activities:		
Cash received from investments	294,820,000.00	
Including: Cash received from by subsidiaries		
from minority investment	67,960,000.00	
Cash received from borrowings	15,228,878,371.99	22,550,704,467.77
Cash received relating to other financing activities	1,356,957,000.00	3,479,693,527.06
Subtotal of cash inflows from financing activities	16,880,655,371.99	26,030,397,994.83
Cash repayments of amounts borrowed	14,282,539,084.68	18,763,676,782.15
Cash paid for dividend and profit distribution		
or interest payment	1,710,006,370.47	1,591,133,614.29
Including: Dividend and profit paid by subsidiaries		
to minority shareholders	8,375,000.00	
Cash paid relating to other financing activities	3,982,494,113.94	6,456,564,308.43
Subtotal of cash outflows from financing activities	19,975,039,569.09	26,811,374,704.87
Net cash flows from financing activities	-3,094,384,197.10	-780,976,710.04
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-4,518,518.54	-196,762,227.50
V. Net increase in cash and cash equivalents	-677,045,396.64	-372,495,011.15
Plus: Balance of cash and cash equivalents at the beginning of the period	2,890,328,027.40	2,381,558,242.52
VI. Balance of cash and cash equivalents as at the end of the period	2,213,282,630.76	2,009,063,231.37

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

Item	January to June 2020	January to June 2019
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	4,646,172,812.15	4,975,401,290.02
Cash received relating to other operating activities	155,230,403.66	974,266,183.30
Subtotal of cash inflows from operating activities	4,801,403,215.81	5,949,667,473.32
Cash paid for goods and services	2,208,540,497.88	949,039,632.39
Cash paid to and for employees	174,694,134.98	232,441,602.15
Payments of taxes and surcharges	58,848,554.36	85,040,472.23
Cash paid relating to other operating activities	450,670,347.73	643,575,724.57
Subtotal of cash outflows from operating activities	2,892,753,534.95	1,910,097,431.34
Net cash flows from operating activities	1,908,649,680.86	4,039,570,041.98
II. Cash flows from investing activities:		
Cash received from investments	217,547,669.15	
Cash received from investment income	682,430,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	85,956,320.00	55,735,000.00
Cash received relating to other investing activities	129,197,968.06	
Subtotal of cash inflows from investing activities	1,115,131,957.21	55,735,000.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	5,310,913.00	17,933,778.78
Cash paid on investments		1,147,500,000.00
Cash paid relating to other investing activities		39,500,000.00
Subtotal of cash outflows from investing activities	5,310,913.00	1,204,933,778.78
Net cash flows from investing activities	1,109,821,044.21	-1,149,198,778.78

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II. Financial Statements (Cont'd)

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

Item	January to June 2020	January to June 2019
III. Cash flows from financing activities:		
Cash received from investments	226,860,000.00	
Cash received from borrowings	9,807,671,284.37	6,360,366,283.77
Cash received relating to other financing activities	794,457,000.00	1,997,263,889.00
Subtotal of cash inflows from financing activities	10,828,988,284.37	8,357,630,172.77
Cash repayments of amounts borrowed	9,591,880,585.58	5,237,801,785.71
Cash paid for dividend and profit distribution or interest payment	327,204,654.73	774,396,836.69
Cash paid relating to other financing activities	2,963,023,405.21	5,593,391,883.99
Subtotal of cash outflows from financing activities	12,882,108,645.52	11,605,590,506.39
Net cash flows from financing activities	-2,053,120,361.15	-3,247,960,333.62
IV. Effect of foreign exchange rate changes on cash and cash equivalents	86,290.34	14,127.62
V. Net increase in cash and cash equivalents	965,436,654.26	-357,574,942.80
Plus: Balance of cash and cash equivalents as at the beginning of the period	136,328,721.71	607,805,063.02
VI. Balance of cash and cash equivalents as at the end of the period	1,101,765,375.97	250,230,120.22

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amount for the reporting period

Unit: RMB

Item	January to June 2020												
	Equity attributable to owners of the Company												
	Other equity instruments			Other			Retained profit					Total owners' equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves	General risk provisions	Others		Subtotal
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	5,086,686,427.30	-879,452,135.10	1,212,009,109.97	74,422,644.20	8,306,269,617.38	251,637,433,863.75	1,170,029,016.80	263,397,772,890.55	1,170,029,016.80	263,397,772,890.55
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	5,086,686,427.30	-	-879,452,135.10	74,422,644.20	8,306,269,617.38	-251,637,433,863.75	1,170,029,016.80	263,397,772,890.55	1,170,029,016.80	263,397,772,890.55
III. Changes in the period ("-" denotes decrease)	79,600,000.00	-	-	177,314,104.00	226,860,000.00	-100,282,332.31	-	-19,682,963.68	-282,111,191.99	773,949,146.59	-881,62,045.40	416,044,371.17	36,910,000.00
(I) Total comprehensive income				177,314,104.00	226,860,000.00	-100,282,332.31	-	516,328,703.48	-	30,054,104.00	66,964,104.00	36,910,000.00	66,964,104.00
(II) Capital paid in and reduced by owners	79,600,000.00			177,314,104.00	226,860,000.00	-	-	-	-	30,054,104.00	66,964,104.00	36,910,000.00	66,964,104.00
1. Ordinary shares paid by shareholders	79,600,000.00			177,314,104.00	226,860,000.00	-	-	-	-	30,054,104.00	66,964,104.00	36,910,000.00	66,964,104.00
2. Amount of share-based payments recognised in owners' equity													
(III) Profit distribution													
1. Distribution to owners (or shareholders)													
IV. Balance as at the end of the period	2,984,208,200.00	4,477,500,000.00	2,988,000,000.00	5,264,000,531.30	226,860,000.00	-979,734,467.41	74,422,644.20	8,114,386,653.70	-24,907,632,671.76	1,343,978,163.39	263,251,610,835.15	1,343,978,163.39	263,251,610,835.15

II. Financial Statements (Cont'd)

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

Amounts for the prior period

Unit: RMB

Item	January to June 2019												
	Equity attributable to owners of the Company												
	Share capital			Preference shares			Other equity instruments			Other		Total owners' equity	
	Share capital	Perpetual bonds	Preference shares	Capital reserves	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others		Subtotal
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	5,094,448,915.14	-	-736,520,181.01	3,257,998.47	1,148,888,912.11	64,123,919.23	9,107,422,690.85	25,048,731,454.79	822,959,773.30	25,871,691,228.09
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	5,094,448,915.14	-	-736,520,181.01	3,257,998.47	1,148,888,912.11	64,123,919.23	9,107,422,690.85	-	822,959,773.30	25,871,691,228.09
III. Changes in the period ("-" denotes decrease)	-	-	-	-4,763,487.84	-	-142,891,954.09	-3,257,998.47	63,120,197.86	9,998,724.97	198,846,826.53	-	347,069,243.50	468,081,652.46
(I) Total comprehensive income	-	-	-	-4,763,487.84	-	-142,891,954.09	-	1,656,566,584.88	-	-	-	1,519,634,630.79	1,584,836,589.28
(II) Capital paid in and reduced by owners	-	-	-	-4,763,487.84	-	-	-	-	-	-	-4,763,487.84	295,129,785.01	290,366,297.17
1. Ordinary shares paid by shareholders	-	-	-	-4,763,487.84	-	-	-	-	-	-	-	439,447,225.77	439,447,225.77
2. Others	-	-	-	-	-	-	-	-	-	-	-4,763,487.84	-144,317,440.76	-149,080,928.60
(III) Profit distribution	-	-	-	-	-	-	-	63,120,197.86	9,998,724.97	-1,457,719,659.35	-	-19,262,500.00	-1,403,863,235.52
1. Transfer to surplus reserves	-	-	-	-	-	-	-	63,120,197.86	9,998,724.97	-63,120,197.86	-	-	-
2. Transfer to general risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-1,384,600,735.52	-	-19,262,500.00	-1,403,863,235.52
(IV) Transfer of owners' equity	-	-	-	-	-	-	-4,881,991.84	-	-	-	-1,384,600,735.52	-4,881,991.84	-4,881,991.84
1. Others	-	-	-	-	-	-	-4,881,991.84	-	-	-	-4,881,991.84	-4,881,991.84	-4,881,991.84
(V) Special reserves	-	-	-	-	-	-	1,623,993.37	-	-	-	1,623,993.37	-	1,623,993.37
1. Appropriation	-	-	-	-	-	-	1,623,993.37	-	-	-	1,623,993.37	-	1,623,993.37
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	5,086,686,427.30	-	-879,452,136.10	-	1,212,009,109.97	74,122,644.20	9,306,698,617.38	-	1,170,029,016.80	26,339,722,860.55

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

II. Financial Statements (Cont'd)

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

Amounts for the period

Unit: RMB

Item	January to June 2020										Total owners' equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Other income	Special reserves	Surplus reserves		Retained profit
I. Balance as at the end of the prior year	2,904,008,200.00	4,477,500,000.00	2,988,000,000.00	4,953,357,435.19	4,953,357,435.19	-	-	-	1,199,819,528.06	812,890,334.91	17,336,175,698.16	-
II. Balance as at the beginning of the year	2,904,008,200.00	4,477,500,000.00	2,988,000,000.00	4,953,357,435.19	4,953,357,435.19	-	-	-	1,199,819,528.06	812,890,334.91	17,336,175,698.16	-
III. Changes in the period ("-" denotes decrease)	79,800,000.00	-	-	146,264,104.00	146,264,104.00	226,860,000.00	-	-	-	68,936,981.83	67,941,066.83	-
(I) Total comprehensive income						226,860,000.00				777,146,648.99	777,146,648.99	
(II) Capital paid in and reduced by owners	79,800,000.00	-	-	146,264,104.00	146,264,104.00	226,860,000.00	-	-	-	-	-995,896.00	-
1. Ordinary shares paid by shareholders	79,800,000.00	-	-	146,264,104.00	146,264,104.00	226,860,000.00	-	-	-	-708,209,667.16	-995,896.00	-
(III) Profit distribution										-708,209,667.16	-708,209,667.16	
1. Distribution to owners (for shareholders)										-708,209,667.16	-708,209,667.16	
IV. Balance as at the end of the period	2,984,208,200.00	4,477,500,000.00	2,988,000,000.00	5,099,821,539.19	5,099,821,539.19	226,860,000.00	-	-	1,199,819,528.06	881,627,516.74	17,404,116,783.99	-

II. Financial Statements (Cont'd)

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

Amounts for the prior period

Unit: RMB

Item	January to June 2019										Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves	Retained profit	
I. Balance as at the end of the prior year	2,904,608,200.00	4,477,500,000.00	2,888,000,000.00	4,953,557,435.19	4,953,557,435.19			1,136,689,330.20	1,628,209,489.72	18,089,574,455.11	
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,888,000,000.00	4,953,557,435.19	4,953,557,435.19			1,136,689,330.20	1,628,209,489.72	18,089,574,455.11	
III. Changes in the period ("-" denotes decrease)								63,120,197.86	-816,518,954.81	-753,398,756.95	
(I) Total comprehensive income								63,120,197.86	631,201,978.57	631,201,978.57	
(II) Profit distribution									-1,447,720,933.38	-1,384,600,735.52	
1. Transfer to surplus reserves								63,120,197.86	-63,120,197.86		
2. Distribution to owners for shareholders									-1,384,600,735.52	-1,384,600,735.52	
IV. Balance as at the end of the period	2,904,608,200.00	4,477,500,000.00	2,888,000,000.00	4,953,557,435.19	4,953,557,435.19			1,199,819,528.06	812,690,534.91	17,336,175,698.16	

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

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III. General Information of the Company

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. 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 30 June 2020, the total share capital of the Company was 2,984,608,200 shares. For details, please refer to Note VII. 37.

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 10 August 2020.

Subsidiaries of the Company newly included in the scope of consolidation in the reporting period totalled 2. For details, please refer to Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had 2 companies included and 2 companies excluded. For details, please refer to Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

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

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

1. Basis of preparation (Cont'd)

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. 32 "Revenue".

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 30 June 2020 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2020.

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

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

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

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

(1) Business combination under common control

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

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

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

(2) Business combination not under common control

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

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

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

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

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

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

For combination of business not under common control achieved by several transactions, these several transactions will be judged whether they belong to “transactions in a basket” in accordance with the judgement standards on “transactions in a basket” as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Rule of 51 to “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”. If they belong to “transactions in a basket”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note V. 17 “Long-term equity investments”, and if they do not belong to “transactions in a basket”, they are accounted for in separate financial statements and consolidated financial reports:

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

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

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

6. Preparation of consolidated financial statements

(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.

(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.

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

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

A joint arrangement refers to an arrangement of two or more parties have joint control. 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.

8. 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.

9. 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.

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

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

(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.

10. 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.

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

10. Financial instruments (Cont'd)

(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 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.

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 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.

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

10. Financial instruments (Cont'd)

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

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.

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.

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

10. Financial instruments (Cont'd)

(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 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.

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.

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

10. Financial instruments (Cont'd)

(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.

(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.

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

10. Financial instruments (Cont'd)

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

Measurement of ECLs (Cont'd)

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.

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.

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

10. Financial instruments (Cont'd)

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

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.

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.

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

10. Financial instruments (Cont'd)

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

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;

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.

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

10. Financial instruments (Cont'd)

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

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.

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)

11. Bills receivable

Method for determining the ECLs of bills receivable

The Company measures the loss provisions for bills receivable in accordance with the ECLs amount for the entire period. Based on the credit risk characteristics of bills receivable, bills receivable are divided into different groups:

Item	Basis for determining the groups
Bank acceptance bills	The acceptance party is a bank with less credit risk
Commercial acceptance bills	The acceptance party is a company with higher credit risk

12. Accounts receivable

Method for determining the ECLs of accounts receivable

For receivables and contract assets that do not contain significant financing components, the Company measures loss provisions based on the ECL amount for the entire period.

For receivables, contract assets and lease receivables that contain significant financing components, the Company chooses to always measure the loss provision based on the ECL amount for the entire period.

