

**SHANDONG CHENMING PAPER HOLDINGS LIMITED\***  
**2016 First Quarterly Report**

## **I Important Notice**

**The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”), the directors (the “Directors”), supervisors (the “Supervisors”) and senior management (the “Senior Management”) of the Company hereby warrant that the contents of this quarterly report are true, accurate and complete, and there are no false representations, misleading statements or material omissions, and are jointly and severally responsible for the liabilities of the Company.**

**All Directors were present at the Board meeting to consider and approve this quarterly report.**

**Chen Hongguo, the head of the Company, Dong Lianming, the head in charge of accounting, and Li Dong, the head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial statements in this quarterly report.**

## II Major financial data and change of shareholders

### I. Major accounting data and financial indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors

Yes       No

	The reporting period	Corresponding period of prior year	Increase/decrease compared to the corresponding period of the prior year
Revenue (RMB)	4,951,931,256.74	4,456,654,640.64	11.11%
Net profit attributable to shareholders of the Company (RMB)	402,131,344.77	96,137,359.80	318.29%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	292,898,560.63	47,531,100.97	516.23%
Net cash flows from operating activities (RMB)	-3,936,890,898.29	-549,893,745.34	-615.94%
Basic earnings per share (RMB per share)	0.18	0.05	260.00%
Diluted earnings per share (RMB per share)	0.18	0.05	260.00%
Rate of return on net assets on weighted average basis	2.48%	0.69%	1.79%
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period compared to the end of the prior year
Total assets (RMB)	83,937,169,224.58	77,961,699,547.59	7.66%
Net assets attributable to shareholders of the Company (RMB)	19,542,206,733.20	16,871,494,584.82	15.83%

## Items and amounts of extraordinary gains or losses

Applicable                       Not applicable

Unit: RMB

Item	Amounts for the period from the beginning of the year to the end of the reporting period	Note
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	423,932.82	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	116,605,070.58	
Gain or loss from debt restructuring	-76,923.05	
Gain or loss on external entrusted loans	22,750,000.00	
Non-operating income and expenses other than the above items	3,416,483.00	
Less: Effect of income tax	33,499,392.38	
Effect of minority interest (after tax)	386,386.83	
Total	109,232,784.14	—

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.

## II. Total number of shareholders and the shareholding of the top ten shareholders as at the end of the reporting period

### 1. Number of shareholders of ordinary shares and shareholders of preference shares with restored voting rights and the shareholding of the top ten shareholders

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	101,938, of which 75,712 were holders of A shares, 25,722 were holders of B shares and 504 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period (if any)	0			
Shareholding of top 10 shareholders						
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held	Number of restricted shares held	Share pledged or locked-up	
					Status of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	Pledged	120,000,000
HKSCC NOMINEES LIMITED	Overseas legal person	14.03%	271,771,900	0		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	5.22%	101,110,923	0		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0		
NATIONAL SOCIAL SECURITY FUND 110	Funds, wealth management products etc.	1.51%	29,261,612	0		
HUATAI SECURITIES CO., LTD.	Domestic ordinary legal person	1.10%	21,262,114	0		
CHINA CONSTRUCTION BANK CORPORATION — ABC-CA SMALL AND MEDIUM CAP EQUITY FUND	Funds, wealth management products etc.	0.58%	11,253,971	0		
BOSERA FUNDS — BANK OF CHINA — PING AN LIFE INSURANCE — PING AN LIFE INSURANCE ENTRUSTED INVESTMENT NO.1 ASSET MANAGEMENT PLAN	Funds, wealth management products etc.	0.52%	10,000,000	0		
POSTAL SAVINGS BANK OF CHINA CO., LTD. — ABC-CA CONSUMPTION THEME EQUITY FUND	Funds, wealth management products etc.	0.51%	9,905,595	0		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0		