In addition to accounts receivable and contract assets which are individually assessed for credit risk, they are also classified into different groups based on their credit risk characteristics:

Item	Basis for determining the groups
Amount due from related parties	This group comprises amounts due from related parties with lower risks.
Factoring receivables	This group comprises factoring receivables with special risks.
Amount due from distributor customers	This group comprises receivables with their ageing as credit risk characteristics.

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

13. Other receivables

Determination and accounting treatment of ECLs of other receivables

The Company measures impairment losses using the ECL amount in the next 12 months or the entire duration, based on whether the credit risk of other receivables has increased significantly upon initial recognition. In addition to other receivables which are individually assessed for credit risk, they are also classified into different groups based on their credit risk characteristics:

Item	Basis for determining the groups
Dividends receivable	This group comprises dividends receivable.
Interest receivable	This group comprises interest due from financial institutions.
Amount due from government agencies	This group comprises amount due from government agencies with less risks.
Amount due from related parties	This group comprises amount due from related parties with less risks.
Other receivables	This group comprises for all types of deposits, advances and premiums receivable during daily and recurring activities.

14. Inventories

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

No

(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.

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

14. Inventories (Cont'd)

(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.

15. 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.

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

15. Held for sale and discontinued operations (Cont'd)

(1) Classification and measurement of non-current assets or disposal groups held for sale (Cont'd)

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.

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.

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

15. Held for sale and discontinued operations (Cont'd)

(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 is 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.

16. Long-term receivables

The Company measures the impairment loss of long-term receivables at an amount equal to the ECLs in the next 12 months or the lifetime ECLs, depending on whether its credit risk has significantly increased upon initial recognition. Other than the long-term receivables assessed individually for credit risks, long-term receivables are classified into different groups based on their credit risk characteristics:

Item	Basis for determining the groups
Long-term receivables not yet past due	This group is comprised of long-term receivables not yet past due with normal exposures.
Long-term receivables overdue	This group is comprised of long-term receivables with higher past due exposures.

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

17. 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.

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

17. 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.)

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

17. 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. 25.

18. Investment property

Measurement of investment property

Measured by using the cost method

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. 25.

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.

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

19. 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. 25.

(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.

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

20. 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. 25.

21. 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.

(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.

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

22. Biological assets

Consumable biological assets refer to biological assets held-not-for-sale, which include forest trees being grown. Consumable biological assets are stated at cost at initial recognition. The cost of self-planting, self-cultivating, self-breeding or self-farming 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 incurred after canopy closure shall be included in profit or loss for the current period.

The cost of consumable biological assets shall, at the time of harvest or disposal, be carried forward at carrying amount using the batch averaging method.

On the balance sheet date, consumable biological assets are measured at the lower of cost and net realisable value, and the impairment provision for consumable biological assets is made using the same approach as that used for the recognition of impairment provision for inventories. In case the factors causing impairment no longer exists, the reduced amount shall be recovered and reversed in the provision amount originally provided for impairment. The reversed amount shall be recognised in profit or loss for the current period.

23. 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. 25.

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

24. 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. 25.

25. 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.

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

25. Asset impairment (Cont'd)

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.

26. 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.

27. Contract liabilities

A contract liability represents the Company's obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has already paid the contract consideration before the Company transfers goods to the customer or the Company has obtained the unconditional collection right, the Company will recognise such amount received or receivable as contract liabilities at earlier of the actual payment by the customer or the amount payable becoming due. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

28. 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.

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

28. Employee benefits (Cont'd)

(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.

(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 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.

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

29. 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.

30. Share-based payments

(1) Category of share-based payment

The Group's share-based payment is equity-based.

(2) Fair value of equity instrument

For the existence of an active market for options and other equity instruments granted by the Group, the fair value is determined at the active market quotations. For options and other equity instruments with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. The following factors shall be taken into account using option pricing models: A. the exercise price of the option, B. the validity of the option, C. the current market price of the share, D. the expected volatility of the share price, E. predicted dividend of the share, and F. risk-free rate of the option within the validity period.

(3) Recognition of vesting of equity instrument based on the best estimate

During the waiting period at each balance sheet date, the Group shall make the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On the vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

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

30. Share-based payments (Cont'd)

(4) Accounting treatment of implementation, modification and termination of share-based payment

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. For the shares exercise immediately after the grant, the fair value of equity instrument at the grant date included in the relevant costs or expenses and increase in capital reserve accordingly. Within the vesting period, it will recognise the received service-related costs or expense and capital reserves for each reporting date based on the best estimate of the number of vested equity instruments on the grant date of the equity instruments value. After the vesting period, relevant costs or expenses and total shareholders' equity has been confirmed and will not be adjusted.

When there is changes in Group's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the increase in fair value of the equity instruments is recognised as a corresponding increase in service achieved. Increase in the fair value of equity instruments refer to the difference between the fair values of the modified date. If the modification reduces the total fair value of shares paid or not conducive to the use of other employees share-based payment plans to modify the terms and conditions of service, it will continue to be accounted for in the accounting treatment, as if the change had not occurred, unless the Group cancelled some or all of the equity instruments granted.

During the vesting period, if the cancelled equity instruments (except for failure to meet the conditions of the non-market vesting conditions, such as length of service performance conditions or market conditions are cancelled) granted by the Group to cancel the equity instruments granted amount treated as accelerated vesting of the remaining period should be recognised immediately in profit or loss, while recognizing the capital reserve. If employees or other parties can choose to meet non-vesting conditions but they are not met in the vesting period, the Group will treat them as cancelled equity instruments granted.

31. 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.

(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.

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

32. 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.

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 have 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 obtains 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.

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

32. Revenue (Cont'd)

(1) General principles (Cont'd)

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. 25). 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.

(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.

33. 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.

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

33. Government grants (Cont'd)

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.

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.

34. Deferred income tax assets/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.

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

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

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.

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.

35. 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 is, 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. 23.

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.

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

35. 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.

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

35. 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.

36. 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 analyse 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 macro economy 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 macro economy 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 are 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.

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

37. 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.

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VI. Taxation

1. Main tax types and tax rates

Tax type	Tax base and rate
Value added tax (VAT)	13% for general, 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.

Companies subject to different income tax rates are disclosed as follows

Name of taxpayer	Income 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

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VI. Taxation (Cont'd)

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.

For 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, it is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2019 to 2021.

For 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, it is subject to a corporate 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, it is subject to a corporate 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 2020.

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 2020.

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 2020.

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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	3,240,007.66	2,418,131.86
Bank deposit	2,210,042,623.10	2,965,127,198.70
Other monetary funds	17,088,478,523.90	16,338,984,142.77
Total	19,301,761,154.66	19,306,529,473.33
Of which: Total deposits in overseas banks	359,705,929.81	405,881,189.78

- Notes: ① Other monetary funds of RMB12,368,983,244.21 (31 December 2019: RMB11,796,498,642.44) were the guarantee deposit for the application for bank acceptance with the banks by the Group.
- ② Other monetary funds of RMB2,121,287,629.87 (31 December 2019: RMB2,091,467,385.94) were the guarantee deposit for the application for letter of credit with the banks by the Group.
- ③ Other monetary funds of RMB1,921,790,589.38 (31 December 2019: RMB1,846,470,647.92) were the guarantee deposit for the application for guarantees with the banks by the Group.
- ④ Other monetary funds of RMB408,693,277.15 (31 December 2019: RMB440,810,000.00) were the Group's statutory reserve deposit at the banks.
- ⑤ Other monetary funds of RMB2,125,345.50 (31 December 2019: RMB995,129.48) were locked-up due to litigations, resulting in restriction on the use of that account's balance.
- ⑥ The other monetary funds include interest receivable of RMB265,598,437.79.

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

2. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Amount	Bad debts provision	Carrying amount	Amount	Percentage	Amount	Bad debts provision	Carrying amount
				Provision percentage					Provision percentage	
Accounts receivable assessed individually for impairment	124,495,140.17	4.30%	124,495,140.17	100.00%	0	117,277,135.48	3.81%	117,277,135.48	100.00%	0
Accounts receivable assessed collectively for impairment	2,773,270,689.28	95.70%	475,575,242.54	17.15%	2,297,695,446.74	2,960,085,058.36	96.19%	435,001,747.33	14.70%	2,525,083,311.03
Of which:										
Accounts receivable from related parties	25,652,085.29	0.89%	2,380,460.92	9.28%	23,271,624.37	2,008,185.60	0.07%	61,132.76	3.04%	1,947,052.84
Accounts receivable from distributor clients	1,969,061,227.30	67.95%	326,725,018.95	16.59%	1,642,336,208.35	2,202,548,603.03	71.57%	307,333,600.87	13.95%	1,895,215,002.16
Factoring receivables	778,557,376.69	26.87%	146,469,762.67	18.81%	632,087,614.02	755,528,269.73	24.55%	127,607,013.70	16.89%	627,921,256.03
Total	2,897,765,829.45	100.00%	600,070,382.71	20.71%	2,297,695,446.74	3,077,362,193.84	100.00%	552,278,882.81	17.95%	2,525,083,311.03

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

2. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Items assessed individually for impairment:

Unit: RMB

Name	Book balance	Bad debts provision	Closing balance	
			Provision percentage	Reasons for provision
Hengfeng Hongyuan Real Estate Holdings Co., Ltd.	45,500,000.00	45,500,000.00	100.00%	Due to poor management, the financial indicators of the company deteriorated and its repayment ability substantially declined
Foshan Shunde Xingchen Paper Co., Ltd.	26,236,528.70	26,236,528.70	100.00%	Due to poor management, the financial indicators of the company deteriorated and its repayment ability substantially declined
Ningxia Lingwu Baota Dagu Storage and Transportation Co., Ltd.	32,600,000.00	32,600,000.00	100.00%	Due to poor management, the financial indicators of the company deteriorated and its repayment ability substantially declined
Beijing Huaxia Power Culture Media Co., Ltd.	8,207,950.42	8,207,950.42	100.00%	Due to poor management, the financial indicators of the company deteriorated and its repayment ability substantially declined
47 companies including Jiangxi Longming Enterprise Co., Ltd.	11,950,661.05	11,950,661.05	100.00%	Due to poor management, the financial indicators of the company deteriorated and its repayment ability substantially declined
Total	124,495,140.17	124,495,140.17	-	-

Items assessed collectively for impairment:

Accounts receivable with collective provision for bad debts based on receivables from related parties

Unit: RMB

Name	Book balance	Closing balance	
		Bad debts provision	Provision percentage
Within 1 year	13,453,177.37	814,471.17	6.05%
1 to 2 years	11,393,260.18	1,370,890.31	12.03%
2 to 3 years	805,647.74	195,099.44	24.22%
Total	25,652,085.29	2,380,460.92	-

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

2. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Accounts receivable with collective provision for bad debts based on receivables from distributor clients

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage
Within 1 year	1,356,307,954.92	21,065,204.22	1.55%
1 to 2 years	329,934,211.44	72,588,902.22	22.00%
2 to 3 years	55,832,347.15	17,735,625.89	31.77%
Over 3 years	226,986,713.79	215,335,286.62	94.87%
Total	1,969,061,227.30	326,725,018.95	–

Accounts receivable with collective provision for bad debts based on factoring receivables

Unit: RMB

Name	Book balance	Closing balance Bad debts provision	Provision percentage
Within 1 year	620,418,416.69	128,655,866.67	20.74%
1 to 2 years	158,138,960.00	17,813,896.00	11.26%
Total	778,557,376.69	146,469,762.67	–

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

2. Accounts receivable (Cont'd)

(1) Disclosure of accounts receivable by category (Cont'd)

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	1,975,452,308.32	2,440,760,038.21
1 to 2 years	502,455,831.77	397,312,284.08
2 to 3 years	187,335,446.71	70,484,233.21
Over 3 years	232,522,242.65	168,805,638.34
Subtotal	2,897,765,829.45	3,077,362,193.84
Bad debts provision	600,070,382.71	552,278,882.81
Total	2,297,695,446.74	2,525,083,311.03

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Accounts receivable with provision for bad debt	552,278,882.81	50,618,019.25	2,826,519.34			600,070,382.71
Total	552,278,882.81	50,618,019.25	2,826,519.34			600,070,382.71

(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 RMB961,602,717.39, which accounted for 33.18% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB153,122,029.71.

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

3. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	1,418,702,732.26	442,915,861.70
Total	1,418,702,732.26	442,915,861.70

Other explanation:

Bill receivable pledged by the Group at the end of the period:

Item	Closing balance
Bank acceptance bill	366,587,869.44
Total	366,587,869.44

4. Prepayments

(1) Presentation of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	722,311,037.62	98.76%	528,554,005.66	87.57%
1-2 years	9,092,198.14	1.24%	75,019,543.42	12.43%
Total	731,403,235.76	—	603,573,549.08	—

(2) Top five prepayments according to closing balance of prepaid parties

Top five prepayments according to closing balance of prepaid parties was RMB401,058,608.97, which accounted for 54.83% of the closing balance of the total accounts payable.

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

5. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	13,000,000.00	13,000,000.00
Other receivables	3,116,061,804.47	2,203,654,598.66
Total	3,129,061,804.47	2,216,654,598.66

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Weifang Xingxing United Chemical Co., Ltd	13,000,000.00	13,000,000.00
Total	13,000,000.00	13,000,000.00

(2) Other receivables

1) Other payables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,971,708,307.75	2,043,396,146.61
Guarantee deposit	60,901,897.21	24,109,727.59
Advances	1,868,651.26	15,799,693.34
Insurance premium	3,700,154.18	17,650.66
Reserve and borrowings	18,148,625.07	17,045,478.09
Others	59,734,169.00	103,285,902.37
Total	3,116,061,804.47	2,203,654,598.66

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

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

	Phase 1 ECLs for the next 12 months	Phase 2 ECLs over the entire life (not credit-impaired)	Phase 3 ECLs over the entire life (credit-impaired)	Total
Bad debt provision				
Balance as at 1 January 2020	169,202,744.32		326,147,132.58	495,349,876.90
Balance as at 1 January 2020 during the period	-	-	-	-
-Transferred into Phase 2				
-Transferred into Phase 3			326,147,132.58	326,147,132.58
-Reversal to Phase 2				
-Reversal to Phase 1	169,202,744.32			169,202,744.32
Provision for the period	7,219,809.98			7,219,809.98
Reversal for the period	18,994,740.83		75,363,658.86	94,358,399.69
Transfer for the period				
Write-off for the period				
Other changes				
Balance as at 30 June 2020	157,427,813.47		250,783,473.72	408,211,287.19

By ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	2,305,069,753.20	1,601,285,972.69
1-2 years	1,017,960,400.03	920,980,164.23
2-3 years	96,790,390.20	82,752,788.66
3-4 years	20,226,080.16	18,199,261.77
4-5 years	17,164,897.91	26,242,336.99
Over 5 years	67,061,570.16	49,543,951.22
Subtotal	3,524,273,091.66	2,699,004,475.56
Less: Bad debt provision	408,211,287.19	495,349,876.90
Total	3,116,061,804.47	2,203,654,598.66

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

5. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

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	Provision	Changes in the period		Others	Closing balance
			Recovery or reversal	Write-off		
Bad debt provision for other receivables	495,349,876.90	7,219,809.98	94,358,399.69			408,211,287.19
Total	495,349,876.90	7,219,809.98	94,358,399.69			408,211,287.19

4) Top five other receivables according to closing balance of debtors

The top five other accounts receivable based on closing balance of debtors for the period amounted to RMB2,537,485,412.78 in total, accounting for 72.00% of the total closing balance of other accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB297,887,552.29 in total.

5) Receivables in respect of government grant

Unit: RMB

Name of entity	Name of government grant	Closing balance	Closing age	Time of reception
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Final payment of relocation compensation	533,390,000.00	Within one year	1 July 2020

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

6. 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	1,902,641,983.51	18,670,304.78	1,883,971,678.73	1,972,197,240.93	21,269,429.01	1,950,927,811.92
Work-in-process products	46,382,707.70		46,382,707.70	81,382,693.49		81,382,693.49
Goods in stock	1,899,848,296.97		1,899,848,296.97	886,102,819.24		886,102,819.24
Consumable biological assets	1,556,753,786.65		1,556,753,786.65	1,541,004,633.42		1,541,004,633.42
Developing products	314,614,378.34		314,614,378.34	315,012,152.74		315,012,152.74
Total	5,720,241,153.17	18,670,304.78	5,701,570,848.39	4,795,699,539.82	21,269,429.01	4,774,430,110.81

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Opening balance	Increase for the period			Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others		
Raw materials	21,269,429.01			2,599,124.23		18,670,304.78	
Total	21,269,429.01			2,599,124.23		18,670,304.78	

7. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	6,010,580,174.26	6,974,539,613.30
Total	6,010,580,174.26	6,974,539,613.30

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

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,157,984,356.26	1,431,298,632.04
Prepaid tax	46,114,054.50	56,778,563.04
Receivables under financial lease due within one year	5,602,015,240.62	5,229,125,471.51
Factoring receivables due within one year	1,043,959,033.92	1,008,707,988.47
Prepaid expenses	685,359,071.56	366,080,343.71
Others	22,975,892.27	16,716,395.93
Total	8,558,407,649.13	8,108,707,394.70

9. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	
Finance lease payments	6,908,421,427.84	583,399,494.29	6,325,021,933.55	8,144,589,680.91	182,532,601.30	7,962,057,079.61	4%-20%
Less: Unrealised financing income	142,692,516.64	-	142,692,516.64	462,276,887.85	-	462,276,887.85	
Less: non-current assets due within one year	6,551,087,262.04	580,514,958.75	5,970,572,303.29	7,004,375,494.85	159,382,707.55	6,844,992,787.30	
Subtotal	214,641,649.16	2,884,535.54	211,757,113.62	677,937,298.21	23,149,893.75	654,787,404.46	
Deposit for finance lease	637,879,277.38	-	637,879,277.38	734,530,650.26	-	734,530,650.26	
Less: Unrealised financing income	46,532,961.75	-	46,532,961.75	59,195,417.77	-	59,195,417.77	
Less: non-current assets due within one year	39,557,909.14	-	39,557,909.14	129,546,826.00	-	129,546,826.00	
Subtotal	551,788,406.49	-	551,788,406.49	545,788,406.49	-	545,788,406.49	
Total	766,430,055.65	2,884,535.54	763,545,520.11	1,223,725,704.70	23,149,893.75	1,200,575,810.95	

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

9. Long-term receivables (Cont'd)

(1) Particulars of long-term receivables (Cont'd)

Particulars of bad debt impairment provision

Unit: RMB

Bad debt provision	Phase 1 ECLs for the next 12 months	Phase 2 ECLs over the entire life (not credit-impaired)	Phase 3 ECLs over the entire life (credit-impaired)	Total
Balance as at 1 January 2020	3,124,322.44		20,025,571.31	23,149,893.75
Balance as at 1 January 2020 during the period				
-Transferred into Phase 2				
-Transferred into Phase 3			20,025,571.31	20,025,571.31
-Reversal to Phase 2				
-Reversal to Phase 1	3,124,322.44			3,124,322.44
Provision for the year				
Reversal for the year	2,440,892.95		17,824,465.26	20,265,358.21
Transfer for the year				
Write-off for the year				
Other changes				
Balance as at 30 June 2020	683,429.49		2,201,106.05	2,884,535.54

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

10. Long-term equity investments

Unit: RMB

Investee	Opening balance	Additional contribution	Investment gain or loss recognised under equity method	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Closing balance	Closing balance of impairment provision
				Adjustment of other comprehensive income	Other change in equity interest					
I. Joint ventures										
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,789,667.61		740,169.16				1,200,000.00		3,329,836.77	
Weifang Sime Darby West Port Co., Ltd	89,726,671.76		-2,880,211.17						86,846,460.59	
Shouguang Meite Environmental Technology Co., Ltd.	5,880,000.00		-257,524.39						5,622,475.61	
Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership)	158,000,000.00	42,000,000.00	-553,476.37						199,446,523.63	
Weifang Xingxing United Chemical Co., Ltd.	93,816,557.39		-1,459,789.79						92,356,767.60	
Subtotal	351,212,896.76	42,000,000.00	-4,410,832.56				1,200,000.00		387,602,064.20	
II. Associates										
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	0.00								0.00	
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,412,989.91		-30,470.86						52,382,519.05	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	199,528,847.52		516,198.50						200,045,046.02	
Xuchang Chenming Paper Co., Ltd.										5,994,545.96
Jiangxi Chenming Port Co., Ltd.	1,690,359.66		-521,745.21						1,168,614.45	
Chenming (Qingdao) Asset Management Co., Ltd.	8,669,491.17		-6,654.56						8,662,836.61	
Goldtrust Futures Co., Ltd.	192,732,957.71		509,191.24						193,242,148.95	
Guangdong Nanyue Bank Co., Ltd	2,800,091,481.01		124,059,754.41						2,924,151,235.42	
Subtotal	3,255,126,126.98		124,526,273.52						3,379,652,400.50	5,994,545.96
Total	3,606,339,023.74	42,000,000.00	120,115,440.96				1,200,000.00		3,767,254,464.70	5,994,545.96

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

11. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Equity instrument investments	147,445,653.55	147,445,653.55
Total	147,445,653.55	147,445,653.55

12. Investment properties

(1) Investment properties under the cost method

Applicable Not applicable

Unit: RMB

Item	Housing and building structure	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	5,433,710,034.39			5,433,710,034.39
2. Increase for the period	188,223,636.73			188,223,636.73
Transferred from fixed assets	188,223,636.73			188,223,636.73
3. Closing balance	5,621,933,671.12			5,621,933,671.12
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	351,347,741.28			351,347,741.28
2. Increase for the period	72,208,415.14			72,208,415.14
(1) Provision or amortisation	62,862,063.94			62,862,063.94
(2) Transferred from inventories/ fixed assets/construction in progress	9,346,351.20			9,346,351.20
3. Closing balance	423,556,156.42			423,556,156.42
III. Carrying amount				
1. Closing carrying amount	5,198,377,514.70			5,198,377,514.70
2. Opening carrying amount	5,082,362,293.11			5,082,362,293.11

13. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	38,215,983,514.51	34,439,935,032.69
Total	38,215,983,514.51	34,439,935,032.69

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

13. Fixed assets (Cont'd)

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Transportation equipment	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	9,941,580,880.78	39,482,080,460.52	351,029,607.21	398,368,057.18	50,173,059,005.69
2. Increase for the period	1,071,404,086.53	4,039,267,399.98	703,446.29	2,283,209.99	5,113,658,142.79
(1) Acquisition	22,691,006.68	18,937,890.61	418,490.17	1,344,019.11	43,391,406.57
(2) Transferred from construction in progress	1,048,713,079.85	4,020,329,509.37	284,956.12	939,190.88	5,070,266,736.22
3. Decrease for the period	299,507,564.48	12,375,048.76	23,948,959.40	521,394.19	336,352,966.83
(1) Disposal or retirement	111,283,927.75	12,375,048.76	23,948,959.40	521,394.19	148,129,330.10
(2) Transferred into investment properties	188,223,636.73				188,223,636.73
4. Closing balance	10,713,477,402.83	43,508,972,811.74	327,784,094.10	400,129,872.98	54,950,364,181.65
II. Accumulated depreciation					
1. Opening balance	1,796,330,000.77	13,297,091,535.53	188,896,834.23	257,770,900.14	15,540,089,270.67
2. Increase for the period	139,085,677.89	878,544,680.41	13,206,342.46	7,587,382.57	1,038,424,083.33
(1) Provision	139,085,677.89	878,544,680.41	13,206,342.46	7,587,382.57	1,038,424,083.33
3. Decrease for the period	15,015,295.16	5,361,980.49	16,525,427.54	264,686.00	37,167,389.19
(1) Disposal or retirement	5,668,943.96	5,361,980.49	16,525,427.54	264,686.00	27,821,037.99
(2) Depreciation for transfer into investment properties	9,346,351.20				9,346,351.20
4. Closing balance	1,920,400,383.50	14,170,274,235.45	185,577,749.15	265,093,596.71	16,541,345,964.81
III. Provision for impairment					
1. Opening balance	27,808,852.79	157,777,407.54	13,889.13	7,434,552.87	193,034,702.33
2. 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	8,765,268,166.54	29,180,921,168.75	142,192,455.82	127,601,723.40	38,215,983,514.51
2. Opening 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

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

13. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	95,571,926.29	15,334,914.47	1,420,368.96	78,816,642.86	
Machinery and equipment	1,041,587,310.23	504,133,469.38	102,416,418.00	435,037,422.85	
Transportation equipment	12,200.00	10,980.00	-	1,220.00	
Electronic equipment and others	781,694.91	669,098.40	2,594.47	110,002.04	
Total	1,137,953,131.43	520,148,462.25	103,839,381.43	513,965,287.75	

(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.)	1,291,450,246.23	Handling
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	1,274,008,741.37	Handling
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	412,535,443.46	Handling
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	396,097,436.98	Handling
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	213,987,044.09	Handling
Housing and building structure (Shandong Chenming Paper Holdings Limited)	108,006,195.95	Handling
Housing and building structure (Shandong Chenming Investment Limited)	86,519,304.60	Handling
Housing and building structure (Wuhan Chenming Hanyang Paper Holdings Co., Ltd.)	80,441,254.26	Handling
Total	3,863,045,666.94	

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

14. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	589,320,449.78	5,467,321,406.80
Materials for project	8,730,717.09	8,801,522.15
Total	598,051,166.87	5,476,122,928.95

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Upgrading and renovation of back pressure unit of captive power plant	249,589,135.27		249,589,135.27	263,626,439.57		263,626,439.57
New annual 200,000 tonne of fly ash cement ceramsite production project	54,186,705.23		54,186,705.23	51,767,628.00		51,767,628.00
High-end cultural paper intelligent warehouse project	61,116,179.15		61,116,179.15	179,056,842.38		179,056,842.38
Meilun modification project	17,026,765.39		17,026,765.39	31,858,373.50		31,858,373.50
Huanggang pulp production project	93,052,147.95		93,052,147.95	4,601,844,646.27		4,601,844,646.27
Huanggang biomass power generation project				193,548,348.79		193,548,348.79
Technological modification project in the headquarter	32,686,178.75		32,686,178.75	35,229,753.85		35,229,753.85
Others	111,351,796.21	29,688,458.17	81,663,338.04	139,914,114.85	29,524,740.41	110,389,374.44
Total	619,008,907.95	29,688,458.17	589,320,449.78	5,496,846,147.21	29,524,740.41	5,467,321,406.80

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

14. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects for the period

Unit: RMB

Project name	Budget	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 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 (Headquarters)	274,000,000	263,626,493.57	1,259,640.56		15,296,944.86	249,589,193.27	91%	92%	822,004.98			Self-raised and borrowings
New annual 200,000 tone of fly ash cement ceramsite production project	76,000,000	51,767,628.00	2,419,077.23			54,186,705.23	71%	71%				Self-raised
High-end cultural paper (Meitun)	2,261,000,000	179,056,842.38	14,449,141.54	132,389,804.77		61,116,179.15	91%	99%	64,161,971.31			Self-raised and borrowings
Huanggang Cherming Forest and Paper Integration Project (Pulping Project) (Huanggang Cherming)	4,785,000,000	4,601,844,646.27	182,849,130.43	4,701,641,628.75		93,032,147.95	101%	99%	241,118,047.00	17,272,974.15	9%	Self-raised and borrowings
Biomass power generation project (southern district) (Huanggang Cherming)	205,000,000	193,546,348.79	4,419,515.45	197,967,864.24		-0.00	97%	100%				Self-raised
Membrane treatment project (Zhenjiang Cherming)	120,000,000	25,833,751.07		23,189,964.24		2,643,786.83	84%	95%				Self-raised
Total	7,721,000,000	5,815,677,656.08	215,396,505.21	5,055,189,262.00	15,296,944.86	460,587,954.43	-	-	306,102,023.29	17,272,974.15	-	-