Shareholding of the top ten shareholders of non-restricted shares			
Name of shareholders	Number of non-restricted shares held	Class of shares	
		Class of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
HKSCC NOMINEES LIMITED	271,771,900	Overseas listed foreign shares	271,771,900
CHENMING HOLDINGS (HONG KONG) LIMITED	101,110,923	Domestic listed foreign shares	21,910,923
		Overseas listed foreign shares	79,200,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	40,137,900	RMB ordinary shares	40,137,900
NATIONAL SOCIAL SECURITY FUND 110	29,261,612	RMB ordinary shares	29,261,612
HUATAI SECURITIES CO., LTD.	21,262,114	RMB ordinary shares	21,262,114
CHINA CONSTRUCTION BANK CORPORATION — ABC-CA SMALL AND MEDIUM CAP EQUITY FUND	11,253,971	RMB ordinary shares	11,253,971
BOSERA FUNDS-BANK OF CHINA — PING AN LIFE INSURANCE — PING AN LIFE INSURANCE ENTRUSTED INVESTMENT NO.1 ASSET MANAGEMENT PLAN	10,000,000	RMB ordinary shares	10,000,000
POSTAL SAVINGS BANK OF CHINA CO., LTD. — ABC-CA CONSUMPTION THEME EQUITY FUND	9,905,595	RMB ordinary shares	9,905,595
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	Domestic listed foreign shares	8,608,238
Connected relationship or connected party relationship among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence they are persons acting in concert under Administration of Disclosure of Information on the Change of Shareholding in Listed Companies Procedures. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and it is also not aware that any other shareholders of tradable shares are connected with each other.		

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

Yes                       No

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

## 2. Total number of shareholders of preference shares and shareholding of the top ten shareholders of preference shares

Applicable       No applicable

Unit: share

Total number of shareholders of preference shares as at the end of the reporting period					5	
<b>Shareholding of the top ten shareholders of preference shares</b>						
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held	Number of restricted shares held	Share pledged or locked-up	
					Status of shares	Number
GUOXIN LEASING CO., LTD.	Domestic ordinary legal person	35.56%	8,000,000	0	—	—
QILU BANK CO., LTD. — QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Fund, wealth management product etc.	26.67%	6,000,000	0	—	—
LAIWU GUANGYANG INVESTMENT CO., LTD.	Domestic ordinary legal person	20.00%	4,500,000	0	—	—
SHANDONG DONGTAI IMPORT AND EXPORT CO., LTD.	Domestic ordinary legal person	8.89%	2,000,000	0	—	—
SHANDONG TAISHAN STEEL GROUP COMPANY LIMITED	Domestic ordinary legal person	8.89%	2,000,000	0	—	—
<b>Shareholding of the top ten shareholders of non-restricted preference shares</b>						
<b>Name of shareholders</b>					<b>Total number of non-restricted preference shares held</b>	
GUOXIN LEASING CO., LTD.					8,000,000	
QILU BANK CO., LTD. — QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES					6,000,000	
LAIWU GUANGYANG INVESTMENT CO., LTD.					4,500,000	
SHANDONG DONGTAI IMPORT AND EXPORT CO., LTD.					2,000,000	
SHANDONG TAISHAN STEEL GROUP COMPANY LIMITED					2,000,000	
Connected relationship or connected party relationship among the above shareholders					It is not aware that the above shareholders of preference shares are persons acting in concert and it is also not aware that the above shareholders of preference shares are connected with each other.	

**III Material matters****I. Details and reasons for changes of major accounting statement items and financial indicators during the reporting period**

Applicable       Not applicable

**(I) Analysis of the assets and liabilities of the Company**

Unit: RMB

Item	31 March 2016	31 December 2015	Change	Reason for change
Prepayments	1,677,854,473.94	1,072,990,234.05	56.37%	(1)
Non-current assets due within one year	4,301,273,250.54	2,893,133,653.86	48.67%	(2)
Other current assets	9,474,404,485.90	7,582,839,356.54	24.95%	(3)
Staff remuneration payables	149,143,065.75	205,840,694.03	-27.54%	(4)
Interest payable	268,753,198.21	150,075,698.23	79.08%	(5)
Long-term payables	575,500,000.00	344,000,000.00	67.30%	(6)
Special payables	281,039,716.66	176,983,516.66	58.79%	(7)
Other equity instruments	4,821,550,000.00	2,582,800,000.00	86.68%	(8)