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

14. Construction in progress (Cont'd)

(3) Particulars of provision for construction in progress impairment

Unit: RMB

Item	Amount for the period	Reason for the provision
Other projects of Huanggang Chenming	163,717.76	Project modification
Total	163,717.76	-

Other explanation

(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	8,730,717.09		8,730,717.09	8,801,522.15		8,801,522.15
Total	8,730,717.09	-	8,730,717.09	8,801,522.15	-	8,801,522.15

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

15. Right-of-use assets

Unit: RMB

Item	Land use rights	Total
I. Original carrying amount:		
1. Opening balance	163,334,964.90	163,334,964.90
2. Closing balance	163,334,964.90	163,334,964.90
II. Accumulated depreciation		
1. Opening balance	11,193,082.85	11,193,082.85
2. Increase for the period	2,691,472.70	2,691,472.70
(1) Provision	2,691,472.70	2,691,472.70
3. Closing balance	13,884,555.55	13,884,555.55
III. Carrying amount		
1. Closing carrying amount	149,450,409.35	149,450,409.35
2. Opening carrying amount	152,141,882.05	152,141,882.05

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

16. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Software	Certificates of third party right	Total
I. Original carrying amount				
1. Opening balance	2,176,207,105.75	26,352,090.74	15,895,213.33	2,218,454,409.82
2. Increase for the period		72,000.00		72,000.00
(1) Acquisition		72,000.00		72,000.00
3. Decrease for the period	107,209,008.00			107,209,008.00
(1) Disposal	107,209,008.00			107,209,008.00
4. Closing balance	2,068,998,097.75	26,424,090.74	15,895,213.33	2,111,317,401.82
II. Accumulated amortisation				
1. Opening balance	407,497,707.25	22,891,289.24	7,003,508.82	437,392,505.31
2. Increase for the period	21,157,836.48	663,165.08	2,649,202.26	24,470,203.82
(1) Provision	21,157,836.48	663,165.08	2,649,202.26	24,470,203.82
3. Decrease for the period	9,662,821.09			9,662,821.09
(1) Disposal	9,662,821.09			9,662,821.09
4. Closing balance	418,992,722.64	23,554,454.32	9,652,711.08	452,199,888.04
III. Provision for impairment				
IV. Carrying amount				
1. Closing carrying amount	1,650,005,375.11	2,869,636.42	6,242,502.25	1,659,117,513.78
2. Opening carrying amount	1,768,709,398.50	3,460,801.50	8,891,704.51	1,781,061,904.51

17. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
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 or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Total	14,314,160.60			14,314,160.60

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

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	9,642,224.60		302,898.00		9,339,326.60
Railway expenses	16,071,459.93		599,814.96		15,471,644.97
Other expenses	22,489,724.18	4,176,000.00	527,201.82		26,138,522.36
Total	48,203,408.71	4,176,000.00	1,429,914.78		50,949,493.93

19. 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/ taxable temporary difference	Deferred income tax assets/ liabilities
Deferred income tax assets:				
Provision for impairment of assets	2,041,447,469.67	482,105,135.45	1,791,356,735.71	417,688,820.31
Unrealised profit arising from intra-group transactions	75,054,127.24	18,763,531.81	164,089,227.26	41,022,306.82
Deductible loss	2,343,752,044.37	366,327,959.09	2,243,481,924.83	344,125,106.67
Outstanding payables	470,036,072.19	72,746,587.79	446,580,396.87	68,163,018.91
Deferred income	111,566,555.62	20,612,480.91	116,165,951.14	21,443,378.33
Subtotal	5,041,856,269.09	960,555,695.05	4,761,674,235.81	892,442,631.04
Debt reconstructing			5,644,502.36	1,411,125.59
Subtotal			5,644,502.36	1,411,125.59

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	293,607,004.97	352,057,221.14
Deductible loss	661,787,456.93	521,737,724.53
Total	955,394,461.90	873,794,945.67

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

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

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

Unit: RMB

Year	Closing amount	Opening amount	Remark
2020	–	674,989.71	
2021	185,647.61	185,647.61	
2022	11,628,813.14	11,628,813.14	
2023	163,280,498.87	164,859,774.53	
2024	338,716,266.07	344,388,499.54	
2025	147,976,231.24	–	
Total	661,787,456.93	521,737,724.53	–

20. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Prepayments for land-transferring fee	101,130,000.00		101,130,000.00	101,130,000.00		101,130,000.00
Prepayments for engineering	61,915,754.57		61,915,754.57	47,430,952.09		47,430,952.09
Prepayments for properties	9,800,000.00		9,800,000.00	9,800,000.00		9,800,000.00
Prepayments for equipment	19,350,298.70		19,350,298.70	15,514,874.58		15,514,874.58
Prepayments for purchase of equity interest	176,000,000.00		176,000,000.00			–
Total	368,196,053.27	–	368,196,053.27	173,875,826.67	–	173,875,826.67

21. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	277,536,675.69	859,312,833.51
Mortgage borrowings	180,000,000.00	180,000,000.00
Guaranteed borrowings	8,006,661,333.87	7,082,088,423.98
Credit borrowings	8,441,863,225.44	7,174,060,275.17
Discounted borrowings	21,648,250,000.00	21,587,694,481.53
Total	38,554,311,235.00	36,883,156,014.19

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

22. Bills payable

Unit: RMB

Classification	Closing balance	Opening balance
Commercial acceptance bills	382,897,538.49	625,325,798.18
Bank acceptance bills	2,364,709,222.68	889,722,407.82
Total	2,747,606,761.17	1,515,048,206.00

23. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Loans	3,501,525,952.77	3,393,786,063.51
Payment for engineering	151,196,271.94	408,694,349.00
Payment for equipment	357,086,520.95	312,292,221.48
Service expense	165,525,980.81	199,838,288.95
Others	69,571,698.83	36,476,659.04
Total	4,244,906,425.30	4,351,087,581.98

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
Guangxi Construction Engineering Group No. 1 Installation Co., Ltd.	31,311,231.15	Quality guarantee deposit for engineering
Beijing Guodian Futong Science And Development Co., Ltd.	26,630,150.00	Quality guarantee deposit for engineering
Omya Haiming (Nanchang) Chemical Co. Ltd.	16,000,000.00	Quality guarantee deposit for engineering
China Energy Engineering Group Guangzhou Electric Power Design	14,128,415.00	Quality guarantee deposit for engineering
Fujian Xinze Environmental Protection Equipment and Engineering Co., Ltd.	13,001,120.40	Quality guarantee deposit for engineering
Total	101,070,916.55	-

24. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deposits received	1,230,606,297.46	968,082,063.13
Total	1,230,606,297.46	968,082,063.13

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

25. 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	189,006,380.72	632,598,237.29	597,988,645.16	223,615,972.85
II. Retirement benefit plan – defined contribution scheme	1,223,502.80	64,951,329.89	58,372,687.09	7,802,145.60
Total	190,229,883.52	697,549,567.18	656,361,332.25	231,418,118.45

(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	120,634,999.88	509,315,990.09	477,709,438.90	152,241,551.07
2. Staff welfare		14,502,279.87	14,502,279.87	
3. Social insurance premium	1,871,932.30	33,348,186.94	33,097,202.50	2,122,916.74
Of which: Medical insurance premium	840,248.82	30,482,685.63	31,165,115.14	157,819.31
Work-related injury insurance premium	23,069.88	1,365,767.12	963,528.54	425,308.46
Maternity insurance premium	1,008,613.60	1,499,734.19	968,558.82	1,539,788.97
4. Housing provident funds	8,856,543.62	48,333,531.86	44,866,200.88	12,323,874.60
5. Union funds and workers' education	35,831,023.93	16,175,524.42	14,301,359.06	37,705,189.29
6. Other short-term remuneration	21,811,880.99	10,922,724.11	13,512,163.95	19,222,441.15
Total	189,006,380.72	632,598,237.29	597,988,645.16	223,615,972.85

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	1,033,762.42	62,119,798.36	55,961,336.45	7,192,224.33
2. Unemployment insurance	189,740.38	2,831,531.53	2,411,350.64	609,921.27
Total	1,223,502.80	64,951,329.89	58,372,687.09	7,802,145.60

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

26. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	241,770,346.42	166,389,232.03
Value added tax	60,572,555.84	81,745,671.90
Land use tax	10,658,837.91	8,206,677.02
Property tax	24,362,303.63	8,239,300.78
Urban maintenance and construction tax	3,421,307.00	5,844,684.79
Educational surcharges and others	11,151,393.45	6,850,900.34
Individual income tax	28,149,300.07	29,565,363.87
Stamp duty	3,191,475.06	4,712,286.00
Total	383,277,519.38	311,554,116.73

27. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	149,518,233.84	208,189,699.15
Dividend payable	610,109,667.16	
Other payables	1,694,370,129.51	2,386,059,927.39
Total	2,453,998,030.51	2,594,249,626.54

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on borrowings	26,109,646.67	27,960,930.86
Interest on corporate bonds	7,367,916.67	103,432,934.98
Interest on medium-term notes	116,040,670.50	76,795,833.31
Total	149,518,233.84	208,189,699.15

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

27. Other payables (Cont'd)

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
A shares	256,449,200.77	
B shares	103,543,930.17	
H shares	77,440,462.80	
Preference shares	172,676,073.42	
Total	610,109,667.16	

(3) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	507,890,103.31	1,287,822,732.06
Deposit	417,858,566.67	451,756,402.26
Accrued expenses	427,320,371.12	506,095,837.14
Equity incentive	226,860,000.00	
Others	114,441,088.41	140,384,955.93
Total	1,694,370,129.51	2,386,059,927.39

2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reasons
NINE DRAGONS DAWEI HOLDINGS CO., LTD.	30,000,000.00	Deposit
SHOUGUANG LONGYUAN PAPER COATING CO., LTD.	9,250,000.00	Deposit
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Open credit
ZHEJIANG TSINGSHAN STEEL PIPE CO., LTD.	5,860,000.00	Deposit
WENZHOU DONGDA MINE CONSTRUCTION ENGINEERING CO., LTD.	5,450,000.00	Deposit
Total	59,360,000.00	-

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

28. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	3,963,363,135.83	2,520,582,051.43
Long-term payables due within one year	1,968,889,601.58	2,238,647,651.02
Lease liabilities due within one year	4,606,717.58	4,606,717.58
Bonds payable due within one year		899,122,500.00
Medium-term notes due within one year	1,000,000,000.00	
Total	6,936,859,454.99	5,662,958,920.03

29. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	150,686,164.01	222,402,500.00
Total	150,686,164.01	222,402,500.00

30. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings		74,823,068.83
Secured borrowings	4,789,105,773.48	5,110,291,847.19
Guarantee borrowings	5,232,927,028.33	5,695,114,793.03
Credit borrowings	950,692,035.94	780,692,035.94
Less: Long-term borrowings due within 1 year	3,963,363,135.83	2,520,582,051.43
Total	7,009,361,701.92	9,140,339,693.56

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

31. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming bond 01- Chenming Paper	89,943,750.00	89,070,000.00
18 Chenming bond 01- Chenming Paper	350,000,000.00	
Chenming USD Bonds	1,188,190,442.59	1,169,200,909.49
Total	1,628,134,192.59	1,258,270,909.49

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance
17 Chenming bond 01 – Chenming Paper	1,200,000,000.00	2017/8/22	5 years	1,198,200,000.00	89,070,000.00
18 Chenming bond 01 – Chenming Paper	350,000,000.00	2020/6/1	5 years	350,000,000.00	
Chenming USD Bonds	1,137,120,600.00	2019/8/6	2.6 years	1,125,276,863.46	1,169,200,909.49
Total	2,687,120,600.00			2,673,476,863.46	1,258,270,909.49

(Cont'd)

Name of bond	Issue during the year	Interest at par value	Amortisation of premium/discount	Redemption during the year	Closing balance
17 Chenming bond 01 – Chenming Paper			873,750.00		89,943,750.00
18 Chenming bond 01- Chenming Paper	350,000,000.00				350,000,000.00
Chenming USD Bonds		16,768,832.50	2,220,700.60		1,188,190,442.59
Total	350,000,000.00	16,768,832.50	3,094,450.60		1,628,134,192.59

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

32. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	90,539,867.03	90,539,867.03
Less: Unrecognised financing expenses	25,661,379.55	26,236,020.80
Subtotal	64,878,487.48	64,303,846.23
Less: Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	60,271,769.90	59,697,128.65

33. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	2,748,780,858.47	3,321,535,538.94
Total	2,748,780,858.47	3,321,535,538.94

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	76,000,000.00	160,190,103.51
China Development Bank Special funds	517,500,000.00	595,000,000.00
Financial leasing	4,124,170,460.05	4,804,993,086.45
Subtotal	4,717,670,460.05	5,560,183,189.96
Less: Long-term payables due within 1 year	1,968,889,601.58	2,238,647,651.02
Total	2,748,780,858.47	3,321,535,538.94

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

34. Provision

Unit: RMB

Item	Closing balance	Increase for the period	Decrease for the period	Opening balance	Reason
Provision	325,259,082.28			325,259,082.28	Losses from Arjo's lawsuit
Total	325,259,082.28			325,259,082.28	-

35. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,771,013,335.11	28,360,000.00	106,871,499.81	1,692,501,835.30	Financial provision
Total	1,771,013,335.11	28,360,000.00	106,871,499.81	1,692,501,835.30	-

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	1,452,525.00			82,350.00			1,370,175.00	Asset-related
Sewage treatment and water conservation reconfiguration project	63,274,136.71			1,588,476.44			61,685,660.27	Asset-related
Financial grants for technological modification project	168,182,448.80	28,360,000.00		6,391,903.86			190,150,544.94	Asset-related
Subsidy funds for environmental protection	700,228,305.19			24,595,985.84			675,632,319.35	Asset-related
Logistics park project	51,960,000.00					51,960,000.00		Asset-related
Zhanjiang integrated forestry, pulp and paper project	67,047,201.50			10,098,654.93			56,948,546.57	Asset-related
Huanggang pulp-forestry-paper project	681,564,072.66			11,359,401.20			670,204,671.46	Asset-related
Others	37,304,645.25			794,727.54			36,509,917.71	Asset-related
Total	1,771,013,335.11	28,360,000.00		54,911,499.81		51,960,000.00	1,692,501,835.30	

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

36. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	3,384,489,390.18	3,042,841,328.86
Less: Other non-current liabilities due within one year	1,000,000,000.00	
Total	2,384,489,390.18	3,042,841,328.86

37. Share capital

Unit: RMB

	Opening balance	Increase/decrease during the year (+/-)				Subtotal	Closing balance
		New issue	Bonus issue	Shares converted from reserves	Others		
Total number of shares	2,904,608,200.00	79,600,000.00			79,600,000.00	2,984,208,200.00	

38. Other equity instruments

(1) Preference shares, perpetual bonds and other financial instruments outstanding at the end of the period

Item	Opening balance	Increase for the period	Decrease for the period	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

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

Unit: RMB

Outstanding financial instruments	Opening balance	Increase for the period	Decrease for the period	Closing balance
17 Lu Chenming MTN001		996,000,000.00		996,000,000.00
17 Lu Chenming MTN002		1,992,000,000.00		1,992,000,000.00
Total		2,988,000,000.00		2,988,000,000.00

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

38. Other equity instruments (Cont'd)

(3) Changes in perpetual bonds outstanding at the end of the period

Outstanding financial instruments	Opening balance	Increase for the period	Decrease for the period	Closing balance
Chenming You 01	2,238,750,000.00			2,238,750,000.00
Chenming You 02	999,000,000.00			999,000,000.00
Chenming You 03	1,239,750,000.00			1,239,750,000.00
Total	4,477,500,000.00			4,477,500,000.00

39. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	4,416,363,920.09	177,314,104.00		4,593,678,024.09
Other capital reserves	670,322,507.21			670,322,507.21
Total	5,086,686,427.30	177,314,104.00		5,264,000,531.30

40. Treasury shares

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Restricted treasury shares		226,860,000.00		226,860,000.00
Total		226,860,000.00		226,860,000.00

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 to profit 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								
Exchange differences on translation of foreign operations	-879,452,135.10	-100,282,332.31				-100,282,332.31		-979,734,467.41
Total other comprehensive income	-879,452,135.10	-100,282,332.31				-100,282,332.31		-979,734,467.41

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

42. General risk reserves

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
General risk reserves	74,122,644.20			74,122,644.20
Total	74,122,644.20			74,122,644.20

43. Surplus reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserves	1,212,009,109.97			1,212,009,109.97
Total	1,212,009,109.97			1,212,009,109.97

44. Retained profit

Unit: RMB

Item	The period	The prior period (the same period last year)
Retained profit as at the end of the prior year before adjustment	9,306,269,617.38	9,107,422,690.85
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	9,306,269,617.38	9,107,422,690.85
Plus: Net profit for year attributable to shareholders of the parent company	516,326,703.48	509,795,572.29
Less: Transfer of statutory surplus reserves		
Ordinary dividend payable	437,433,593.74	697,105,968.00
Preferred shares interest payable	270,776,073.42	377,169,767.52
Retained profit as at the end of the year	9,114,386,653.70	8,542,942,527.62

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

45. Revenue and operating cost

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	12,956,373,458.78	9,705,685,293.06	13,127,389,053.48	9,644,049,075.24
Other activities	643,432,307.08	479,614,740.25	221,259,060.22	110,048,724.58
Total	13,599,805,765.86	10,185,300,033.31	13,348,648,113.70	9,754,097,799.82

Information related to revenue:

Unit: RMB

Category of contract	Machine-made paper segment	Financial segment	Other segments	Total
Type of goods				
Machine-made paper	11,558,358,972.70			11,558,358,972.70
Financial leasing		523,141,507.84		523,141,507.84
Electricity and steam	76,551,167.17		1,284,686.67	77,835,853.84
Construction materials			178,629,808.17	178,629,808.17
Paper chemicals	65,927,709.45			65,927,709.45
Hotel services			7,284,272.63	7,284,272.63
Others	1,080,801,337.95	43,572,514.54	64,253,788.74	1,188,627,641.23
Total	12,781,639,187.27	566,714,022.38	251,452,556.21	13,599,805,765.86

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

46. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Urban maintenance and construction tax	16,351,064.21	33,491,970.50
Educational surcharges	11,385,806.59	30,083,061.41
Property tax	35,765,283.62	25,991,020.83
Land use tax	15,431,134.06	17,485,547.38
Vehicle and vessel tax	12,010.68	53,845.71
Stamp duty	13,063,555.43	10,950,170.18
Water engineering funds	849,304.03	1,634,705.86
Environmental tax	7,919,659.65	4,945,936.66
Water resource tax	6,270,279.94	9,852,286.53
Total	107,048,098.21	134,488,545.06

47. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	58,686,281.82	61,585,417.90
Depreciation expenses	6,122,536.00	6,288,587.94
Office expenses	1,843,778.51	1,758,975.11
Transportation expenses	486,328,202.98	425,245,830.59
Selling commissions	21,030,123.34	5,725,354.65
Cargo handling charges	8,233,465.18	7,716,321.23
Travel expenses	9,122,159.33	14,946,381.33
Business hospitality expenses	21,137,948.35	28,199,788.34
Warehouse expenses	1,116,656.86	1,080,149.47
Rental expenses	3,513,698.23	4,019,981.96
Others	35,607,569.75	34,018,168.95
Total	652,742,420.35	590,584,957.47

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

48. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	158,698,083.16	118,518,202.91
Welfare expenses	29,416,491.43	27,556,239.75
Insurance premium	13,706,761.09	14,052,377.28
Depreciation expenses	58,348,214.94	114,171,603.76
Waste disposal expenses	6,215,674.32	5,411,881.45
Hospitality expenses	40,625,251.74	38,283,517.05
Amortisation of intangible assets	22,805,226.17	24,242,384.25
Production interruption loss	59,359,808.22	69,899,210.78
Repair fees	16,847,259.15	15,566,475.96
Others	85,964,475.11	134,715,506.06
Total	491,987,245.33	562,417,399.25

49. R&D expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Installation expenses	609,432.49	8,229,476.80
Depreciation expenses	27,731,869.06	18,616,150.51
Consumption of raw materials	198,168,322.21	181,729,065.27
Consumption of semi-finished products	87,624,595.31	61,663,204.78
Consumption of auxiliary materials	78,527,925.39	41,870,386.58
Travel expenses		1,574.18
Wages and surcharges	69,924,624.21	52,643,872.99
Welfare expenses	3,526,275.77	3,128,695.00
Housing provident funds	3,787,143.40	3,507,430.88
Insurance premium	8,279,960.27	8,344,818.02
Union funds	391,146.46	165,815.82
Utilities	69,857,222.28	50,274,197.98
Other expenses	128,630.04	1,309,027.25
Total	548,557,146.89	431,483,716.06

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

50. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Finance expenses	1,459,184,970.39	1,650,075,404.49
Less: interest income	276,115,018.97	213,994,280.22
Less: capitalised interest amount	19,684,809.62	73,319,125.19
Foreign exchange gains and losses	-1,552,952.90	-2,644,727.97
Bank charges	184,385,373.56	156,731,452.69
Total	1,346,217,562.46	1,516,848,723.80

51. Other income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Government grants – amortised deferred income included in profit or loss	54,911,499.81	34,507,125.14
Government grants – directly included in profit or loss	78,522,474.64	4,324,165.50
Total	133,433,974.45	38,831,290.64

52. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	120,115,440.96	-9,467,172.97
Investment gain on disposal of long-term equity investments	16,778,042.01	
Total	136,893,482.97	-9,467,172.97

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

53. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Consumable biological assets measured at fair value	-9,246,743.86	-1,883,064.80
Total	-9,246,743.86	-1,883,064.80

54. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of accounts receivable	-257,855,903.60	-62,440,283.34
Total	-257,855,903.60	-62,440,283.34

55. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
Loss on inventory impairment and impairment loss of performance costs of contracts		83,464,107.59
Loss on construction in progress impairment	-163,717.76	
Total	-163,717.76	83,464,107.59

56. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the period	Amount for the prior period
Net income from disposal of non-current assets	-4,705,886.89	22,823,551.43
Total	-4,705,886.89	22,823,551.43

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

57. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Government grants	633,778,881.76	227,700,148.23	633,778,881.76
Others	8,621,236.02	9,772,444.74	8,621,236.02
Total	642,400,117.78	237,472,592.97	642,400,117.78

58. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Donation	5,144,077.88	3,041,000.00	5,144,077.88
Loss on destroyed and scrapped non-current assets	510,335.35	1,207,252.11	510,335.35
Others	3,353,130.95	801,876.08	3,353,130.95
Total	9,007,544.18	5,050,128.19	9,007,544.18

59. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	306,073,252.16	264,288,265.75
Deferred income tax expenses	-68,113,064.01	-138,410,446.13
Total	237,960,188.15	125,877,819.62

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

60. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Finance support fund	207,271,356.40	184,083,293.99
Interest income	202,247,580.26	213,994,280.22
Open credit, and income from default penalty and fine	97,478,845.77	199,443,495.78
Net return of principal receivables relating to finance lease business	1,056,112,435.52	1,700,675,170.98
Total	1,563,110,217.95	2,298,196,240.97

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expense and open credit	1,083,849,666.32	1,000,088,741.18
Total	1,083,849,666.32	1,000,088,741.18

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Sales of right in Haiming	60,436,164.38	
Sales of right in Qingdao Logistics	37,399,937.28	
Sales of right in Industrial Logistics	31,361,866.40	
Total	129,197,968.06	

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Purchase of Goldtrust Futures equity interest		144,248,400.00
Investment in Growth Driver Replacement		39,500,000.00
Investment in Meite Environment		5,880,000.00
Acquisition of equity in Taan Plastic	176,000,000.00	
Total	176,000,000.00	189,628,400.00

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

60. Items on statements of cash flow (Cont'd)

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Short-term commercial paper	144,457,000.00	1,887,185,904.00
Equipment financing	542,500,000.00	831,099,242.78
Debt financing receivable	320,000,000.00	400,071,077.96
Loan from the Finance Company		200,000,000.00
Shandong Financial Assets Exchange borrowings		161,337,302.32
Issuance of corporate bonds	350,000,000.00	
Total	1,356,957,000.00	3,479,693,527.06

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of short-term commercial paper	190,000,000.00	2,820,000,000.00
Repayment of matured bonds	900,000,000.00	
Repayment of interest on preference shares	98,100,000.00	98,100,000.00
Repayment of equipment leaseback	1,304,243,353.95	1,400,052,857.83
Increase in restricted bank deposits for the period	704,209,894.72	1,807,611,450.60
Repayment of borrowings from Chenming Holdings	708,440,865.27	330,800,000.00
Payment of equity in China Development Bank funds	77,500,000.00	
Total	3,982,494,113.94	6,456,564,308.43

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

61. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	-	-
Net profit	661,740,850.07	536,600,045.95
Plus: Provision for impairment of assets	258,019,621.36	-83,464,107.59
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of bearer biological assets	1,103,977,619.97	763,316,039.38
Amortisation of intangible assets	24,470,203.82	26,402,322.31
Amortisation of long-term prepaid expenses	1,429,914.78	5,347,583.69
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	2,171,437.21	22,823,551.43
Loss on changes in fair value ("-" denotes gain)	-9,246,743.86	-1,883,064.80
Finance expenses ("-" denotes gain)	1,439,500,160.77	1,516,848,723.80
Investment loss ("-" denotes gain)	-136,893,482.97	-9,467,172.97
Decrease in deferred income tax assets ("-" denotes increase)	-68,113,064.01	-155,056,230.40
Increase in deferred income tax liabilities ("-" denotes increase)	-1,411,125.59	
Decrease in inventories ("-" denotes increase)	-927,140,737.58	-678,542,881.70
Decrease in operating receivables ("-" denotes increase)	-1,749,063,323.95	-282,017,217.78
Increase in operating payables ("-" denotes decrease)	1,727,592,454.67	1,038,863,300.37
Net cash flows from operating activities	2,327,033,784.68	2,699,770,891.69
2. Major investing and financing activities not involving cash settlements:	-	-
3. Net change in cash and cash equivalents:	-	-
Closing balance of cash	2,213,282,630.76	2,009,063,231.38
Less: Opening balance of cash	2,890,328,027.40	2,381,558,242.53
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-677,045,396.64	-372,495,011.15

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,213,282,630.76	2,890,328,027.40
Of which: Treasury cash	3,240,007.66	2,418,131.86
Bank deposit that can be used for payment at any time	2,210,042,623.10	2,887,909,895.54
III. Balance of cash and cash equivalent as at end of period	2,213,282,630.76	2,890,328,027.40

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)

62. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	18,718,827,955.87	As guarantee deposits for bank acceptance bills, letter of credit, and bank borrowings deposits, and deposit reserves
Bills receivable	624,106,580.39	As collateral for short-term borrowings, letters of guarantee and letters of credit
Fixed assets	9,433,004,439.14	As collateral for bank borrowings and long-term payables
Intangible assets	855,039,400.00	As collateral for bank borrowings and long-term payables
Investment properties	4,581,606,847.89	As collateral for bank borrowings
Total	34,212,585,223.29	—

63. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds	—	—	—
Of which: USD	63,132,986.23	7.0795	446,949,976.05
EUR	4,399,947.08	7.9610	35,027,978.69
HKD	36,519,300.65	0.9134	33,358,189.99
GBP	5,709.69	9.1501	52,244.22
Accounts receivables	—	—	—
Of which: USD	17,402,059.38	7.0795	123,197,879.41
EUR	3,299,963.79	7.9610	26,271,011.73
Accounts payable	—	—	—
Of which: USD	95,108,075.11	7.0795	673,317,617.77
EUR	11,053,728.26	7.9610	87,998,730.71
HKD	23,572,925.52	0.9134	21,532,453.09
Other payables	—	—	—
Of which: USD	1,406,229.34	7.0795	9,955,400.59
EUR	578,759.35	7.9610	4,607,503.19
Short-term borrowings	—	—	—
Of which: USD	129,772,338.60	7.0795	918,723,271.12
Long-term borrowings	—	—	—
Of which: USD	223,535,000.00	7.0795	1,582,516,032.50
Non-current liabilities due within one year	—	—	—
Of which: USD	333,362,309.20	7.0795	2,360,038,467.98

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

63. Foreign currency items (Cont'd)

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, functional currency and basis. Reasons shall be disclosed if there is any change in the functional currency.