Explanation of the reasons leading to the major changes:

- (1) Prepayments increased by 56.37% as compared to the beginning of the year mainly due to an increase in prepayments for raw materials.
- (2) Non-current assets due within one year increased by 48.67% as compared with the beginning of the year mainly due to an increase in long term finance lease payments due within one year.
- (3) Other current assets increased by 24.95% as compared to the beginning of the year mainly due to an increase in receivables under financial lease due within one year.
- (4) Staff remuneration payables decreased by 27.54% as compared to the beginning of the year mainly due to the payment of year-end bonus at the beginning of the year.



- (5) Interest payables increased by 79.08% as compared to the beginning of the year mainly due to the accrued interests of corporate bonds and medium-term notes.
- (6) Long-term payables increased by 67.30% as compared to the beginning of the year mainly due to the special funds from China Development Bank of RMB200 million received by Zhanjiang Chenming, a subsidiary of the Company.
- (7) Special payables increased by 58.79% as compared to the beginning of the year mainly due to the government special fund of RMB104 million received by Huanggang Chenming, a subsidiary of the Company.
- (8) Other equity instruments increased by 86.68% as compared to the beginning of the year mainly due to the issue of preference shares in the amount of RMB2,250 million.

**(II) Reasons for significant year on year changes of income statement items during the reporting period**

Unit: RMB

Item	January - March 2016	January - March 2015	Change	Reasons for change
Business taxes and surcharges	35,522,816.60	20,088,579.62	76.83%	(1)
Finance expenses	492,709,119.49	297,978,452.89	65.35%	(2)
Investment income	14,515,005.16	23,610,110.99	-38.52%	(3)
Non-operating income	122,346,818.32	37,469,403.87	226.52%	(4)
Income tax expenses	163,276,472.80	67,828,016.18	140.72%	(5)

Explanation of the reasons leading to the major changes:

- (1) Business taxes and surcharges increased by 76.83% as compared to the corresponding period of last year mainly due to a year-on-year increase in financial leasing business of the Company.
- (2) Finance expenses increased by 65.35% as compared to the corresponding period of last year mainly due to an increase in interest expenses and exchange loss.

- (3) Investment income decreased by 38.52% as compared to the corresponding period of last year mainly due to an increase in investment loss from long-term equity investments accounted for using the equity method.
- (4) Non-operating income increased by 226.52% as compared to the corresponding period of last year mainly due to an increase in the government subsidies received by the Company.
- (5) Income tax expenses increased by 140.72% as compared to the corresponding period of last year mainly due to the higher profitability of the Company.

### (III) Analysis of cash flows during the reporting period

Unit: RMB

Item	January - March 2016	January - March 2015	Change	Reasons for change
Net cash flows from operating activities	-3,936,890,898.29	-549,893,745.34	-615.94%	(1)
Net cash flows from investment activities	-447,467,552.31	-846,978,295.42	47.17%	(2)
Net cash flows from financing activities	4,315,067,987.52	1,430,099,524.47	201.73%	(3)

Explanation of the reasons leading to the major changes:

- (1) Net cash flows from operating activities decreased by 615.94% mainly due to an increase in external investment of the financial leasing business.
- (2) Net cash flows from investing activities increased by 47.17% mainly due to a decrease in cash paid for construction of fixed assets during the period.
- (3) Net cash flows from financial activities increased by 201.73% mainly due to the issue of short-term commercial paper and preference shares during the period.

## II. Progress in respect to material matters and analysis of the related effects and solutions

Applicable                       Not applicable

1. Report on details of changes of equity.
2. Prospectus of non-public issue of preference shares and report on non-public issue of preference shares.
3. Notice on replacement of self-raised funds invested in advance to projects with proceeds from issue of preference shares.
4. Notice on obtaining high and new tech enterprise qualifications for the Company and its subsidiaries.
5. Transfer announcement on non-public issue of preference shares.
6. Proposal of non-public issue of shares for 2016.