√ Applicable Not applicable

No.	Name of subsidiary	Principal place of business	Place of incorporation	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD
4	Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
5	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
6	Chenming Paper United States Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
7	Chenming (Overseas) Limited	Hong Kong, China	Hong Kong, China	USD
8	Chenming (Singapore) Limited	Singapore	Singapore	USD

64. Government grants

- (1) General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount accounted for in profit or loss
National Science and Technology Support Program Project Funding	1,452,525.00	Deferred income	82,350.00
Sewage treatment and water saving reconstruction	63,274,136.71	Deferred income	1,588,476.44
Financial subsidies for technical transformation items	196,542,448.80	Deferred income	6,391,903.86
Funding for environmental protection	700,228,305.19	Deferred income	24,595,985.84
Industrial logistics park reconstruction compensation	51,960,000.00	Deferred income	
Zhanjiang Forest Pulp & Paper Integration Item	67,047,201.50	Deferred income	10,098,654.93
Huanggang Forest Pulp & Paper Integration Item	681,564,072.66	Deferred income	11,359,401.20
Others	37,304,645.25	Deferred income	794,727.54
Interest subsidy	1,087,500.00	Finance expenses	1,087,500.00
Risk subsidy	19,980,000.00	Other income	19,980,000.00
Tax return	62,377,043.64	Non-operating income, and other income	62,377,043.64
Enterprise reform and development subsidies	80,837,506.25	Non-operating income, and other income	80,837,506.25
Government awards	5,845,000.00	Non-operating income	5,845,000.00
Afforestation subsidy	3,252,768.00	Other income	3,252,768.00
VAT return	1,380,000.00	Other income	1,380,000.00
Employment stabilization subsidy	3,725,651.13	Non-operating income, and other income	3,725,651.13
Relocation compensation balance	533,390,000.00	Non-operating income	533,390,000.00
Special subsidy funds for environmental protection	1,000,000.00	Non-operating income	1,000,000.00
Others	513,387.38	Non-operating income, and other income	513,387.38
Total	2,512,762,191.51		768,300,356.21

VIII. Change in scope of consolidation

1. Disposal of subsidiaries

Whether there is loss of control over subsidiaries in a single disposal

√ Yes No

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Way of disposal of equity interest	Time of loss of control	Basis for determining the time of loss of control	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
Qingdao Chenming International Logistics Co., Ltd.	23,000,000.00	100.00%	Transfer	2020.2.29	Without control	11,364,811.86	0.00%	0.00	0.00	0.00		
Shouguang Chenming Industrial Logistics Co., Ltd.	7,100,000.00	100.00%	Transfer	2020.2.29	Without control	5,413,230.15	0.00%	0.00	0.00	0.00		

2. Change in consolidation scope for other reasons

Two new subsidiaries were added to the scope of consolidation during the reporting period, namely Chenming (Overseas) Co., Ltd. and Chenming (Singapore) Co., Ltd.

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IX. Interest in other entities

1. Interest in subsidiaries

(1) Group composition

Name of subsidiary	Principal place of business	Place of incorporation	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	100		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	92		Establishment
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper making	100		Merger and acquisition
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp production	100		Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper	100		Establishment
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	100		Establishment
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi, China	Jiangxi, China	Trading		70	Establishment
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Paper product trading	100		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	100		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	100		Merger and acquisition
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	100		Establishment
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment management	100		Establishment
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	100		Establishment
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	100		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper	100		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power Supply	100		Establishment
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang, China	Shouguang, China	Customs declaration	100		Establishment
Shanghai Chenming Industrial Co., Ltd.	Shanghai, China	Shanghai, China	Property investment and management	100		Establishment
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper	100		Establishment
Shandong Chenming Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	80	20	Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper making	42.46	40.79	Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	75		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper making	75		Establishment
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	70		Establishment
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper making	65.205		Establishment
Chengdu Chenming Culture Communication Co., Ltd.	Chengdu, China	Chengdu, China	Marketing	100		Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing		100	Establishment
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	Qingdao, China	Qingdao, China	Financial leasing		100	Establishment
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Paper product trading		100	Establishment
Chenming (Overseas) Co., Ltd.	Hong Kong, China	Hong Kong, China	Paper product trading	100		Establishment
Chenming (Singapore) Co., Ltd.	Singapore	Singapore	Paper product trading	100		Establishment
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging		100	Merger and acquisition
Shouguang Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal		100	Merger and acquisition
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and sale of waste		100	Merger and acquisition

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Group composition (Cont'd)

Name of subsidiary	Principal place of business	Place of incorporation	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics		100	Merger and acquisition
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panels		100	Merger and acquisition
Shouguang Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board		100	Merger and acquisition
Shouguang Chenming Cement Co., Limited	Shouguang, China	Shouguang, China	Cement		100	Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Electric power		51	Establishment
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment		100	Establishment
Japan Chenming Paper Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Paper product trading		100	Establishment
Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	Paper product trading		100	Establishment
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture		100	Establishment
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture		100	Establishment
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture		100	Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment		100	Merger and acquisition
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials		100	Establishment
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall materials		100	Establishment
Jilin Chenming Logistics Co., Ltd.	Jilin, China	Jilin, China	Logistics		100	Establishment
Jiangxi Chenming Logistics Co., Ltd.	Nanchang, China	Nanchang, China	Logistics		100	Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper making		100	Establishment
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making		100	Establishment
Shanghai Chenming Group Financial Leasing Co., Ltd.	Shanghai, China	Shanghai, China	Financial leasing		100	Establishment
Guangzhou Chenming Financial Leasing Co., Ltd.	Guangzhou, China	Guangzhou, China	Financial leasing		100	Establishment
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai, China	Shanghai, China	Real estate		100	Merger and acquisition
Shanghai Hongtai Property Management Co., Ltd.	Shanghai, China	Shanghai, China	Property Management		100	Merger and acquisition
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan, China	Jinan, China	Business factoring		100	Establishment
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou, China	Guangzhou, China	Business factoring		51	Establishment
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Center Co., Ltd.	Qingdao, China	Qingdao, China	Trading	30	70	Establishment
Shandong Chenming Paper Coated Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales	100		Establishment
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Loading and unloading		100	Establishment
Beijing Chenming Financial Leasing Co., Ltd.	Beijing, China	Beijing, China	Finance		100	Establishment
Chenming Paper United States Co., Ltd.	USA	3200 EL CAMINO REAL, SUITE 130, IRVINE, CA	Paper trading	100		Establishment
Guangdong Chenming Panels Co., Ltd.	Guangdong	Guangdong	Panels		100	Establishment
Meilun (BVI) Limited	Cayman	Cayman			100	Establishment
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Fund	79		Establishment
Nanjing Chenming Culture Communication Co., Ltd.	Nanjing	Nanjing	Marketing		100	Establishment
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Shanghai, China	Shanghai, China	Sales of pulp and paper		100	Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority 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.	34.80%	130,961,346.12		242,658,667.31
Shouguang Chenming Art Paper Co., Ltd.	25.00%	692,249.39		99,058,489.45
Jiangxi Chenming Paper Co., Ltd.	16.75%	16,377,116.11	8,375,000.00	552,551,611.24
Shouguang Meilun Paper Co., Ltd.	8.00%	4,398,120.59		438,545,346.36

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Current assets		Non-current assets		Total assets		Closing balance		Non-current liabilities		Total liabilities		Total liabilities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	796,365,369.50	1,017,024,289.91	1,813,389,659.41	1,066,108,856.15	38,774,975.64	1,094,883,831.79	242,300,843.28	1,042,530,549.73	1,284,831,393.01	854,628,916.22	84,521,086.72	939,150,004.94	
Shouguang Chenming Art Paper Co., Ltd.	538,720,021.42	552,091,921.51	1,090,811,942.93	694,577,985.19	694,577,985.19	573,204,378.67	1,224,208,412.36	830,743,452.16	830,743,452.16	830,743,452.16	830,743,452.16	830,743,452.16	
Jiangxi Chenming Paper Co., Ltd.	4,431,050,327.60	3,749,406,518.06	8,180,456,845.66	3,880,518,059.33	1,088,758,391.60	4,949,276,450.93	5,176,446,285.48	3,845,100,253.80	9,021,546,539.28	4,643,403,573.27	1,194,736,398.81	5,838,139,972.08	
Shouguang Meilun Paper Co., Ltd.	5,188,031,185.59	11,199,941,763.83	16,387,972,949.42	10,039,237,024.74	871,704,604.79	10,910,941,629.53	5,071,137,194.65	11,453,663,652.73	16,524,800,847.38	10,013,297,488.59	1,186,061,831.08	11,199,359,319.67	

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IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Weifang Sime Darby West Port Co., Ltd.	Weifang, China	Weifang, China	Port construction	50.00		Equity method
Ningbo Qichen 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 engineering	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 Chenming 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)

2. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

Unit: RMB

Item	Closing balance/ amount for the period		Opening balance/ amount for the prior period	
	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	21,064,715.93	128,074,700.60	26,890,506.23
Of which: Cash and cash equivalents	4,931,553.08	74,028,507.40	8,299,040.10	25,959,739.14
Non-current assets	534,323,243.57	33,973,666.50	543,566,206.60	32,100,379.42
Total assets	555,387,959.50	162,048,367.10	570,456,712.83	126,435,373.56
Current liabilities	14,260,458.22	27,221,822.09	16,216,196.08	27,927,549.31
Non-current liabilities	382,165,018.01	40,000,000.00	389,517,611.14	
Total liabilities	396,425,476.23	67,221,822.09	405,733,807.22	27,927,549.31
Equity interest attributable to shareholders of the parent company	158,962,483.27	94,826,545.01	164,722,905.61	98,507,824.25
Share of net assets based on shareholding	79,481,241.64	47,413,272.51	82,361,452.81	49,253,912.13
– Unrealised profit arising from intra-group transactions	7,365,218.95	44,943,495.09	7,365,218.95	44,562,645.26
Carrying amount of investment in joint ventures	86,846,460.59	92,356,767.60	89,726,671.76	93,816,557.39
Revenue	31,672,998.02	25,838.06	7,744,022.16	78,509,386.24
Finance expenses	10,889,263.03	-289,698.53	10,159,513.72	-261,143.08
Income tax expenses				2,733,067.31
Net profit	-5,760,422.34	-2,919,579.59	-15,939,693.96	8,199,201.95
Total comprehensive income	-5,760,422.34	-2,919,579.59	-15,939,693.96	8,199,201.95

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IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

Item	Closing balance/ amount for the reporting period		Opening balance/ amount for the prior period	
	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Ningbo Qichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)
Current assets	27,675,379.91	5,750,038.07	43,709,912.78	5,810,979.79
Non-current assets	171,877,206.00	99,020,000.00	154,450,006.00	99,020,000.00
Total assets	199,552,585.91	104,770,038.07	198,159,918.78	104,830,979.79
Current liabilities	28,721.17	5,000.00	21,826.94	5,000.00
Total liabilities	28,721.17	5,000.00	21,826.94	5,000.00
Equity interest attributable to shareholders of the parent company	199,523,864.74	104,765,038.07	198,138,091.84	104,825,979.79
Share of net assets based on shareholding	79,809,545.90	52,382,519.04	79,255,236.74	52,412,989.90
Carrying amount of investment in associates	200,045,046.02	52,382,519.05	199,528,847.52	52,412,989.91
Net profit	1,290,560.77	-60,941.72	1,998,750.11	217,016.34
Total comprehensive income	1,290,560.77	-60,941.72	1,998,750.11	217,016.34

(4) 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
Xuchang Chenming Paper Co., Ltd.	4,091,767.83	9,967,855.32	14,059,623.15

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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, bills payable, 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 analyse 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. The Risk Management Committee works 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.

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 asset 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 31.17% (2019: 29.05%) of the Group's total accounts receivables. The amount of top 5 other receivable of the Group accounted for 60.04% (2019: 87.09%) of the Group's total other receivables.

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X. Risk relating to financial instruments (Cont'd)

1. Risk management goals and policies (Cont'd)

(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 30 June 2020, the Group's unused bank loan credit is RMB35,354.9489 million (31 December 2019: 34,072.1416 million).

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	30 June 2020					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,930,176.12					1,930,176.12
Accounts receivable	289,776.58					289,776.58
Accounts receivable financing	141,870.27					141,870.27
Other receivables	352,427.31					352,427.31
Long-term receivables		61,373.61	6,484.02	8,785.38		76,643.01
Other current assets	855,840.76					855,840.76
Non-current assets due within one year	601,058.02					601,058.02
Total financial assets	4,171,149.06	61,373.61	6,484.02	8,785.38	-	4,247,792.07
Financial liabilities:						
Short-term borrowings	3,855,431.12					3,855,431.12
Bills payable	274,760.68					274,760.68
Accounts payable	424,490.64					424,490.64
Other payables	169,437.01					169,437.01
Non-current liabilities due within one year	693,685.95					693,685.95
Other current liabilities	15,068.62					15,068.62
Long-term borrowings		273,762.32	116,584.06	32,147.50	278,442.29	700,936.17
Bonds payable		127,813.42	35,000.00			162,813.42
Lease liabilities		457.07	443.29	472.83	7,277.58	8,650.78
Long-term payables		117,454.39	73,980.58	26,179.44	57,263.68	274,878.09
Total financial liabilities and contingent liabilities	5,432,874.02	519,487.20	226,007.93	58,799.77	342,983.55	6,580,152.47

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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	31 December 2019					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 financing	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
Bills payable	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

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 period	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,855,431.12	3,688,315.60
Long-term borrowings	1,163,772.48	914,033.97
Bonds payable	162,813.42	125,827.09
Total	5,182,017.03	4,728,176.66
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	221,115.73	288,790.99
Total	221,115.73	288,790.99

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 recognised by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won and Euro).

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and amounted to RMB as at 30 June 2020 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	569,541.73	453,753.14	95,384.06	147,730.57
EUR	9,260.62	9,890.43	7,536.40	5,131.53
HKD	2,153.25	3,150.80	3,335.82	63.69
KRW				
YEN				941.18
GBP			5.22	1.86
Total	580,955.59	466,794.37	106,261.50	153,868.82

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 period		Balance for the prior year	
Increase in exchange rate of USD	5%	-17,317.30	5%	-15,301.13
Decrease in exchange rate of USD	-5%	17,317.30	-5%	15,301.13
Increase in exchange rate of Euro	5%	-107.48	5%	-237.95
Decrease in exchange rate of Euro	-5%	107.48	-5%	237.95

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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 30 June 2020, the Group's gearing ratio is 73.49% (31 December 2019: 73.11%).

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		1,556,753,786.65		1,556,753,786.65

2. Level 3 continuous measurement, adjustment between opening and closing value and sensitivity of unobservable inputs

The Company adopts sensitivity analysis techniques to analyse the possible effects of reasonable and probable changes in risk variables to profit or loss for the period or to the shareholders' equity. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant effect on the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

Item	Change in investment yield or discount rate	For the year		For the prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Consumable biological assets	Increases by 1%	-32,178,275.96	-32,178,275.96	-33,202,809.15	-33,202,809.15
Consumable biological assets	Decreases by 1%	36,713,253.94	36,713,253.94	36,397,424.88	36,397,424.88

Note: In the prior period, the income method was used to evaluate the impact of the change in the discount rate on the fair value. In the current period, the harvest present value method is used to assess the impact of the change in investment yield on fair value.

3. Fair value of financial assets and financial liabilities not measured at fair value

The Company's financial assets and financial liabilities not measured at fair value mainly consist of: accounts receivable, short-term borrowings, accounts payable, long-term borrowings, bonds payable and long-term payables. The carrying amount of the above financial assets and financial liabilities deviates from the fair value by a small amount.

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XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Nature of business	Registered capital (RMB' 0,000)	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Company Limited	Shouguang	Investment in manufacture of paper, electricity, steam, arboriculture	123,878.77	27.87%	27.87%

Note: The ultimate controller of the Company is State-owned Assets Supervision and Administration Bureau of Shouguang City.

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. 2. Interest in joint ventures or associates for details.

Balance of related party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

Name of joint ventures or associates	Relation
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
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Company
Jiangxi Chenming Port Co., Ltd.	An associate of the Company
Weifang Xingxing United 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
Shouguang Hengyuan Energy Co., Ltd.	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 month
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 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 heavy oil, etc.	68,606,145.25	600,000,000.00	No	112,367,700.00
Weifang Xingxing United Chemical Co., Ltd.	Procurement of hydrogen peroxide etc.	0			45,877,683.03

Table on sales of goods/providing of services

Unit: RMB

Related party	Details of related party transaction	Amount for the period	Amount for the prior period
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Sales of electricity, gas, etc.	3,186,741.72	3,980,581.15
Shouguang Huixin Construction Materials Co., Ltd.	Machinery materials, etc.	2,422,678.94	34,785.90

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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

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Weifang Sime Darby West Port Co., Ltd.	135,000,000.00	2017/12/20	2027/12/20	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	125,705,687.82	2019/8/6	2020/8/6	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	100,000,000.00	2019/9/30	2020/9/30	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	168,622,526.92	2019/12/9	2020/12/3	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	24,851,540.87	2020/3/25	2020/9/25	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	99,476,860.75	2020/4/8	2020/10/8	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	132,570,677.48	2020/6/8	2020/12/8	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	280,000,000.00	2019/7/30	2020/7/29	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	253,272,043.36	2020/3/9	2021/3/4	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	60,000,000.00	2020/3/31	2021/1/22	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	240,000,000.00	2020/3/31	2020/9/7	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	420,456,575.63	2020/5/6	2021/5/2	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2020/6/10	2021/6/7	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	270,000,000.00	2020/6/16	2021/1/22	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd	20,000,000.00	2019/8/30	2020/8/7	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd	10,000,000.00	2019/12/27	2020/12/24	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd	5,000,000.00	2020/5/11	2021/5/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2019/8/16	2020/8/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	86,000,000.00	2019/8/21	2020/8/20	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,108,549.49	2019/9/6	2020/9/6	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019/10/9	2020/10/8	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2019/10/14	2020/10/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	2019/10/16	2020/10/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	2019/11/5	2020/11/4	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2019/11/8	2020/11/7	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,668,000.00	2019/11/13	2020/11/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2019/11/5	2020/11/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019/12/9	2020/12/8	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019/12/17	2020/12/16	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,556,500.00	2019/11/13	2020/11/5	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	89,000,000.00	2020/3/18	2020/9/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2020/3/26	2020/9/22	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/1/14	2021/1/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2020/1/21	2021/1/21	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/2/11	2021/2/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/2/19	2021/2/18	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/2/27	2021/2/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/2/18	2021/2/12	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2020/2/29	2021/2/28	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/3/13	2021/3/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2020/3/13	2021/3/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/3/25	2021/3/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/3/27	2021/3/22	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	38,229,300.00	2020/3/25	2021/3/24	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	53,096,250.00	2020/1/13	2020/7/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	353,975,000.00	2020/2/26	2021/2/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,071,580.00	2020/4/29	2020/10/26	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/5/18	2020/11/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	31,857,750.00	2020/5/21	2021/5/18	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	33,981,600.00	2020/5/27	2020/11/26	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	51,500,000.00	2020/6/1	2020/11/24	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/6/3	2020/12/1	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/6/8	2020/12/5	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/5/19	2020/8/19	No
Shandong Chenming Paper Holdings Limited	Jilin Chenming Paper Co., Ltd.	20,000,000.00	2020/3/16	2021/2/26	No
Shandong Chenming Paper Holdings Limited	Jilin Chenming Paper Co., Ltd.	20,053,500.00	2020/3/6	2020/9/2	No
Shandong Chenming Paper Holdings Limited	Jilin Chenming Paper Co., Ltd.	78,000,000.00	2020/5/18	2020/11/16	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2019/12/4	2020/12/4	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	46,800,000.00	2020/2/14	2021/2/13	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	25,000,000.00	2020/2/25	2020/8/21	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	60,000,000.00	2020/2/24	2021/2/23	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	2020/3/3	2021/3/2	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2020/3/20	2021/3/19	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	90,000,000.00	2020/3/27	2021/3/26	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	49,500,000.00	2020/3/19	2021/3/19	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2020/4/10	2021/4/9	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2020/4/15	2021/4/14	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	2020/5/27	2021/5/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019/9/29	2020/9/28	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2019/12/23	2020/12/22	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2020/3/30	2021/3/29	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2020/4/27	2021/3/29	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/6/24	2021/3/29	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/5/18	2020/12/22	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2020/3/23	2021/3/22	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	96,942,436.11	2020/4/14	2021/4/13	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/6/9	2021/6/8	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	38,057,563.89	2020/6/19	2021/6/18	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Jiangxi Chenming Paper Co., Ltd.	Chenming (HK) Limited	154,687,075.00	2019/1/12	2020/1/10	No
Jiangxi Chenming Paper Co., Ltd.	Chenming (HK) Limited	94,538,935.05	2020/3/19	2021/3/9	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	70,795,000.00	2019/8/5	2021/5/30	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	2019/6/28	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	300,000,000.00	2019/7/1	2020/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	85,000,000.00	2019/10/23	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	114,750,000.00	2019/11/22	2022/6/27	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	106,192,500.00	2019/3/28	2022/1/7	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	208,385,082.50	2019/4/2	2022/1/6	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	142,297,950.00	2019/4/30	2022/4/22	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	138,191,840.00	2018/4/23	2021/4/7	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	79,290,400.00	2018/5/4	2021/4/6	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	49,839,680.00	2018/5/17	2021/5/5	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	262,533,732.74	2018/8/8	2021/5/25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	262,533,732.74	2018/8/8	2021/5/25	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	267,782,087.50	2018/9/4	2021/6/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	267,782,087.50	2018/9/6	2021/6/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	168,138,125.00	2019/1/25	2021/5/21	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	106,192,500.00	2019/3/28	2021/6/16	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	208,385,082.50	2019/4/2	2021/6/10	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	138,050,250.00	2019/7/19	2021/6/19	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	198,933,950.00	2018/11/30	2020/10/30	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Financial Leasing Co., Ltd.	25,000,000.00	2017/9/21	2020/9/21	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	330,000,000.00	2018/10/31	2020/10/30	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2018/10/31	2020/10/30	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2018/12/18	2020/10/31	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019/7/12	2021/7/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2019/12/4	2021/12/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	700,870,500.00	2019/12/27	2022/12/27	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	2017/1/5	2020/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	38,240,000.00	2017/1/5	2020/12/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017/1/5	2021/3/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	43,690,000.00	2017/1/5	2021/6/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	2017/1/5	2021/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	2017/2/3	2021/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2021/12/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2022/3/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	2017/2/3	2022/6/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	45,017,527.85	2018/11/14	2020/9/26	No
	Total	13,357,901,980.70			

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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
Lending				
Weifang Sime Darby West Port Co., Ltd.	59,500,000.00	2018/07/09	2022/07/08	

(4) Interest on related party lending and borrowing

Unit: RMB

Related party	Related party transaction	Amount for the period	Amount for the prior period
Weifang Sime Darby West Port Co., Ltd.	Interest income	1,980,057.34	1,794,916.65

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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	Closing balance		Opening balance	
	Book balance	Bad debt	Book balance	Bad debt
Accounts receivable:				
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	1,548,830.12	82,185.06	2,008,185.60	61,132.76
Shouguang Huixin Construction Materials Co., Ltd.	24,103,255.17	2,298,275.87		
Total	25,652,085.29	2,380,460.92	2,008,185.60	61,132.76
Prepayments:				
Jiangxi Jiuyu Energy Co., Ltd.	12,089,761.12		15,358,225.83	
Shouguang Hengyuan Energy Co., Ltd.	8,838,324.17		20,179,937.87	
Total	20,928,085.29	-	35,538,163.70	-
Other receivables:				
Shouguang Hengyuan Energy Co., Ltd.			10,000,000.00	757,910.97
Weifang Sime Darby West Port Co., Ltd.	66,436,602.10	5,151,661.58	64,889,583.26	5,151,661.58
Total	66,436,602.10	5,151,661.58	74,889,583.26	5,909,572.55

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

6. Related party accounts receivable and accounts payable (Cont'd)

(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	26,905,494.34
Accounts payable:	Jiangxi Jiuyu Energy Co., Ltd.	4,067,576.01	3,054,956.65
Accounts payable:	Jiangxi Chenming Port Co., Ltd.	910,329.34	
Total		31,883,399.69	29,960,450.99
Other current liabilities	Guangdong Nanyue Bank Co., Ltd.	400,000,000.00	400,000,000.00
Total		400,000,000.00	400,000,000.00

(3) Deposits with related parties

Unit: RMB

Related party	Related party transaction	Closing book balance	Opening book balance
Bank deposit	Guangdong Nanyue Bank Co., Ltd.	83,915.75	85,668.46
Other monetary funds	Guangdong Nanyue Bank Co., Ltd.	1,964,668,000.00	2,414,668,000.00

(4) Loans from related parties

Unit: RMB

Item name	Related party	Closing book balance	Opening book balance
Short-term borrowings	Guangdong Nanyue Bank Co., Ltd.	2,598,668,000.00	2,948,970,000.00

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XIII. Share-based payment

1. General information of share-based payment

Applicable Not applicable

Unit: RMB

Total equity instruments of the Company granted during the period 226,860,000

On 29 May 2020, the Company disclosed the Announcement on Grant of Restricted Shares to Participants and determined to grant 79,600,000 restricted shares to 111 participants at the grant price of RMB2.85 per share. On 9 July 2020, the Company disclosed the announcement on Completion of Registration of the Grant of the 2020 Restricted A Shares. The restricted shares will be unlocked respectively after 24 months, 36 months and 48 months from the date of completion of the registration of the restricted shares under the grant.

2. Equity-settled share-based payment

Applicable Not applicable

Unit: RMB

The method of determining the fair value of equity instrument on the grant date

The Company chooses to calculate the fair value based on the closing price of the Company's shares on the grant date deducting the grant price

Basis for determining the quantity of exercisable equity instruments

Based on subsequent information such as the latest changes in the number of participants who are entitled to exercise and the completion status of performance targets

Reasons for significant difference between the current estimate and previous estimate

None

Accumulated amount of equity-settled share-based payment included in the capital reserve

146,264,104

Total amount of equity-settled share-based payment recognised in the current period

34,443,000

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XIV. Undertaking and contingency

1. Significant commitments

(1) Capital commitment

Item	Closing balance	Opening balance
Commitments in relation to acquisition and construction of long-term assets	360,655,698.54	260,421,348.84
Total	360,655,698.54	260,421,348.84

2. Contingency

Contingent liabilities arising from pending litigation and its financial impacts

In October 2005, the Company and Hong Kong ArjowigginsHKK2Limited (“HKK2”) jointly established Arjo Wiggins 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 September 2017, the Company procured a deposit of HK\$389 million to the High Court of Hong Kong, and appealed against the injunction to the court. In May 2018, the court session of the case commenced. At present, the injunction case is still in progress.

In 2017, the Company made provision of RMB325,259,082.28 for the expected liability arising from this litigation. However, as at 30 June 2020, judgment of the court of Hong Kong is yet to be made, and the expected loss is uncertain. Hence, such expected liability is still stated under the balance sheet.

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XV. Post-balance sheet events

As of 10 August 2020 (the date of approval of the report by the Board of Directors), the Group has no events that should be disclosed after the balance sheet date.