Material matter	Date of disclosure	Search index of the ad-hoc report disclosure website
Report on non-public issue of preference shares	25 March 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Prospectus of non-public issue of preference shares	25 March 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Report on details of changes of equity	15 January 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice on replacement of self-raised funds invested in advance to projects with proceeds from issue of preference shares.	25 March 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice on obtaining high and new tech enterprise qualifications for subsidiaries	29 March 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Notice on obtaining high and new tech enterprise qualifications for the Company and its subsidiaries	2 April 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Transfer announcement on non-public issue of preference shares	7 April 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Proposal of non-public issue of shares for 2016	16 April 2016	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

### III. Undertakings made by the Company, shareholders, beneficial controllers, bidders, directors, supervisors, senior management or other related parties during the reporting period or prior periods but subsisting to the end of the reporting period

Applicable

Not applicable

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking on shareholding structure reformation						
Undertaking made in offering documents or shareholding alternation documents						
Undertaking made during asset reconstruction						
Undertaking made on initial public offering or refinancing	Shouguang Chenming Holdings Co., Ltd.	Non-competitive undertaking	(1) Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") shall not engage, whether solely, jointly, or by representing itself or any other persons or companies, and shall not procure its associates (as defined in The Listing Rules of Hong Kong Stock Exchange) to engage, in any business which competes with the business of the Company and its subsidiaries ("Chenming Group" or "we") directly or indirectly, in any country and region which our business exists (or any part of the world if in any form of electronics business), or in any business that directly or indirectly competes with Chenming Group's business which we operate from time to time (including but not limited to any business in the form of sole proprietorship, joint ventures or acquisitions, or holding interests directly or indirectly in such enterprises, or by any other means); (2) in the event that Shouguang Chenming Holdings is required by its business to, whether solely, jointly, or by representing itself or any other persons or companies, engage in business which directly or indirectly competes against the business of Chenming Group, or obtain any business opportunity which directly or indirectly competes against the business of Chenming Group, it shall endeavour to procure that Chenming Group shall have priority to obtain the right to operate such business or to obtain such business opportunity; (3) if Shouguang Chenming Holdings is in breach of the abovementioned undertakings, it shall indemnify the Company for any loss caused by such breach and the Company shall have the right to acquire all businesses of Shouguang Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) Shouguang Chenming Holdings shall not make use of its position as the controlling shareholder (as defined in The Listing Rules of Hong Kong Stock Exchange) of our Company to jeopardise the legal interests of Chenming Group and its shareholders with other persons or companies or on their behalf.	22 May 2008	9999-12-31	Strictly implemented

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Shouguang Chenming Holdings Co., Ltd.	Defective properties	(1) According to the plan on defective properties of the Company, Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Shouguang Chenming Holdings will purchase it(them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Shouguang Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Shouguang Chenming Holdings after verification.	16 January 2008	9999-12-31	Strictly implemented
Equity incentive undertaking						
Other undertakings made to minority shareholders of the Company	The Company	Undertaking of specific remedial measures in the non-public issue of preference shares	Taking into consideration the dilution of the current return of shareholders of ordinary shares due to the issue of preference shares, in order to maintain compliance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Market, protect the interests of shareholders of ordinary shares and make up for the potential loss of current return due to the issue of preference shares, the Company has undertaken to adopt various measures to ensure the effective use of proceeds, prevent the dilution of the current return and enhance future profitability.	25 March 2016	9999-12-31	Strictly implemented
Does the undertaking performed timely?	Yes					

#### IV. Estimate of the operating results for January - June 2016

Warning of projection on cumulative net profit for the period from the beginning of the year to the end of the next reporting period 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

**V. Security investments**

Applicable                       Not applicable

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

**VI. Derivatives investments**

Applicable                       Not applicable

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

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

Applicable                       Not applicable

The Company did not have any reception of research investigations, communications and interviews during the reporting period.

**VIII. 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.

**IX. 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.

**SHANDONG CHENMING PAPER HOLDINGS LIMITED**

27 April 2016