XVI. Other material matters

1. 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) Investment real estate segment, which is responsible for real estate rental;
- (4) Other segments, which is responsible for the above segments otherwise.

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	Investment real estate	Others	Inter-segment offset	Total
Revenue from principal activities	1,219,124.98	80,275.71	3,567.20	45,013.05	52,343.59	1,295,637.35
Costs of principal activities	935,107.60	47,183.26	6,399.64	39,695.04	57,817.01	970,568.53
Total assets	9,494,702.87	2,674,717.40	565,998.03	509,033.89	3,341,044.22	9,903,407.97
Total liabilities	6,753,299.01	1,306,696.34	314,968.25	286,852.27	1,383,568.99	7,278,246.88

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XVI. Other material matters (Cont'd)

2. Government Subsidies

(1) Government subsidies included in deferred income will be subsequently measured using the gross method

Unit: RMB

Liability item	Opening balance	New grants for the period	Include in other income for the period	Other changes	Closing balance	Asset-related/income-related
National Science and Technology Support Program Project Funding	1,452,525.00		82,350.00		1,370,175.00	Asset-related
Sewage treatment and water saving reconstruction	63,274,136.71		1,588,476.44		61,685,660.27	Asset-related
Financial subsidies for technical transformation project	168,182,448.80	28,360,000.00	6,391,903.86		190,150,544.94	Asset-related
Funding for environmental protection	700,228,305.19		24,595,985.84		675,632,319.35	Asset-related
Industrial logistics park reconstruction compensation	51,960,000.00			51,960,000.00		Asset-related
Zhanjiang integrated forestry, pulp and paper project	67,047,201.50		10,098,654.93		56,948,546.57	Asset-related
Huanggang pulp-forestry-paper project	681,564,072.66		11,359,401.20		670,204,671.46	Asset-related
Others	37,304,645.25		794,727.54		36,509,917.71	Asset-related
Total	1,771,013,335.11	28,360,000.00	54,911,499.81	51,960,000.00	1,692,501,835.30	

(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
Interest subsidy	Financial appropriation		1,087,500.00	Finance expenses	Asset-related
Risk subsidy	Financial appropriation		19,980,000.00	Other income	Income-related
Tax rebate	Tax rebate	33,984,039.89	62,377,043.64	Non-operating income and other income	Income-related
Enterprise reform and development subsidies	Financial appropriation	160,161,518.76	80,837,506.25	Non-operating income and other income	Income-related
Government awards	Financial appropriation	10,000.00	5,845,000.00	Non-operating income	Income-related
Afforestation subsidy	Financial appropriation	588,512.58	3,252,768.00	Other income	Income-related
Value-added tax rebate	Tax rebate	275,104.76	1,380,000.00	Other income	Income-related
Employment subsidy	Financial appropriation	135,853.85	3,725,651.13	Non-operating income and other income	Income-related
Final payment of relocation compensation	Financial appropriation		533,390,000.00	Non-operating income	Income-related
Funding for environmental protection	Financial appropriation	36,428,597.00	1,000,000.00	Non-operating income	Income-related
Research and development grants	Financial appropriation	392,300.00		Non-operating income	Income-related
Others	Financial appropriation	46,886.89	513,387.38	Non-operating income and other income	Income-related
Total		232,022,813.73	713,388,856.40		

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XVI. Other material matters (Cont'd)

3. Net Current Assets and Total Assets less Current Liabilities

(1) Net current assets

	Unit: RMB' 0,000	
	2020.06.30	2019.12.31
Current assets	4,714,918.30	4,495,243.39
Less: Current liabilities	5,693,367.00	5,269,876.89
Net current assets	-978,448.70	-774,633.50

(2) Total assets less current liabilities

	Unit: RMB' 0,000	
	2020.06.30	2019.12.31
Total assets	9,903,407.97	9,795,890.99
Less: Current liabilities	5,693,367.00	5,269,876.89
Total assets less current liabilities	4,210,040.97	4,526,014.10

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XVII. Notes to major financial statement items of the parent company

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable assessed individually for impairment	5,000,000.00	0.52%	5,000,000.00	100.00%	778,063.57	1.73%	778,063.57	100.00%		
Accounts receivable assessed collectively for impairment	957,744,376.63	99.48%	4,723,988.82	0.92%	953,020,387.81	44,083,258.79	98.27%	4,878,588.79	11.07%	39,204,670.00
Of which:										
Receivables from related parties	446,319,284.22	46.36%	276.00	0.00%	446,319,008.22	31,427,654.36	70.06%	157,138.27	0.50%	31,270,516.09
Receivables from dealer customers	511,425,092.41	53.12%	4,723,712.82	0.92%	506,701,379.59	12,655,604.43	28.21%	4,721,450.52	37.31%	7,934,153.91
Total	962,744,376.63	100.00%	9,723,988.82	1.88%	953,020,387.81	44,861,322.36	100.00%	5,656,652.36	12.61%	39,204,670.00

Items assessed individually for impairment:

Unit: RMB

Name	Book balance	Closing balance		Reasons for provision
		Bad debt provision	Provision percentage	
Ningxia Lingwu Baota Dagu Storage and Transportation Co., Ltd.	5,000,000.00	5,000,000.00	100.00%	Due to poor management, the financial indicators of the company deteriorated and its repayment ability substantially declined
Total	5,000,000.00	5,000,000.00	-	-

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

1. Accounts receivable (Cont'd)

(1) Accounts receivable by category (Cont'd)

Items assessed collectively for impairment:

Accounts receivable with collective provision for bad debts based on receivables from related parties:

Unit: RMB

Name	Book balance	Closing balance Bad debt provision	Provision percentage
Within 1 year	446,319,284.22	276.00	0.00%
Total	446,319,284.22	276.00	–

Accounts receivable with collective provision for bad debts based on receivables from dealer customers:

Unit: RMB

Name	Book balance	Closing balance Bad debt provision	Provision percentage
Within 1 year	511,425,092.41	4,723,712.82	0.92%
Total	511,425,092.41	4,723,712.82	–

By ageing

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	953,020,387.81
Total	953,020,387.81

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

1. Accounts receivable (Cont'd)

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

Unit: RMB

Category	Opening balance	Provision	Changes in the period		Others	Closing balance
			Recovery or reversal	Write-off		
Bad debt provision for accounts receivable	5,656,652.36	4,067,336.46				9,723,988.82
Total	5,656,652.36	4,067,336.46				9,723,988.82

(3) 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 RMB509,639,869.96 in total, accounting for 98.69% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB9,422,600.00 in total.

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	13,615,203,417.43	13,975,590,537.58
Total	13,615,203,417.43	13,975,590,537.58

(1) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	13,530,563,966.51	13,888,363,610.88
Guarantee deposit	52,295,446.66	5,379,025.93
Advances		519,489.32
Insurance premium	1,692,817.38	13,786.37
Reserve and borrowings	9,505,097.32	7,978,371.88
Others	21,146,089.56	73,336,253.20
Total	13,615,203,417.43	13,975,590,537.58

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

2. Other receivables (Cont'd)

(1) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

	Phase 1 ECLs for the next 12 months	Phase 2 ECLs over the entire life (not credit-impaired)	Phase 3 ECLs over the entire life (credit- impaired)	Total
Bad debt provision				
Balance as at 1 January 2020	192,610,311.65		2,790,901.12	195,401,212.77
Balance as at 1 January 2020 for the period	-	-	-	-
- Transferred into Phase 2				
- Transferred into Phase 3			2,790,901.12	2,790,901.12
- Reversal to Phase 2				
- Reversal to Phase 1	192,610,311.65			192,610,311.65
Provision for the period				
Reversal for the period	14,305,237.97			14,305,237.97
Transfer for the period				
Write-off for the period				
Other changes				
Balance as at 30 June 2020	178,305,073.68		2,790,901.12	181,095,974.80

Changes in book balances with significant changes in loss provision for the period

Applicable Not applicable

By ageing

Unit: RMB

Ageing	Book balance
Within 1 year (including 1 year)	13,543,034,435.30
1 – 2 years	47,804,128.41
2 – 3 years	24,364,853.72
Total	13,615,203,417.43

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

2. Other receivables (Cont'd)

(1) Other receivables (Cont'd)

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	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision for other receivables	195,401,212.77		14,305,237.97			181,095,974.80
Total	195,401,212.77		14,305,237.97			181,095,974.80

4) Top five other receivables according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Shanghai Chenming Financial Leasing Co., Ltd.	Open credit	3,559,000,000.00	Within 1 year	24.99%	17,795,000.00
Shandong Chenming Financial Leasing Co., Ltd.	Open credit	1,974,869,546.02	Within 1 year	13.87%	9,874,347.73
Shanghai Chenming Industrial Co., Ltd.	Open credit	1,634,234,658.73	Within 1 year	11.47%	8,171,173.29
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Open credit	1,397,791,325.58	Within 1 year	9.81%	6,988,956.63
Shouguang Chenming Import and Export Trade Co., Ltd	Open credit	1,154,508,529.76	Within 1 year	8.11%	5,772,542.65
Total	-	9,720,404,060.09	-	68.25%	48,602,020.30

3. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Investment in subsidiaries	23,343,942,649.90		23,343,942,649.90	23,275,652,649.90		23,275,652,649.90
Investment in associates and joint ventures	357,261,245.00	5,994,545.96	351,266,699.04	360,122,213.93	5,994,545.96	354,127,667.97
Total	23,701,203,894.90	5,994,545.96	23,695,209,348.94	23,635,774,863.83	5,994,545.96	23,629,780,317.87

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

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

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the year	Decrease for the year	Closing balance	Impairment provision for the year	Closing balance provision of impairment
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		
Hailaer Chenming Paper Co., Ltd.	12,000,000.00			12,000,000.00		
Huanggang Chenming Pulp & Paper Co., Ltd.	2,250,000,000.00	50,000,000.00		2,300,000,000.00		
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.	5,055,000,000.00	27,500,000.00		5,082,500,000.00		
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80			113,616,063.80		
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31			4,449,441,979.31		
Shouguang Shun Da Customs Declaration Co, Ltd.	1,500,000.00			1,500,000.00		
Shandong Chenming Paper Sales Co., Ltd.	762,641,208.20			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 Industrial 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 Chenming 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	790,000.00		158,790,000.00		
Total	23,275,652,649.90	78,290,000.00	10,000,000.00	23,343,942,649.90		

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

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

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Change for the period				Impairment provision	Others	Closing balance	Closing balance of impairment provision
				Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared				
I. Joint ventures											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.											
	3,789,667.61			740,169.16			1,200,000.00			3,329,836.77	
Weifang Sime Darby West Port Co., Ltd.											
	89,726,671.76			-2,880,211.17						86,846,460.59	
Subtotal	93,516,339.37			-2,140,042.01			1,200,000.00			90,176,297.36	
II. Associates											
Jiangxi Jiangbao Media Colour Printing Co., Ltd.											
	0									0	
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)											
	52,412,989.91			-30,470.86						52,382,519.05	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)											
	199,528,847.52			516,198.50						200,045,046.02	
Xuchang Chenming Paper Co., Ltd.											
											5,994,545.96
Chenming (Qingdao) Asset Management Co., Ltd.											
	8,669,491.17			-6,654.56						8,662,836.61	
Subtotal	260,611,328.60	0.00	0.00	479,073.08	0.00	0.00	0.00	0.00	0.00	261,090,401.68	5,994,545.96
Total	354,127,667.97	0.00	0.00	-1,660,968.93	0.00	0.00	1,200,000.00	0.00	0.00	351,266,699.04	5,994,545.96

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

4. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	109,263,749.98	127,278,083.35
Dividend payable	610,109,667.16	
Other payables	3,672,958,735.20	6,299,370,764.60
Total	4,392,332,152.34	6,426,648,847.95

Other payables of the top five closing balances collected by the payee

Unit: RMB

Name of company	Closing balance
Jiangxi Chenming Paper Co., Ltd.	1,655,496,622.33
Shouguang Meilun Paper Co., Ltd.	950,951,379.11
Jilin Chenming Paper Co., Ltd.	233,624,654.50
Shandong Chenming Power Supply Holdings Co., Ltd.	146,387,007.68
Sutai (Hangzhou) Investment Management Co., Ltd.	100,000,000.00
Total	3,086,459,663.62

5. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	3,138,096,400.01	2,435,165,869.61	2,237,163,494.68	1,674,925,035.20
Other activities	709,097,257.52	593,307,602.81	458,848,921.42	428,362,116.44
Total	3,847,193,657.53	3,028,473,472.42	2,696,012,416.10	2,103,287,151.64

6. Investment income

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the cost method	681,230,000.00	1,023,353,000.00
Income from long-term equity investments accounted for using the equity method	-1,660,968.93	-12,799,856.43
Investment gain on disposal of long-term equity investments	3,100,000.00	
Total	682,669,031.07	1,010,553,143.57

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XVIII. Supplementary information

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

Applicable Not applicable

Unit: RMB

Item	Amount
Profit or loss from disposal of non-current assets	13,758,306.22
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	767,184,012.96
Gain or loss from change in fair value of consumable biological assets and other non-current financial assets by adopting fair value method for subsequent measurements	-9,246,743.86
Other gain or loss items within the definition of extraordinary gain or loss	-2,416,979.09
Less: Effect of income tax	179,535,882.21
Effect of minority interest	141,298,126.77
Total	448,444,587.25

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

Applicable Not applicable

2. Return on net assets and earnings per share

Profit for the reporting period	Earnings per share		
	Rate of return on net assets on weighted average basis	Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	0.84%	0.051	0.051
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	-1.69%	-0.103	-0.103

Note: The net profit attributable to shareholders of the listed company has not deducted perpetual debt incurred interest and impact of dividends issued and declared by preference shares. When calculating the financial indicators of earnings per share and weighted average return on equity, the interest on perpetual bonds of RMB96,734,246.58 from 1 January 2020 to 30 June 2020 and the dividends issued and declared by preference shares of RMB270,776,073.42 in 2020 are deducted.

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

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

Applicable Not applicable

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

Applicable Not applicable

XI Documents Available for Inspection

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



山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED