



SHANGDONG CHENMING PAPER HOLDINGS LIMITED

INTERIM REPORT 2017

August 2017

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 (the “Report”), guarantee that there are no false representations, misleading statements or material omissions contained in the Report, and are jointly and severally responsible for the liabilities associated with the Report.

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

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

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

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

I Important Notice, Table of Contents and Definitions

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2017 Interim Report

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I Important Notice, Table of Contents and Definitions

Definitions

Item	means	Definition
Company, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shouguang Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
Haiming Mining	means	Haicheng Haiming Mining Company Limited
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun	means	Meilun Paper means Shouguang Meilun Paper Co., Ltd.
Chenming Sales Company	means	Shandong Chenming Paper Sales Company Limited
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Financial Leasing Company	means	Shandong Chenming Financial Leasing Co., Ltd.
the reporting period	means	The period from 1 January 2017 to 30 June 2017
the beginning of the year or the period	means	1 January 2017
the end of the interim period or the period	means	30 June 2017

II Company Profile and Key Financial Indicators

I. Company profile

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

II. Contact persons and contact methods

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

III. Other information

1. Contact methods of the Company

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

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2016 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 2016 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)	13,749,235,007.24	10,606,358,733.02	29.63%
Net profit attributable to shareholders of the Company (RMB)	1,745,514,838.23	939,164,870.60	85.86%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	1,623,294,558.21	741,811,083.82	118.83%
Net cash flows from operating activities (RMB)	-4,471,728,995.24	-2,697,509,853.04	-65.77%
Basic earnings per share (RMB per share)	0.75	0.45	66.67%
Diluted earnings per share (RMB per share)	0.75	0.45	66.67%
Rate of return on net assets on weighted average basis	7.24%	5.89%	1.35%

	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)	91,768,113,395.50	82,285,354,532.14	11.52%
Net assets attributable to shareholders of the Company (RMB)	22,755,800,238.01	22,218,808,367.43	2.42%

Explanation: Net profit attributable to shareholders of the Company does not exclude the effect of interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments. When calculating financial indicators such as earnings per share and rate of return on net assets on weighted average basis, the interest for perpetual bonds from 1 January 2017 to 30 June 2017 of RMB76,570,000.00 and the dividend of preference shares paid in March and June 2017 of RMB217,377,107.35 are deducted.

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

- 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.

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

Applicable Not applicable

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

II Company Profile and Key Financial Indicators

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)	344,802.99	
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	139,985,255.40	
Profit or loss arising from external entrusted loans	13,312,368.97	
Non-operating gains and losses other than the above items	12,062,780.06	
Gain or loss from changes in fair value of consumable biological assets subsequently measured at fair value	-11,009,851.10	
Less: Effect of income tax	31,709,677.73	
Effect of minority interests (after tax)	765,398.57	
Total	122,220,280.02	—

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

Applicable Not applicable

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

III Business Overview

I. Principal operations of the Company during the Reporting Period

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

No

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

The Company is a large and integrated modern conglomerate principally engaged in pulp production, paper making, finance and forestry businesses while also involved in mining, energy, logistics, construction materials, hotel operation and others. It is also the only listed company with A shares, B shares, H shares and preference shares in issue and the first company in the paper making industry having a finance company and a financial leasing company integrated with its industrial activities in China. The machine-made paper business and the financial leasing business are main sources of revenue and profit of the Company. In the first half of 2017, the Company completed the production of machine-made paper of 2.56 million tonnes with sales of 2.44 million tonnes. During the reporting period, there was no significant change in the principal operations of the Company.

1. Machine-made paper business

The Company is a leading player in the paper making industry in China. It has established production bases in Shandong, Guangdong, Hubei, Jiangxi and Jilin with annual pulp and paper production capacity of over 10,000,000 tonnes. Currently, it has the largest integrated forestry, pulp and paper project with the most advanced technology in the world and dozens of pulp and paper production lines of international advanced standards. The product mix of the Company has gradually diversified into eight major product series which focus on high and middle end products, including high-end offset paper, coated paper, white paper board, light weight coated paper, household paper, electrostatic copy paper, thermal paper and glassine paper.

The Company has scientific research institutions including the national enterprise technology centre, the postdoctoral working station as well as state certified CNAS pulp and paper testing centre and has obtained over 150 national patents including 12 patents for invention, with 7 products selected as national new products and 35 products filling the gap in China. The Company has obtained 21 Science and Technology Progress Awards above the provincial level and undertaken five national science and technology projects and 26 provincial technological innovation projects. The Company has obtained the ISO9001 quality certification, ISO14001 environmental protection certification and -COC certification (License Code:FSC-C020261), leading among its industry peers.

2. Financial leasing business

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

III Business Overview

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

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

1. Paper making industry

Since 2017, China's economy extended its development trend at stable pace, and gradually showed steady growth with favourable momentum. The growth in production and consumption in the paper making industry was closely related to the domestic economic development. Benefiting from the continuous stable macroeconomic growth, the development of the paper making industry was going to maintain stable growth in the long run. In recent years, the central government had been introducing various industry policies such as production capacity reduction, the supply-side reform, ten rules regarding water pollution and ten rules regarding air pollution. Different measures such as setting higher emission standards and strictly restricting corporate scale and structure, put stricter restrictions on the enterprises in the paper making industry and forced those enterprises with backward production capacity to actively exit the paper making market.

On 5 January 2017, the Ministry of Environmental Protection issued the Interim Provisions for the Administration of Pollutant Discharge License, which mainly focuses on granting permits for pollution treatment facilities, and emission concentration, emission volume and management of pollutants. Pursuant to the Interim Provisions, all enterprises in the thermal power industry and the paper making industry must possess permits for pollutant discharge from 1 July 2017 onwards. More small enterprises may be eliminated due to stricter environmental protection policy. The implementation of the licensing system for pollutant discharge will be favourable for leading enterprises.

With the continuous introduction of production capacity reduction, the supply-side reform and other policies, the environmental protection policy had become stricter. The elimination of backward production capacity in the paper making industry progressed smoothly. New production capacity mainly came from large enterprises. It was expected that the industry concentration ratio was going to further increase. Since the second half of 2016, there was a general increase in prices in the paper making industry in China due to the increased costs of, among other things, wood pulp, waste paper, logistics and coal. Product prices rose with a boom in the industry to be prolonged.

The improvement in the supply in the industry effectively boosted the dual growth in revenue and profitability of the enterprises in the paper making industry. The downstream demand in the paper making industry continued to grow along with the domestic economic growth. The turning point in the supply and demand structure in the industry gradually developed with a boom in the industry to be prolonged.

2. Financial leasing industry

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

Under the new normal of the economic development, the financial leasing industry in China entered its golden years. According to the Report on the Development of Financial Leasing Industry in China for the First Quarter of 2017 jointly issued by the China Leasing Alliance and Tianjin Binhai Financial Leasing Research Institute, there were approximately 7,626 enterprises engaging in financial leasing in China as at the end of March 2017. The outstanding financial leasing contracts amounted to approximately RMB5.54 trillion, representing an increase of 3.9% as compared to the end of last year. According to the Research Report on Business Prospects Survey of and Investment Strategies in the China Financial Leasing Industry 2016-2021 issued by ASKCI Consulting Co., Ltd., the financial leasing industry will grow at a compound annual growth rate of over 20% in the future and it is expected that the output of the industry will amount to RMB20.79 trillion by 2021. The business prospects of the financial leasing industry in China are promising.

III Business Overview

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	The Company made equity investment in Weifang Sime Darby West Port Co., Ltd. and completed the capital increase to Guangdong Dejun Investment Co., Ltd. during the reporting period.
Fixed assets	There was no major change in fixed assets and the Company reclassified a portion of a few projects during the reporting period.
Intangible assets	The Company transferred the land use rights of the Huanggang pulp and paper project and Haiming Mining from construction in progress to intangible assets for accounting during the reporting period.
Construction in progress	The Meilun chemical pulp project, the Huanggang integrated forestry, pulp and paper project and the Haiming magnesite mining project were reclassified as planned during the reporting period.

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 2017, the Group's current ratio was 79.80%. The quick ratio was 68.48%. The gearing ratio was 74.78%. The accounts receivable turnover ratio was 511.78% (Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%). The inventory turnover ratio was 490.71% (Inventory turnover ratio = cost of sales of the products/weighted average net inventory*100%).

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

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

As at 30 June 2017, the total bank borrowings, corporate bonds and short-term commercial paper of the Group were RMB41,077 million, RMB3,798 million and RMB10,156 million (As at the end of the prior year: the total bank borrowings, corporate bonds, medium-term notes and privately placed bonds and short-term commercial paper of the Group were RMB36,155 million, RMB3,795 million, RMB1,098 million and RMB6,603 million, respectively). As at 30 June 2017, the Group had monetary funds of RMB12,542 million (As at the end of the prior year: RMB10,110 million) in total (For the breakdown of monetary funds, please refer to "Section X. VII. 1 Note on Monetary Funds" in this report).

To strengthen our financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2017, the Group had 13,573 employees. The total staff remuneration for the first half of 2017 amounted to RMB520.3379 million (as at the end of the prior year, the Group had 12,986 employees. The total staff remuneration for 2016 amounted to RMB808.7321 million).

Major investment projects of the Company during the second half of 2017 will include Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang City's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Shouguang's 510,000 tonne high-end culture paper project and other projects.

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

For details of the assets with restricted ownership of the Group as at 30 June 2017, please refer to "Section X. VII. 57. Details of assets with restricted ownership or right of use" in this report.

As at 30 June 2017, no contingent event was required to be disclosed by the Group.

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

1. Scale advantages

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

2. Product advantages

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

3. Advantages in technical equipment

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 equipment such as advanced dilution headboxes, top wire formers, uniron dryers, on-machine film coaters, non-contact hot air drying and two-sided soft and dense calender machines in the world is equipped with advanced technologies including online paper disease monitoring system, caliper control system and intelligent quality control system.

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)

4. Advantages in research and innovation and new product development

The Company is a high and new-technology enterprise and gives full play to its strong research capability. Supported by the national enterprise technology centre and the post-doctoral working station, the Company has established a comprehensive intellectual property system and put more and more efforts in technical innovation and scientific research and development to develop new products with high technology contents and high added value as well as proprietary technologies. Meanwhile, the technology centre of the Company has actively engaged in technical cooperation with schools, research institutions and international advanced enterprises. The Company has obtained over 150 national patents including 12 patents for invention, with 7 products selected as national new products and 35 products filling the gap in China. The Company has obtained 21 Science and Technology Progress Awards above the provincial level and undertaken five national science and technology projects and 26 provincial technological innovation projects. The brand “Chenming” is recognised as a well-known brand name in China.

5. Funding advantages

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

6. Team advantages

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

7. Advantages in environmental governance capacity

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

IV Discussion and Analysis of Operations

I. Overview

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

In the first half of 2017, the Company completed the production of machine-made paper of 2.56 million tonnes with sales of 2.44 million tonnes and achieved revenue of RMB13,749 million, a year-on-year increase of 29.63%. The Company recorded operating costs of RMB9,530 million, a year-on-year increase of 25.78%. Total profit and net profit attributable to equity holders of the Company were RMB2,079 million and RMB1,746 million respectively, up by 68.60% and 85.86% from the prior year. The Company’s total assets amounted to RMB91,768 million. The financial segment experienced stable development across businesses with ever improving management systems and effective risk preventions.

1. Upgraded corporate management

The Company performed its tasks on schedule in strict compliance with the plans as formulated by the management consulting companies and the information technology companies. Through learning their advanced philosophies and methods, together with the help of external experts, corporate management standard has significantly enhanced. The Company has enhanced its management at hierarchy level and skill training, thus building a talented employee team and improved its comprehensive management capability.

2. Operation management

The Company regulated its market-oriented operations. It has increased the selling prices in a timely manner based on the market conditions, and improved efficiency through the measures such adjustment to the product structure, investment in products of higher returns, investment in markets of close proximity and turning inefficient entities around. The Company controlled the appropriation of funds through the measures such as increase in prepayments, sales on contract with customers, and bartering, thus enhancing the quality of operations. The Company made every effort to recover overdue amount. It has improved the quality of collateral security to prevent risks.

3. Production management

The Company focused on the improvement of management level for production and operation while ensuring stable operation and put greater efforts into efficiency utilisation, research and development innovation as well as environmental protection and safety. During the first half of 2017, over 30 types of high value-added products were produced, focusing on the development and production of high value-added products including lightweight white paper board, coated paper, business card paper, high-end white paper board and food card paper etc. Through optimising pulp composition, the Company has lowered the proportion of chemical materials and introduced new raw materials. It has promoted and applied new technology, such as strengthening of paper surface, thus enhancing efficiency. The Company implemented safety standardisation management and pay attention to environmental protection in accordance with national standards and requirements. The Company has set up and closely monitored the safety factors for internal control indicators so as to ensure standardised emission.

4. Project management

Phase I of Haiming mining project has commenced the key stage. Huanggang Chenming’s integrated forestry, pulp and paper project, 400,000 tonne chemical pulp project and other projects under construction has proceeded strictly on schedule.

IV Discussion and Analysis of Operations

I. Overview (Cont'd)

5. Financial capital management

Leveraging professional teams, the Company optimised its business risk management system and set up a customer classification evaluation system. Financing and project investments were under centralised management of the Group so as to prevent business risk. The Company enhanced the incentive and appraisal mechanism for middle and senior management for the financial segment. The Company strengthened the ideological education and comprehensive capabilities training for cadres to enhance team cohesion. By virtue of additional investment through the leasing company and expansion in the scale of cooperation with the industry peers through the Finance Company, the Company engaged in new businesses including industry chain finance to increase benefits.

6. Supply chain management

The establishment of information platform and international tender network had processed on schedule, which fully enhance the level of information management for procurement. The Company strengthened the bulk procurement of raw materials, established strategic cooperation relationship with quality customers, and reduced procurement costs. The Company gave full play to the electronic merchandise exchange centre for pulp and paper products, and established a supply chain system integrating warehousing and logistics for pulp and paper products in China. The Company closely followed the coordination and payment process and further utilised acceptance payment to facilitate the cooperation with electronic commercial draft business.

7. Logistics management

The construction of phase I of the Shouguang Chenming international logistics centre project and the main building of the Qingdao innovative industry park project has proceeded on schedule. The Company facilitated the establishment of logistics information platform so as to accomplish the integration between business flow, material flow and information flow. The information platform integrated logistics resources to build an intelligent logistics system. The Company utilised the function of supervision stations, bonded warehouses and other existing facilities to customise comprehensive logistics service programs for different corporate customers.

IV Discussion and Analysis of Operations

II. Analysis of principal operations

Please see “1. Overview” under “Discussion and Analysis of Operations” for relevant information.

Year-on-year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/decrease	Reason for the change
Revenue	13,749,235,007.24	10,606,358,733.02	29.63%	Mainly due to the increased sales and prices of machine-made paper of the Company
Operating costs	9,529,854,215.34	7,576,566,708.17	25.78%	Mainly due to the increased sales of machine-made paper of the Company.
Selling and distribution expenses	641,498,275.35	573,734,657.05	11.81%	Mainly due to the increased sales of machine-made paper of the Company.
Administrative expenses	856,354,999.17	694,013,827.38	23.39%	Mainly due to the increased investment in research and development of the Company.
Finance expenses	696,609,279.51	655,744,163.67	6.23%	Mainly due to the increased interest expenses.
Income tax expenses	331,253,327.08	307,031,422.46	7.89%	Mainly due to the improved profitability of the Company.
Investments in research and development	446,835,957.44	305,617,867.77	46.21%	Mainly due to the increased investment in research and development of the Company for market expansion.
Net cash flows from operating activities	-4,471,728,995.24	-2,697,509,853.04	-65.77%	Mainly due to the increased use of bills and the reduced discounting of bills receivable by the Company.
Net cash flows from investing activities	-363,428,930.29	-840,208,267.12	56.75%	Mainly due to the capital increase to Guangdong Dejun and the increased investment in Sime Darby West Port by the Company during this year.
Net cash flows from financing activities	5,384,179,679.92	5,225,021,178.25	3.05%	
Net increase in cash and cash equivalents	441,630,376.91	1,679,333,857.39	-73.70%	

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

Applicable Not applicable

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

IV Discussion and Analysis of Operations

II. Analysis of principal operations (Cont'd)

Components of principal operations

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/ decrease of revenue as compared to the corresponding period of the prior year	Increase/ decrease of operating costs as compared to the corresponding period of the prior year	Increase/ decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	12,043,543,738.63	8,629,879,304.81	28.34%	34.84%	26.33%	4.83%
Financial leasing	1,128,076,033.86	561,718,365.09	50.21%	-6.15%	22.11%	-11.52%
By products						
Duplex press paper	2,692,685,324.56	1,977,548,541.00	26.56%	14.35%	9.01%	3.59%
Coated paper	2,588,288,964.39	1,839,035,493.67	28.95%	25.02%	18.74%	3.76%
White paper board	2,931,623,712.21	1,988,207,004.18	32.18%	176.51%	144.17%	8.98%
Financial leasing	1,128,076,033.86	561,718,365.09	50.21%	-6.15%	22.11%	-11.52%
By geographical segment						
Mainland China	11,987,670,442.70	8,094,619,730.35	32.48%	33.58%	30.97%	1.35%
Other countries and regions	1,575,473,391.99	1,373,436,417.75	12.82%	1.19%	0.26%	0.81%

III. Analysis of non-principal operations

Applicable Not applicable

IV Discussion and Analysis of Operations

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of the reporting period		As at the end of the corresponding period of the prior year		Percentage change	Description of major changes
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary funds	12,541,497,475.48	13.67%	11,772,868,305.13	13.59%	0.08%	Mainly due to increased sales revenue.
Accounts receivable	3,767,714,992.67	4.11%	3,950,271,213.66	4.56%	-0.45%	
Inventories	6,057,467,324.08	6.60%	5,226,225,533.10	6.03%	0.57%	
Long-term equity investments	169,207,699.57	0.18%	63,288,422.01	0.07%	0.11%	Mainly the new equity investment in Sime Darby West Port.
Fixed assets	28,536,783,322.01	31.10%	24,982,941,210.61	28.84%	2.26%	Mainly the reclassification of the 600,000-tonne liquid packaging paper project in Zhanjiang.
Construction in progress	5,054,138,263.16	5.51%	5,654,059,733.57	6.53%	-1.02%	
Short-term borrowings	31,686,575,360.39	34.53%	28,531,704,325.25	32.94%	1.59%	Mainly due to the greater demand for short-term working capital as a result of the increase of the production scale of the Company.
Long-term borrowings	7,786,639,310.56	8.49%	6,195,047,942.07	7.15%	1.34%	
Long-term receivables	9,573,697,226.65	10.43%	10,682,888,917.02	12.33%	-1.90%	Mainly due to the increased investment in the leasing business.

IV Discussion and Analysis of Operations

IV. Assets and liabilities (Cont'd)

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Closing balance
Financial assets							
Consumable biological assets	1,633,513,994.28	-11,009,851.10	109,464,989.54		77,048,263.25	6,911,761.20	1,692,640,645.23
Total	1,633,513,994.28	-11,009,851.10	109,464,989.54		77,048,263.25	6,911,761.20	1,692,640,645.23

Financial liabilities 0.00 0.00

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

Yes No

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

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	10,120,006,052.96	As deposits for bank acceptance bills, letters of credit and bank borrowings, and deposit reserves
Bills receivable	1,259,355,685.71	As collateral for short-term borrowings, bills payable, letters of guarantee and letters of credit
Fixed assets	4,458,390,058.49	As collateral for bank borrowings and long-term payables
Intangible assets	427,899,004.31	As collateral for bank borrowings and long-term payables
Total	16,265,650,801.47	

V. Analysis of Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
6,933,152,584.60	1,352,627,240.09	412.57%

IV Discussion and Analysis of Operations

V. Analysis of Investments (Cont'd)

2. Material equity investments during the reporting period

✓ Applicable □ Not applicable

Unit: RMB

Name of investees	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Lawsuits involved or not	Date of disclosure (if any)	Disclosure index (if any)
Weifang Sime Darby West Port Co., Ltd.	Engaging in port construction, management and operation	Acquisition	106,110,000.00	50.00%	Self-owned funds	Sime Darby Overseas (HK) Limited	Long-term	Port	Completed	Not applicable	-686,682.41	No	Not applicable	Not applicable
Shandong Chemming Commercial Factoring Co., Ltd.	Relevant consultation services for domestic factoring, export factoring and commercial factoring, corporate management consultation, and asset valuation services.	Newly established	200,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	Long-term	Commercial factoring	Completed	Not applicable	0	No	Not applicable	Not applicable
Zhanjiang Chemming Pulp & Paper Co., Ltd.	Production and sale of electrostatic paper, duplex press paper and white paper board; and production and sale of pulp	Capital increase	2,000,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	Long-term	Electrostatic paper, duplex press paper and white paper board, etc.	Completed	Not applicable	791,984,675.73	No	17 November 2016	http://www.cmfib.com.cn/
Qingdao Chemming Pulp and Paper Electronic Commodity Exchange Co., Ltd.	Conducting spot transactions, trading of and electronic commerce of pulp, finished paper products, paper-making auxiliary materials, etc. and online sale of pulp, paper, paper product, etc.	Newly established	30,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	Long-term	Paper product trading	Not completed	Not applicable	-17,627.50	No	Not applicable	Not applicable
Qingdao Chemming Nonghai Financial Leasing Co., Ltd.	Financial leasing business	Capital increase	3,097,865,218.76	100.00%	Self-owned funds	Wholly-owned subsidiary	Long-term	Financial leasing	Completed	Not applicable	83,448,558.86	No	31 March 2016	http://www.cmfib.com.cn/
Guangdong Dejun Investment Management Co., Ltd.	Property leasing, sale of chemical materials, etc.	Capital increase	500,000,000.00	50.00%	Self-owned funds	Shanghai Zhongheng Enterprise Development (Group) Co., Ltd.	Long-term	Project investment	Completed	Not applicable	0.00	No	Not applicable	Not applicable
Xucheng Chemming Paper Co., Ltd.	Packaging and production of pulp, finished paper product, paper product; production and supply of thermal electricity; sewage treatment and re-use; recycling of renewable materials, etc.	Newly established	60,000,000.00	60.00%	Self-owned funds	Jiulong Dawai Holdings Limited	Long-term	Machine-made paper	Completed	Not applicable	0.00	No	Not applicable	Not applicable
Total			5,993,965,218.76								864,708,914.68			

IV Discussion and Analysis of Operations

V. Analysis of Investments (Cont'd)

3. Material non-equity investments during the reporting period

Applicable Not applicable

Unit: RMB

Project name	Form of investment	Fixed assets investment or not	Industry in which the investment project operates	Investment amount during the reporting period	Accumulated actual amount invested as of the end of reporting period	Source of fund	Progress	Estimated return	Accumulated realised return as of the end of the reporting period	Reasons for failure in meeting scheduled progress and estimated return	Date of disclosure (if any)	Disclosure index (if any)
Forestry paper integration project of Huanggang Chenming	Self-constructed	Yes	Pulp production	392,867,848.19	2,067,200,502.66	Self-raised and borrowings	50.95%	—	0.00	Not yet completed	2 August 2013	http://www.cninfo.com.cn/
Magnesite mining	Self-constructed	Yes	Mining	238,729,641.31	881,174,407.27	Self-raised and borrowings	73.43%	—	0.00	Not yet completed	25 October 2012	http://www.cninfo.com.cn/
Integrated terminal project of Huanggang Chenming	Self-constructed	Yes	Terminal	48,662,686.07	111,571,288.60	Self-raised and borrowings	31.79%	—	0.00	Not yet completed	19 December 2015	http://www.cninfo.com.cn/
510,000 tonne high-end cultural paper project	Self-constructed	Yes	Paper making	172,927,190.27	292,160,129.83	Self-raised and borrowings	7.77%	—	0.00	Not yet completed	18 February 2017	http://www.cninfo.com.cn/
Total	—	—	—	853,187,365.84	3,352,106,328.36	—	—	—	0.00	—	—	—

4. Financial asset investment

(1) Security investments

Applicable Not applicable

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

(2) Derivatives investments

Applicable Not applicable

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

IV Discussion and Analysis of Operations

VI. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

Counterparty(ies)	Asset disposed of	Disposal date	Transaction consideration (RMB'0,000)	Net profit contribution to the Company from the beginning of the period up to the disposal date (RMB'0,000)	Effect of disposal on the Company (note 3)	Ratio of net profit contribution to the Company of disposal of asset over total net profit (%)	Pricing basis of disposal of asset	Related party transaction or not	Relationship with counterparty (ies) (in case of related party transaction)	Relevant asset title fully transferred or not	Relevant debt fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Jinrun Fangzhou Science and Technology Co., Ltd.	Property 2601- 2617, Block A, 2017 Cyber Tower, No. 2 Zhongguancun South Street, Haidian District, Beijing	24 February	8,200	5,832	The disposal of asset is beneficial for the revitalisation of the Company's assets, optimisation of resources allocation and enhancement of fund utilisation efficiency. Relevant income has been accounted for profit for the period, which can boost the profitability for 2017.	3.34%	Determined by No parties involved through negotiation after considering various factors, including the basic condition of subject project, transaction price of nearby property and other factors.	No	Not applicable	Yes	Yes	Not applicable	1 March 2017	http://www.cninfo.com.cn

2. Disposal of material equity interest

Applicable Not applicable

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	Industry	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of pulp, duplex press paper, Electrostatic paper	Pulp production and paper making	5,550,000,000.00	20,859,299,793.31	6,771,316,688.25	4,288,215,056.14	901,993,556.87	781,964,875.73
Shandong Chenming Financial Leasing Co., Ltd.	Subsidiary	Paper product trading and financial leasing	Financial leasing	5,872,000,000.00	33,708,262,933.41	7,741,203,932.02	1,165,321,471.93	281,784,333.08	247,908,995.76
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper and household paper	Pulp production and paper making	3,000,000,000.00	12,305,369,523.97	4,510,466,563.76	2,348,108,370.62	116,194,087.58	116,303,935.47

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Name of companies	Methods to acquire and dispose of subsidiaries during the reporting period	Impact on overall production and operation and results
Jilin Chenming Machinery Manufacturing Co., Limited	Equity transfer	Impact of RMB408,200 on net profit.
Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd.	Newly established	Net profit for January to June 2017 was RMB-17,800.
Xuchang Chenming Paper Co., Ltd.	Newly established	Did not commence operation from January to June 2017.
Shandong Chenming Commercial Factoring Co., Ltd.	Newly established	Did not commence operation from January to June 2017.

Particulars of major subsidiaries and investees

- (1) Zhanjiang Chenming's major products, including high-end duplex press paper and electrostatic paper, had higher average selling prices, higher gross profit margin and better returns.
- (2) Financial Leasing Company made steady progress and delivered better profit.
- (3) With the higher prices of machine-made paper and the gains from sale of electricity, Shouguang Meilun recorded better profit.

IV Discussion and Analysis of Operations

VIII. Structured entities controlled by the Company

Applicable Not applicable

IX. Estimate of the operating results from January to September 2017

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

X. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

Paper making industry

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

Financial leasing industry

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

In view of the establishment and optimisation of trading rules, accounting standards, industry regulation and tax policies for the financial leasing industry, the financial leasing in China has been evolving into modern leasing at high speed. In the future, the size of the financial leasing business in China will expand significantly. Financial leasing will become an important alternative of financing for enterprises, especially small and medium-sized enterprises. The business prospects of the financial leasing industry in China are promising.

IV Discussion and Analysis of Operations

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

(II) Development strategy

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

(III) Operation plans for the second half of 2017

In the second half of 2017, the main goal of the Company is still adherence to the main theme of achieving growth amid stability and the guiding principal of work of “team building, management enhancement, outstanding business performance and good results”. A new management philosophy will be firmly established and consistently practised. The Company will commit itself to, among other things, operating steadily, boosting growth, adjusting the structure, preventing risks and benefiting the employees. The major measures are as follows:

1. Determined to upgrade corporate management

The Company will enhance its corporate management level with the help of external experts. The Company commits itself to performing its tasks up to standard and on schedule in strict compliance with the plans as formulated by the management consulting companies and the information technology companies. The Company will work together with external experts to learn their advanced philosophies and methods.

The Company will focus on team building to enhance its comprehensive management capability. The hierarchical management will improve to make the management at each hierarchy level function and to establish cadres with designated duties and full of energy. Staff teams will excel themselves during skill training. Hierarchical training will be given in terms of, among other things, ideology, morals, business skills, theory and knowledge.

2. Determined to strengthen market-oriented operations in terms of operations management

The Company will strengthen its market-oriented operations. It will increase the selling prices in a timely manner based on the actual market conditions, and increase its revenue through the measures such adjustment to the product structure, investment in products of higher returns, investment in markets of close proximity and turning inefficient entities around. The Company will control the appropriation of funds through the measures such as increase in prepayments, sales on contract with customers, and bartering, thus enhancing the quality of operations.

The Company will commit itself to working together with the management consulting companies and the information technology companies. The Company will enhance its sales management level by well defining job duties based on the sales structure, formulating standard procedures, and paying attention to key points through full mechanical operation.

The Company will make every effort to recover the amount past due with a view to the collection of all past due accounts. The Company will improve the quality of collateral security to prevent risks.

IV Discussion and Analysis of Operations

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

(III) Operation plans for the second half of 2017 (Cont'd)

3. Determined to promote innovation with higher efficiency in terms of production management

The Company will focus on the improvement of management level for production and operation while ensuring stable operation and put more efforts into efficiency utilisation, research and development innovation as well as environmental protection and safety. The Company will motivate the employees through appraisals at levels and attach great importance to training programmes for staff at entry level. The Company will cooperate with information technology companies to facilitate early warning and examination through mechanical operation during production. The Company will introduce high-end technicians to improve the research and development capabilities of the teams. The Company will encourage technology innovation and apply for 20 national patents. The Company will adjust the product mix and focus on the research and development as well as marketing of unbleached household paper, anti-counterfeiting white paper board, cigarette card board and other high value-added products. The Company will introduce new types of raw materials and promote the application of technologies including paper surface enhancement. The Company will be strict with product quality and work on increases in prices and benefits in sales. The Company will implement safety standardisation management and pay attention to environmental protection in accordance with national standards and requirements. The Company will set up and closely monitor the safety factors for internal control indicators so as to ensure standardised emission.

4. Determined to maintain quality and be on track in terms of project management

The Company will make sure the phase I of Haiming mining project to commence production on schedule. The Company will also pay close attention to Huanggang Chenming's integrated forestry and pulp project, Shouguang Chenming's chemical pulp project and other projects under construction to ensure such projects will proceed on schedule.

5. Determined to achieve stable growth in terms of financial capital management

The Company will regard risk management as the most important task for financial capital management. Leveraging professional teams, the Company will optimise its business risk management system and set up a customer classification evaluation system. Financing and project investment will be under centralised management of the Group so as to prevent business risk.

The Company will proceed with capital financing to reduce its gearing ratio and optimise the structure of assets and liabilities. The Company will also proceed with direct financing for the medium to long term so as to prevent liquidity risk.

The Company will enhance the incentive and appraisal mechanism for middle and senior management for the financial segment. The Company will strengthen the ideological education and comprehensive capabilities training for cadres to enhance team cohesion. By virtue of additional investment through the leasing company and expansion in the scale of cooperation with the industry peers through the Finance Company, the Company will engage in new businesses including industry chain finance to increase benefits.

6. Determined to grow revenue from trading in terms of supply chain management

Cooperating with management consulting companies and professional information technology companies, the Company will strive to the establishment of information platform and international tender network so as to enhance the level of information management for procurement. The Company will place great emphasis on bulk procurement of raw materials and establish strategic cooperation relationship with quality customers while putting more efforts into market analysis and improving analysis and judgement capabilities for market conditions so as to reduce procurement costs. The Company will give full play to the electronic merchandise exchange centre for pulp and paper products and establish a supply chain system integrating warehousing and logistics for pulp and paper products in China. The Company will expand sales channels in the market to improve trading volume. The Company will closely follow the coordination and payment process and further utilise acceptance payment to facilitate the cooperation with electronic commercial draft business.

IV Discussion and Analysis of Operations

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

(III) Operation plans for the second half of 2017 (Cont'd)

7. Determined to consolidate resources in terms of logistics management

The Company will rationalise its organisation structure and introduce logistics professionals to facilitate the greater reforms of the logistics of the Group. The Company will ensure the timely completion of phase I of the Shouguang Chenming international logistics centre project and the main building of the Qingdao innovative industry park project. The Company will facilitate the establishment of logistics information platform so as to accomplish the integration between business flow, material flow and information flow. The information platform will integrate logistics resources to build an intelligent logistics system. The Company will utilise the function of supervision stations, bonded warehouses and other existing facilities to customise comprehensive logistics service programs for different corporate customers.

8. Caring for employees with more and more employee benefits

The Company will rationalise the salary increment mechanism to improve staff's income in real terms so as to make sure the salary level of its staff is relatively higher than those of its local counterparts and industry peers. Making reference to renowned enterprises, the Company will improve the living standards of staff quarters through further improvement in basic facilities and amenities. The Company will commence physical training and testing for staff to improve their physical quality. Focusing on green landscaping, the Company will build more garden-like factory areas so as to create a more pleasant working environment for employees.

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

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

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

The Company will use RMB3.7 billion from private placement to reduce the cost of paper making. The investment in the 400,000-tonne chemical pulp project through private placement will improve the self-sufficiency of pulp of the Company and the raw materials structure of the paper making segment, in the expectation of reducing the production costs of paper making and enhancing profitability of paper making business. At the same time, non-public issuance of shares will optimise the debt structure and reduce financial costs as well as the gearing ratio. Diversified financing channels to meet the Company's capital requirements: (1) The Company will reduce the financing costs and optimise the capital structure by issuing corporate bonds, medium-term notes, short-term financing, super short-term financing, perpetual bonds and other means for financing so as to provide financial support for the Company's long-term healthy development. (2) The Company will facilitate cross-border financing by making full use of the financing platform in Hong Kong market to increase its credit line. Besides, the Company will also mitigate exchange rate risk through multi-currency financing and improve the efficiency of use of capital to reduce financial costs. As at the end of June 2017, the credit lines utilised by the Company amounted to RMB42.0 billion and the credit lines obtained by the Company amounted to RMB72.3 billion with an utilisation rate of 58.09%. (3) The Company will make use of the advantages of the Finance Company and the Financial Leasing Company in the financial industry to expand the financing channels for the Group, bring new momentum for business development.

IV Discussion and Analysis of Operations

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

1. Risk on paper making industry

Policy risk

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

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

Market fluctuation risk

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

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

Risk of overcapacity and slowdown in demand

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

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

IV Discussion and Analysis of Operations

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

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

Risk of price fluctuation of raw materials

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

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

Risk of change in environmental protection policies

China has been raising the standards for environmental protection in recent years. The new Environmental Protection Law took effect on 1 January 2015. More stringent environmental protection policies have been implemented in the paper making industry. A multi-pronged approach has been adopted to promote industrial restructuring, and the paper making industry has entered into an important transitional period of development. A higher emission standard is bound to increase the Company’s environmental protection costs and a high entry standard may result in the slowdown of scale expansion.

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

2. Risk on financial leasing business

Policy risk

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

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

IV Discussion and Analysis of Operations

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

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

Liquidity risk

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

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

Credit risk

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

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

Operation risk

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

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

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
2016 annual general meeting	Annual general meeting	20.36%	21 April 2017	22 April 2017	http://www.cninfo.com.cn
2017 first extraordinary general meeting	Extraordinary general meeting	32.04%	2 June 2017	3 June 2017	http://www.cninfo.com.cn
2017 first domestic listed share class meeting	Extraordinary general meeting	28.91%	2 June 2017	3 June 2017	http://www.cninfo.com.cn
2017 first overseas listed share class meeting	Extraordinary general meeting	39.08%	2 June 2017	3 June 2017	http://www.cninfo.com.cn

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

V Material Matters

IV. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

The interim financial report is unaudited.

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

Applicable Not applicable

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

Applicable Not applicable

VII. Securities transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors’ securities transactions. The Company had made specific enquiry of all Directors and Supervisors and all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code for the six months ended 30 June 2017.

VIII. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

IX. 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

V Material Matters

IX. Litigation (Cont'd)

Basic information about litigation (arbitration)	Amount (RMB'0,000)/ Subject matter	Progress of litigation (arbitration)	Judgment result of the litigation (arbitration) and its effect	Disclosure date	Disclosure index
Statutory demand and Winding-up Petition	30,200	<ol style="list-style-type: none"> The Court of First Instance in the High Court of the HKSAR completed the hearing held from 21 February 2017 to 23 February 2017; The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017; On 26 June 2017, there was an ex-parte hearing in chambers in the High Court of the HKSAR in which the petitioner applied for an interim injunction order to prohibit the Company from distribution of the 2016 final dividend to the holders of H shares. On 30 June 2017, the Hon Mr. Justice Harris of the High Court of the HKSAR discharged the interim injunction order on the same date after the hearing. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. The winding-up petition is scheduled to be heard before the High Court of the HKSAR at 9:30 a.m. on 23 August 2017. 	<ol style="list-style-type: none"> The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017: (1) the amended originating summonses for the injunction order be dismissed; and (2) an order nisi be made on the costs of the legal proceedings. The Company pays the costs to the defendant (including the fees payable to two counsels). The costs shall be taxed if not agreed. The High Court of the HKSAR anticipated the reasons for decision of the case would be handed down on 7 July 2017. On 15 June 2017, the office address of the Company in Hong Kong received a winding-up petition dated 15 June 2017 filed by the defendant to the High Court of the HKSAR. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. Having considered the reasons for decision and the consequences to the Company once the winding-up petition is given, the Company applied for an appeal against the decision to the High Court of HKSAR on 12 July 2017. Further details of the appeal will be disclosed by the Company in due course. 	25 February 2017, 17 June 2017, 23 June 2017, 30 June 2017 and 3 July 2017	http://www.cninfo.com.cn , announcement number: 2017-015, 2017-067, 2017-069, 2017-070 and 2017-071
Validation order	The validation order relating to the transfer of fully paid-up shares of the Company	The Company through its legal adviser applied to the Court of HKSAR for the validation order relating to the transfer of fully paid-up shares of the Company on 19 July 2017(case no. HCCW175/2017). The hearing of the application of the validation order is scheduled to be heard at 9:30 a.m. on 19 October 2017.	—	17 July 2017 and 31 July 2017	http://www.cninfo.com.cn , announcement number: 2017-076 and 2017-084

X. Punishment and rectification

Applicable Not applicable

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

V Material Matters

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

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

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 transactions	Price of related party transactions	Amount of related party transactions (RMB'0,000)	Percentage as the amount of similar transactions(%)	Amount of transactions approved (RMB'0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Jiangxi Chenming Natural Gas Co., Ltd. and its subsidiaries	Pursuant to the requirement under Paragraph (2) of Article 10.1.6 of the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange	Procurement	Natural gas and heavy oil etc.	Market price	Market price	8,433.94	0.89%	35,000	No	Bank acceptance and telegraphic transfer	Not applicable	18 February 2017	http://www.cninfo.com.cn
Total				—	—	8,433.94	—	35,000	—	—	—	—	—
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

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

5. Other significant related party transactions

Applicable Not applicable

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

V Material Matters

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 did not provide any guarantee to external parties (excluding those provided to its subsidiaries) and did not provide any guarantees against the rules and regulations.

During the reporting period, the Company provided guarantee to its subsidiaries and its subsidiaries also provided guarantee to its subsidiaries with respect to application of bank loans. The guarantee amount incurred was RMB11,292.7365 million. As at 30 June 2017, the balance of the guarantee provided by the Company for its subsidiaries and provided by its subsidiaries for its subsidiaries amounted to RMB18,886.5548 million, representing 83% of the equity attributable to equity holders of the Company as at 30 June 2017.

Unit: RMB'0,000

External guarantees of the Company (excluding guarantees to subsidiaries)		
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)	0	Balance of total actual guarantees at the end of the reporting period (A4) 0

V Material Matters

XV. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between the Company and its subsidiaries						Guarantee to related parties or not
		Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2016	150,000	5 December 2016	433,411.51	General guarantee	3 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	17 February 2017	650,000			General guarantee	2 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	1 December 2016	265,805.28	General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000			General guarantee	7 years	No	No
Huanggang Chenming Arboriculture Co., Ltd.	17 February 2017	5,000			General guarantee	2 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000	17 August 2015	122,801.19	General guarantee	7 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000			General guarantee	7 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2016	150,000	30 September 2016	74,278.06	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	17 February 2017	200,000			General guarantee	2 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	12 January 2017	28,500	General guarantee	10 years	No	No
Shouguang Meilun Paper Co., Ltd.	17 February 2017	100,000			General guarantee	2 years	No	No
Shandong Chenming Paper Sales Company Limited	30 March 2016	200,000	14 October 2016	255,218.54	General guarantee	3 years	No	No
Shandong Chenming Paper Sales Company Limited	17 February 2017	400,000			General guarantee	2 years	No	No
Chenming (HK) Limited	30 March 2016	100,000	23 August 2016	556,662.96	General guarantee	3 years	No	No
Chenming (HK) Limited	17 February 2017	500,000			General guarantee	2 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	17 February 2017	50,000			General guarantee	2 years	No	No
Jilin Chenming Paper Co., Ltd.	17 February 2017	150,000	20 July 2016	4,000	General guarantee	2 years	No	No
Shandong Chenming Group Finance Co., Ltd.	17 February 2017	500,000			General guarantee	2 years	No	No
Zhanjiang Chenming Arboriculture Co., Ltd.	17 February 2017	5,000			General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		2,560,000	0 Total amount of guarantee provided for subsidiaries during the reporting period (B2)					1,044,948.52
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		5,510,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)					1,740,677.54

V Material Matters

XV. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

(1) Guarantees (Cont'd)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between subsidiaries						Guarantee to related parties or not
		Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2016	100,000	20 December 2016	99,988.09	General guarantee	3 years	No	No
Jiangxi Chenming Paper Co., Ltd.	30 March 2016	100,000	29 July 2016	47,989.85	General guarantee	3 years	No	No
Shandong Chenming Group Finance Co., Ltd.	30 March 2016	100,000			General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0	Total amount of guarantee provided for subsidiaries during the reporting period (C2)					84,325.13
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 at the end of the reporting period (C4)					147,977.94
Total amount of guarantee provided (i.e. sum of the above three guarantee amount)								
Total amount of guarantee approved during the reporting period (A1+B1+C1)		2,560,000	Total amount of guarantee during the reporting period (A2+B2+C2)					1,129,273.65
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)		5,810,000	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)					1,888,655.48
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company								83.00%
Of which:								
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)								0
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)								1,077,686.78
Total amount of guarantee provided in excess of 50% of net assets (F)								777,715.06
Sum of the above three amount of guarantee (D+E+F)								1,855,401.84

(2) External guarantees against the rules and regulations

Applicable Not applicable

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

3. Other material contracts

Applicable Not applicable

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

XVI. Fulfilment of social responsibility

1. Fulfilment of social responsibility regarding specialised poverty relief

Applicable Not applicable

2. Major environmental protection matters

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

Yes

V Material Matters

XVI. Fulfilment of social responsibility (Cont'd)

2. 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
Shandong Chenming Paper Holdings Limited	COD	Organised emission	3	Within Chenming Industrial Park	200mg/L	300mg/L	2717t	7666.6t	No
	Ammonia nitrogen	Organised emission	3	Within Chenming Industrial Park	1.9mg/L	35mg/L	22.94t	766.6t	No
	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	10.2mg/m ³	35mg/m ³	10.63t	247.16t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	44.6mg/m ³	100mg/m ³	85.9t	941.8 t	No
Shouguang Meilun Paper Co., Ltd.	Smoke	Organised emission	2	Within Chenming Industrial Park	6.49mg/m ³	10mg/m ³	11.98t	70.62t	No
	Sulphur dioxide	Organised emission	2	Within Chenming Industrial Park	6.62mg/m ³	35mg/m ³	33.5t	348.10t	No
	Nitrogen oxide	Organised emission	2	Within Chenming Industrial Park	48.25mg/m ³	100mg/m ³	231.3t	709.32t	No
	Smoke	Organised emission	2	Within Chenming Industrial Park	6.37mg/m ³	10mg/m ³	28.45t	73.62t	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	COD	Organised emission	5	Within Zhanjiang Chenming factory area	63mg/L	90mg/L	790.213t	1943t	No
	Ammonia nitrogen	Organised emission	5	Within Zhanjiang Chenming factory area	1.53mg/L	8mg/L	29.313t	43.9t	No
	Smoke	Organised emission	5	Within Zhanjiang Chenming factory area	Power plant 1# 6mg/m ³ , Power plant 2# 7mg/m ³ , Lime kiln 27mg/m ³ , Alkali boiler 23mg/m ³	Power plant 1# 30mg/m ³ , Power plant 2# 30mg/m ³ , Lime kiln 200mg/m ³ , Alkali boiler 30mg/m ³	28t	196t	No
	Sulphur dioxide	Organised emission	5	Within Zhanjiang Chenming factory area	Power plant 1# 6mg/m ³ , Power plant 2# 7mg/m ³ , Lime kiln 2mg/m ³ , Alkali boiler 24mg/m ³	Power plant 1# 100mg/m ³ , Power plant 2# 35mg/m ³ , Lime kiln 850mg/m ³ , Alkali boiler 100mg/m ³	119.701t	620t	No
	Nitrogen oxide	Organised emission	5	Within Zhanjiang Chenming factory area	Power plant 1# 7mg/m ³ , Power plant 2# 4mg/m ³ , Alkali boiler 192mg/m ³	Power plant 1# 100mg/m ³ , Power plant 2# 50mg/m ³ , Alkali boiler 250mg/m ³	992.817t	2169.7t	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	COD	Directly discharged into the Yangtze River after treating the sewage up to the standard	1	East of the factory area	38.14mg/L	80mg/L	41.9t	184.3t	No
	Ammonia nitrogen	Directly discharged into the Yangtze River after treating the sewage up to the standard	1	East of the factory area	0.529mg/L	8mg/L	0.3t	17.3t	No
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Smoke	Organised emission	2	Within Qianneng Electric Power factory area	9.18mg/m ³	20mg/m ³	6.29t	41.032t	No
	Sulphur dioxide	Organised emission	2	Within Qianneng Electric Power factory area	9mg/m ³	50mg/m ³	15.82t	102.581t	No
	Nitrogen oxide	Organised emission	2	Within Qianneng Electric Power factory area	56mg/m ³	100mg/m ³	31.1t	205.163t	No
Jilin Chenming Paper Co., Ltd.	COD	Organised emission	1	Downstream of the Shaokou section of Songhua River	60mg/L	90mg/L	153t	357t	No
	Ammonia nitrogen	Organised emission	1	Downstream of the Shaokou section of Songhua River	0.875mg/L	8mg/L	2.31t	34t	No
Jiangxi Chenming Paper Co., Ltd.	Chemical oxygen demand	Organised emission	1	At the boundary of factory area	53mg/L	90mg/L	230t	1260t	No
	Ammonia nitrogen	Organised emission	1	At the boundary of factory area	3.52mg/L	8mg/L	16.42t	112t	No
	Suspended matter	Organised emission	1	At the boundary of factory area	12mg/L	30mg/L	52.1t	420t	No
	Sulphur dioxide	Organised emission	2	Within factory area	44.7mg/m ³	200mg/m ³	171.4t	806t	No
	Nitrogen oxide	Organised emission	2	Within factory area	105mg/m ³	200mg/m ³	403t	806t	No
	Smoke	Organised emission	2	Within factory area	12.75mg/m ³	30mg/m ³	28.26t	135t	No

V Material Matters

XVI. Fulfilment of social responsibility (Cont'd)

2. Major environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control

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

XVII. Other matters of significance

√ Applicable Not applicable

1. Distribution of fixed dividend of Chenming You 01

The dividend was accrued from 17 March 2016 on the basis of the 22.5 million preference shares issued with a nominal value of RMB100 per share. As calculated according to the dividend rate of 4.36%, a dividend of RMB4.36 (tax inclusive) per preference share was distributed. The Company distributed dividend amounting to RMB98.10 million in total (tax inclusive).

For details, please refer to relevant announcement (announcement no.: 2017-022) of the Company published on CNINFO on 10 March 2017.

2. Public issuance of corporate bonds was approved by the China Securities Regulatory Commission

The Company received the Approval of the Public Issuance of Corporate Bonds to Qualified Investors of Shandong Chenming Paper Holdings Limited (Zheng Jian Xu Ke [2017] No. 342) from the China Securities Regulatory Commission on 23 March 2017, which approved the Company to issue corporate bonds in a total nominal amount of not more than RMB4 billion to qualified investors.

For details, please refer to relevant announcement (announcement no.: 2017-027) of the Company published on CNINFO on 24 March 2017.

V Material Matters

XVII. Other matters of significance (Cont'd)

3. Provision of financial support to an investee

In order to ensure the normal operation of the projects of its investee, Weifang Sime Darby West Port Co., Ltd. ("Sime Darby West Port"), and maximise the benefits of the Company, the Company intended to provide financial support in an amount of not more than RMB130 million to such company according to its own operation and capital utilisation. The financial assistance shall be effective for five years. The Company will receive interest on the financial support at a rate of 6% per annum.

For details, please refer to relevant announcement (announcement no.: 2017-046) of the Company published on CNINFO on 28 April 2017.

4. Adjustment to the price determination date for non-public offering of A shares

The price determination date was adjusted to the announcement date of board resolutions at the tenth extraordinary meeting of the eighth session of the Board (i.e. 8 June 2017). The issue price for the non-public issue shall be not less than the higher of 90% of the average trading price of A shares of the Company for the 20 trading days prior to the price determination date (average trading price of A shares of the Company for the 20 trading days prior to the price determination date = total transaction amount of A shares of the Company for the 20 trading days prior to the price determination date / total trading volume of A shares of the Company for the 20 trading days prior to the price determination date) (i.e. RMB10.29 per share) and the latest audited net asset per share attributable to ordinary shareholders of the Company prior to the issue.

For details, please refer to relevant announcement (announcement no.: 2017-063) of the Company published on CNINFO on 8 June 2017.

5. 2016 profit distribution plan for ordinary shares

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

V Material Matters

XVII. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2017

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-001	Announcement on Estimated Annual Results for 2016	10 January 2017	http://www.cninfo.com.cn
2017-002	Announcement on Result of the Issue of 2017 First Tranche of Short-term Commercial Paper	10 January 2017	http://www.cninfo.com.cn
2017-003	Announcement on Result of the Issue of 2017 First Tranche of Super & Short-term Commercial Paper	12 January 2017	http://www.cninfo.com.cn
2017-004	Indicative Announcement on Subsidiary Receiving Subsidy	19 January 2017	http://www.cninfo.com.cn
2017-005	Supplementary Announcement Subsidiary Receiving Subsidy	20 January 2017	http://www.cninfo.com.cn
2017-006	Announcement in respect of Resolutions of the Fourth Meeting of the Eighth Session of the Board of Directors	18 February 2017	http://www.cninfo.com.cn
2017-007	Notice of 2016 Annual General Meeting	18 February 2017	http://www.cninfo.com.cn
2017-008	2016 Annual Report Summary	18 February 2017	http://www.cninfo.com.cn
2017-009	Announcement in respect of Resolutions of the Fifth Meeting of the Eighth Session of the Supervisory Committee	18 February 2017	http://www.cninfo.com.cn
2017-010	Announcement on Provision of Guarantee for General Credit Lines of Relevant Subsidiaries	18 February 2017	http://www.cninfo.com.cn
2017-011	Announcement on External Investment (I)	18 February 2017	http://www.cninfo.com.cn
2017-012	Announcement on Provision of Financial Support to Haiming Mining and Related Party Transaction	18 February 2017	http://www.cninfo.com.cn
2017-013	Announcement on External Investment (II)	18 February 2017	http://www.cninfo.com.cn
2017-014	Announcement on Expected Ordinary Connected Transactions in 2017	18 February 2017	http://www.cninfo.com.cn
2017-015	Indicative Announcement	25 February 2017	http://www.cninfo.com.cn
2017-016	Announcement on Asset Disposal	1 March 2017	http://www.cninfo.com.cn
2017-017	Announcement in respect of Resolutions of the Seventh Extraordinary Meeting of the Eighth Session of the Board of Directors	7 March 2017	http://www.cninfo.com.cn
2017-018	Notice of 2016 Annual General Meeting	7 March 2017	http://www.cninfo.com.cn
2017-019	Announcement in respect of Resolutions of the Fourth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	7 March 2017	http://www.cninfo.com.cn
2017-020	Announcement on the Cancellation of Proposal for the 2016 Annual General Meeting	8 March 2017	http://www.cninfo.com.cn
2017-021	Supplemental Notice of 2016 Annual General Meeting	8 March 2017	http://www.cninfo.com.cn

V Material Matters

XVII. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2017

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-022	Announcement on the Distribution of Dividend for Preference Share	10 March 2017	http://www.cninfo.com.cn
2017-023	Announcement on Result of the Issue of 2017 Second Tranche of Super & Short-term Commercial Paper	10 March 2017	http://www.cninfo.com.cn
2017-024	Full Report of Changes in Equity	15 March 2017	http://www.cninfo.com.cn
2017-025	Announcement on Result of the Issue of 2017 Third Tranche of Super & Short-term Commercial Paper	17 March 2017	http://www.cninfo.com.cn
2017-026	Announcement on Entering into a Strategic Cooperation Agreement with the People's Government of Weidu District, Xuchang City	21 March 2017	http://www.cninfo.com.cn
2017-027	Announcement on Approval of Public Issuance of Corporate Bonds by the China Securities Regulatory Commission	24 March 2017	http://www.cninfo.com.cn
2017-028	Indicative Announcement on Subsidiary Receiving Subsidy	31 March 2017	http://www.cninfo.com.cn
2017-029	Second Supplementary Notice of the 2016 Annual General Meeting	6 April 2017	http://www.cninfo.com.cn
2017-030	Announcement on Estimated Results for the First Quarter of 2017	11 April 2017	http://www.cninfo.com.cn
2017-031	Announcement on Entering into a Strategic Cooperation Agreement with Qilu Bank	11 April 2017	http://www.cninfo.com.cn
2017-032	Announcement in respect of Resolutions of the Eighth Extraordinary Meeting of the Eighth Session of the Board of Directors	13 April 2017	http://www.cninfo.com.cn
2017-033	Announcement in respect of Resolutions of the Fifth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	13 April 2017	http://www.cninfo.com.cn
2017-034	Announcement in Relation to the Extension of the Validity of the Resolutions in Respect of the Non-Public Issue of Shares of the Company and the Authorisation Granted to the Board to Deal with the Relevant Matters	13 April 2017	http://www.cninfo.com.cn
2017-035	Notice of 2017 First Extraordinary General Meeting	13 April 2017	http://www.cninfo.com.cn
2017-036	Notice of the 2017 First Domestic Listed Share Class Meeting and 2017 First Overseas Listed Share Class Meeting	13 April 2017	http://www.cninfo.com.cn
2017-037	Announcement on Result of the Issue of 2017 Second Tranche of Short-term Commercial Paper	18 April 2017	http://www.cninfo.com.cn
2017-038	Indicative Announcement on 2016 Annual General Meeting	19 April 2017	http://www.cninfo.com.cn
2017-039	Announcement in respect of Resolutions of the Ninth Extraordinary Meeting of the Eighth Session of the Board of Directors	19 April 2017	http://www.cninfo.com.cn

V Material Matters

XVII. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2017

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-040	Announcement in respect of Resolutions of the Sixth Extraordinary Meeting of the Eighth Session of the Supervisory Committee	19 April 2017	http://www.cninfo.com.cn
2017-041	Announcement on Third Revision of Non-public Offering for 2016	19 April 2017	http://www.cninfo.com.cn
2017-042	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Third Revision)	19 April 2017	http://www.cninfo.com.cn
2017-043	Announcement on Resolutions of the 2016 Annual General Meeting	22 April 2017	http://www.cninfo.com.cn
2017-044	Announcement on Result of the Issue of 2017 Fourth Tranche of Super & Short-term Commercial Paper	26 April 2017	http://www.cninfo.com.cn
2017-045	Announcement in respect of Resolutions of the Fifth Meeting of the Eighth Session of the Board of Directors	28 April 2017	http://www.cninfo.com.cn
2017-046	Announcement on Provision of Financial Support to Investee	28 April 2017	http://www.cninfo.com.cn
2017-047	Announcement in respect of Resolutions of the Sixth Meeting of the Eighth Session of the Supervisory Committee	28 April 2017	http://www.cninfo.com.cn
2017-048	2017 First Quarterly Report	28 April 2017	http://www.cninfo.com.cn
2017-049	Indicative Announcement on Receipt of Subsidy	28 April 2017	http://www.cninfo.com.cn
2017-050	Announcement on the Total New Borrowings for the Year Exceeding 20% of the Net Assets as at the End of the Previous Year	9 May 2017	http://www.cninfo.com.cn
2017-051	Announcement on Additional Resolutions Proposed at the 2017 First Extraordinary General Meeting	16 May 2017	http://www.cninfo.com.cn
2017-052	Supplementary Notice of 2017 First Extraordinary General Meeting	16 May 2017	http://www.cninfo.com.cn
2017-053	Second Supplementary Notice of the 2017 First Domestic Listed Share Class Meeting and 2017 First Overseas Listed Share Class Meeting	16 May 2017	http://www.cninfo.com.cn
2017-054	Announcement on Pledge of Shares by Shareholders	1 June 2017	http://www.cninfo.com.cn
2017-055	Announcement on Resolution of the 2017 First Extraordinary General Meeting	3 June 2017	http://www.cninfo.com.cn
2017-056	Poll Results Announcement of the 2017 First Domestic A Shareholders' and B Shareholders' Class Meeting and the 2017 First Overseas H Shareholders' Class Meeting	3 June 2017	http://www.cninfo.com.cn

V Material Matters

XVII. Other matters of significance (Cont'd)

6. Information disclosure index for the first half of 2017

Announcement No.	Subject matter	Date of publication	Publication website and index
2017-057	Announcement on Release of Stock Pledge by Shareholders	3 June 2017	http://www.cninfo.com.cn
2017-058	Announcement on Pledge of Shares by Shareholders	8 June 2017	http://www.cninfo.com.cn
2017-059	Announcement in respect of Resolutions of the Tenth Extraordinary Meeting of the Eighth Session of the Board of Directors	8 June 2017	http://www.cninfo.com.cn
2017-060	Announcement in respect of Resolutions of the Seventh Extraordinary Meeting of the Eighth Session of the Supervisory Committee	8 June 2017	http://www.cninfo.com.cn
2017-061	Announcement on Entering into Conditional Share Purchase Agreement and Connected Transactions under the Non-public Offering of A Share (Second Revision)	8 June 2017	http://www.cninfo.com.cn
2017-062	Announcement on Dilution of Current Returns and Remedial Measures upon Non-public Offering (Fourth Revision)	8 June 2017	http://www.cninfo.com.cn
2017-063	Announcement on Adjustment to the Price Determination Date for the Non-public Issue of A Shares	8 June 2017	http://www.cninfo.com.cn
2017-064	Notice of 2017 Second Extraordinary General Meeting	8 June 2017	http://www.cninfo.com.cn
2017-065	Notice of the 2017 Second Domestic Listed Share Class Meeting and 2017 Second Overseas Listed Share Class Meeting	8 June 2017	http://www.cninfo.com.cn
2017-066	Announcement on the Implementation of Dividend Distribution to Holders of A Shares and B Shares for 2016	9 June 2017	http://www.cninfo.com.cn
2017-067	Indicative Announcement	17 June 2017	http://www.cninfo.com.cn
2017-068	Announcement on Resumption of Trading	17 June 2017	http://www.cninfo.com.cn
2017-069	Indicative Announcement	23 June 2017	http://www.cninfo.com.cn
2017-070	Indicative Announcement	30 June 2017	http://www.cninfo.com.cn

XVIII. Matters of significant of subsidiaries of the Company

Applicable Not applicable

VI Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amounts	Percentage	New issue	Bonus issue	Shares converted from reserve	Others	Subtotal	Amounts	Percentage
I. Restricted shares	7,787,180	0.40%	0	0	0	-94,606	-94,606	7,692,574	0.40%
1. Shares held by the State	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic investors	7,787,180	0.40%	0	0	0	-94,606	-94,606	7,692,574	0.40%
Of which: Shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	7,787,180	0.40%	0	0	0	-94,606	-94,606	7,692,574	0.40%
4. Shares held by overseas investors	0	0.00%	0	0	0	0	0	0	0.00%
Of which: Shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Non-restricted shares	1,928,618,287	99.58%	0	0	0	94,606	94,606	1,928,712,893	99.60%
1. RMB ordinary shares	1,105,591,276	57.07%	0	0	0	-5,394	-5,394	1,105,585,882	57.09%
2. Domestic listed foreign share	470,823,511	24.32%	0	0	0	100,000	100,000	470,923,511	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%	0	0	0	0	0	352,203,500	18.19%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	1,936,405,467	100.00%	0	0	0	0	0	1,936,405,467	100.00%

The reasons for such changes

Applicable Not applicable

Before the change, the number of restricted shares held by domestic natural persons decreased by 94,606 from 7,787,180 to 7,692,574, due to the fact that: According to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, some of the Directors, Supervisors and Senior Management of the Company increased their holdings in shares during the reporting period, causing an increase of 45,000 restricted RMB ordinary shares (A shares); 100,000 restricted domestic-listed foreign shares (B shares) and 39,606 restricted RMB ordinary shares (A shares) held by senior management who have been resigned for more than half a year were released.

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable

The effects of changes in shareholding on financial indicators such as basic earnings per share, diluted earnings per share and net assets per share attributable to shareholders of ordinary shares of the Company for the latest year and the latest period

Applicable Not applicable

Other information considered necessary by the Company or required by the securities regulatory authorities to be disclosed

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

VI Changes in Share Capital and Shareholders

II. Issuance and listing of securities

Applicable Not applicable

III. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	94,435, of which 74,291 were holders of A shares, 19,731 were holders of B shares and 413 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period (if any) (please refer to note 8)	0
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Shareholdings of shareholders of ordinary shares interested in more than 5% of the shares of the Company or top ten shareholders of ordinary shares

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of ordinary shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Share pledged or locked-up	
							Status of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	0	293,003,657	Pledged	209,643,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.87%	249,125,250	-2,030,100	0	249,125,250		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	11.64%	225,333,881	52,240,481	0	225,333,881		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0	0	40,137,900		
CHINA MERCHANTS BANK CO., LTD. - EVERBRIGHT PRAMERICA ADVANTAGE ALLOCATION STOCK FUND	Others	1.20%	23,300,839	23,300,839		293,003,658		
ANBANG ASSET MANAGEMENT - CHINA MERCHANTS BANK - ANBANG ASSET MANAGEMENT - WIN-WIN NO. 3 COLLECTIVE ASSET MANAGEMENT PRODUCT	Others	0.95%	18,417,737	-10,985,823	0	18,417,737		
NATIONAL SOCIAL SECURITY FUND 403	Others	0.56%	10,853,596	6,917,996		10,853,596		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0	0	8,608,238		
JIN Xing	Domestic nature person	0.38%	7,410,100	-351,663	0	7,410,100		
CHEN Hongguo	Domestic nature person	0.33%	6,434,527	0	4,825,895	1,608,632		

Connected relationship or connected party relationship among the above shareholders

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

VI Changes in Share Capital and Shareholders

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

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

Name of shareholders	Number of non-restricted ordinary shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
HKSCC NOMINEES LIMITED	249,125,250	Overseas listed foreign shares	249,125,250
CHENMING HOLDINGS (HONG KONG) LIMITED	225,333,881	Domestically listed foreign shares	123,413,881
		Overseas listed foreign shares	101,920,000
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	40,137,900	RMB ordinary shares	40,137,900
CHINA MERCHANTS BANK CO., LTD. - EVERBRIGHT PRAMERICA ADVANTAGE ALLOCATION STOCK FUND	23,300,839	RMB ordinary shares	23,300,839
ANBANG ASSET MANAGEMENT - CHINA MERCHANTS BANK - ANBANG ASSET MANAGEMENT - WIN-WIN NO. 3 COLLECTIVE ASSET MANAGEMENT PRODUCT	18,417,737	RMB ordinary shares	18,417,737
NATIONAL SOCIAL SECURITY FUND 403	10,853,596	RMB ordinary shares	10,853,596
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	RMB ordinary shares	8,608,238
JIN Xing	7,410,100	Domestically listed foreign shares	7,410,100
CHEN Hongguo	6,434,527	RMB ordinary shares	6,434,527

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

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

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

Yes No

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

VI Changes in Share Capital and Shareholders

IV. Change of controlling shareholders or beneficial controllers

The change of controlling shareholders during the reporting period

Applicable Not applicable

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

As at the end of the reporting period, Shouguang Chenming Holdings Company Limited, the controlling shareholder of the Company, and its party acting in concert, namely Chenming Holdings (Hong Kong) Limited, held 293,003,657 A shares, 123,413,881 B shares and 101,920,000 H shares of the Company in aggregate, representing a shareholding of 26.77%.

Change of beneficial owner during the reporting period

Applicable Not applicable

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

VII Preference Shares

Applicable Not applicable

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

Applicable Not applicable

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

II. Holders of preference shares and their shareholdings

Unit: share

Total number of shareholders of preference shares as at the end of the reporting period		7		Holders holdings more than 5% of the preference shares of the Company or top ten holders of preference shares			
Name of shareholders	Nature of shareholders	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 STATE-OWNED ASSETS OPERATION CO., LTD.	State-owned legal person	6.67%	3,000,000	0			
NCF - MINSHENG BANK - CHINA FORTUNE INTERNATIONAL TRUST - CHINA FORTUNE TRUST • MIN XIN NO. 11 SINGLE CAPITAL TRUST	Others	4.44%	2,000,000	0			

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

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

VII Preference Shares

III. Repurchase or conversion

Applicable Not applicable

There was no repurchase or conversion during the reporting period.

IV. Resumption and exercise of voting rights

Applicable Not applicable

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

V. Accounting policy and reasons thereof

Applicable Not applicable

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

VIII Directors, Supervisors and Senior Management

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

Applicable Not applicable

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)	Shares held as at the end of the period (shares)	Restricted shares granted as at the beginning of the period (shares)	Restricted shares granted during the period (shares)	Restricted shares granted as at the end of the period (shares)
Li Dong	Chairman of Supervisory Committee	In office	0	10,000	0	10,000	0	0	0
Xiao Peng	Secretary to the Board	In office	0	50,000	0	50,000	0	0	0
Total	—	—	0	60,000	0	60,000	0	0	0

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

Applicable Not applicable

There was no change of Directors, Supervisors and senior management of the Company during the reporting period. Please see the annual report for 2016 for details.

VIII Directors, Supervisors and Senior Management

III. Equity interests of Directors, Supervisors and Senior Management under SFO of Hong Kong

As at 30 June 2017, the interests held by each of the Directors, Supervisors and Chief Executives of the Company in the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, are set out as follows:

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman and General Manager	6,434,527
Yin Tongyuan	Executive Director and Vice Chairman	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Supervisor		
Li Dong	Supervisor	10,000

Associated corporations

Name	Position	Name of associated corporation	Number of shares held as at the beginning of the reporting period (shares)	Change during the reporting period (+/-)	Number of shares held as at the end of the reporting period (shares)
Chen Hongguo (Note 2)	Chairman	Shouguang Chenming Holdings Company Limited	231,000,000	0	231,000,000

Note 1: Save as the 6,434,527 A Shares personally held, Chen Hongguo was also deemed to be interested in the 429,348 A Shares held by Li Xueqin, his spouse.

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

Save as disclosed in the above, as at 30 June 2017, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

As at 30 June 2017, none of each of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

IX Corporate bonds

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

Yes

I. Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate	Payment method
2012 corporate bonds of Shandong Chenming Paper Holdings Limited	12 Chenming Bond	112144	26 December 2012	26 December 2017	380,000	5.65%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
Stock exchange on which corporate bonds are listed or transferred	Shenzhen Stock Exchange						
Investor eligibility arrangement	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of corporate bonds during the reporting period	There was no payment of interest or redemption during the reporting period.						

II. Information on bond custodian and credit rating agency

Bond custodian:

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

Credit rating agency(ies) which conducted rating on corporate bonds during the reporting period:

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

III. Use of proceeds from corporate bonds

Use of proceeds from corporate bonds and its implementation

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

IX Corporate bonds

IV. Credit rating of corporate bonds

The credit rating of 12 Chenming Bond as granted by China Chengxin Securities Valuation Company Limited remained at AA+, and the rating for the Company was AA+ (stable outlook). The 2012 corporate bond rating report (2017) were published on CNINFO on 19 April 2017.

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

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

VI. Convening of meeting for bondholders during the reporting period

Not applicable.

VII. Performance of bond custodian during the reporting period

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

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)

Unit: RMB '0,000

Item	As at the end of	As at the end of	Increase/decrease
	the reporting period	the prior year	as at the end of the reporting period as compared to the end of the prior year
Current ratio	79.80%	76.57%	3.23%
Gearing ratio	74.78%	72.58%	2.20%
Quick ratio	68.48%	66.16%	2.32%
			Increase/decrease of the reporting period as compared to corresponding period of the prior year
	The reporting period	The corresponding period of the prior year	
EBITDA interest coverage ratio	5.87	4.26	37.79%
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 increased by 37.79% as compared to the corresponding period of the prior year mainly due to the year-on-year improvement in profitability as a result of the increased sales, prices and gross profit margin of machine-made paper of the Company.

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

Item	Amount of interest payment
Medium-term notes	49,959,249.83
Super & short-term commercial papers	108,591,780.82
Total	158,551,030.65

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 RMB72,300 million, of which RMB42,000 million was utilised with RMB30,300 million outstanding. The Company repaid bank loans of RMB20,386 million.

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

Nil

XIII. Matters of significance happened during the reporting period

Nil

XIV. Is there any guarantor for corporate bonds?

Yes No

X Financial Report

I. Auditors' Report

Is the interim report audited

Yes No

The interim financial report is unaudited.

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

30 June 2017

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	12,541,497,475.48	10,109,930,319.49
Bills receivable	2,245,126,472.85	1,590,460,875.23
Accounts receivable	3,767,714,992.67	3,974,065,104.15
Prepayments	1,618,194,292.51	1,511,362,674.64
Other receivables	1,819,966,043.11	1,614,214,645.48
Inventories	6,057,467,324.08	4,862,668,746.90
Non-current assets due within one year	4,313,561,787.97	5,487,376,588.22
Other current assets	10,341,054,498.85	6,616,744,831.28
Total current assets	42,704,582,887.52	35,766,823,785.39
NON-CURRENT ASSETS:		
Available-for-sale financial assets	2,445,000,000.00	1,945,000,000.00
Long-term receivables	9,573,697,226.65	8,844,262,173.65
Long-term equity investments	169,207,699.57	67,251,992.88
Investment property		14,258,675.83
Fixed assets	28,536,783,322.01	28,811,555,365.39
Construction in progress	5,054,138,263.16	4,115,194,870.23
Construction materials	12,057,242.74	18,847,584.79
Intangible assets	1,980,339,282.53	1,540,959,330.74
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	142,759,273.13	157,772,100.69
Deferred income tax assets	517,745,917.35	497,457,826.70
Other non-current assets	611,518,493.67	485,687,038.68
Total non-current assets	49,063,530,507.98	46,518,530,746.75
Total assets	91,768,113,395.50	82,285,354,532.14

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Unit: RMB

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	31,686,575,360.39	27,875,506,988.53
Bills payable	883,353,441.56	515,301,703.08
Accounts payable	3,530,375,213.22	3,724,266,382.06
Advance receipts	302,305,850.69	377,135,566.33
Staff remuneration payables	162,599,897.73	159,968,262.82
Taxes payable	233,992,028.84	236,927,459.78
Interest payable	131,056,170.58	30,731,253.71
Other payables	1,026,057,983.92	948,919,195.80
Non-current liabilities due within one year	5,401,943,371.59	6,237,021,557.17
Other current liabilities	10,156,266,146.23	6,602,863,069.45
Total current liabilities	53,514,525,464.75	46,708,641,438.73
NON-CURRENT LIABILITIES:		
Long-term borrowings	7,786,639,310.56	6,935,598,781.23
Bonds payable	1,000,000,000.00	
Long-term payables	4,171,099,838.19	3,951,368,854.00
Special payables	681,039,716.66	681,039,716.66
Deferred income	1,470,755,158.93	1,443,846,526.33
Total non-current liabilities	15,109,534,024.34	13,011,853,878.22
TOTAL LIABILITIES	68,624,059,489.09	59,720,495,316.95
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	7,060,300,000.00	7,060,300,000.00
Of which: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,582,800,000.00	2,582,800,000.00
Capital reserves	6,149,257,784.90	6,149,257,784.90
Other comprehensive income	-634,548,351.99	-805,245,771.89
Surplus reserves	1,132,116,106.40	1,132,116,106.40
Retained profit	7,112,269,231.70	6,745,974,781.02
Total equity attributable to equity holders of the company	22,755,800,238.01	22,218,808,367.43
Minority interest	388,253,668.40	346,050,847.76
Total owners' equity	23,144,053,906.41	22,564,859,215.19
TOTAL LIABILITIES AND OWNERS' EQUITY	91,768,113,395.50	82,285,354,532.14

Legal Representative: Chen Hongguo Financial controller: Hu Jinbao Head of the financial department: Dong Lianming

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	10,271,461,000.35	7,934,163,265.76
Bills receivable	471,596,818.52	112,943,069.85
Accounts receivable	54,823,865.39	84,089,911.81
Prepayments	2,256,017,645.32	1,003,699,885.05
Interest receivable	14,373,283.56	
Other receivables	27,570,416,090.05	22,848,685,985.74
Inventories	778,395,625.91	663,006,714.42
Non-current assets due within one year		900,000,000.00
Total current assets	41,417,084,329.10	33,546,588,832.63
NON-CURRENT ASSETS:		
Available-for-sale financial assets	2,445,000,000.00	1,909,000,000.00
Long-term equity investments	16,527,269,447.22	14,558,097,658.49
Investment property		14,258,675.83
Fixed assets	3,254,771,603.27	3,343,366,320.45
Construction in progress	107,018,276.20	52,757,799.47
Construction materials	42,121.99	71,973.35
Intangible assets	476,440,219.26	300,218,996.05
Deferred income tax assets	143,984,689.87	164,139,190.27
Other non-current assets	67,400,000.00	67,400,000.00
Total non-current assets	23,021,926,357.81	20,409,310,613.91
Total assets	64,439,010,686.91	53,955,899,446.54
CURRENT LIABILITIES:		
Short-term borrowings	8,029,060,574.36	8,203,392,554.58
Bills payable	7,174,250,000.00	3,057,000,000.00
Accounts payable	697,359,927.59	654,411,787.56
Advance receipts	2,614,683,825.23	537,139,483.60
Staff remuneration payables	59,757,890.43	58,599,576.37
Taxes payable	38,730,979.85	43,087,056.70
Interest payable	110,626,170.55	30,731,253.71
Other payables	6,184,320,558.44	3,689,371,275.46
Non-current liabilities due within one year	5,067,194,973.19	5,648,861,310.04
Other current liabilities	10,156,266,146.23	6,602,863,069.45
Total current liabilities	40,132,251,045.87	28,525,457,367.47

X Financial Report

II. Financial Statements (Cont'd)

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

	Unit: RMB	
Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,171,672,793.14	1,521,611,382.77
Long-term payables	3,220,909,734.68	3,005,178,750.49
Deferred income	53,823,776.90	56,572,797.75
Total non-current liabilities	4,446,406,304.72	4,583,362,931.01
TOTAL LIABILITIES	44,578,657,350.59	33,108,820,298.48
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	7,060,300,000.00	7,060,300,000.00
Of which: Preference shares	4,477,500,000.00	4,477,500,000.00
Perpetual bonds	2,582,800,000.00	2,582,800,000.00
Capital reserves	5,938,960,168.19	5,938,960,168.19
Surplus reserves	1,119,926,524.49	1,119,926,524.49
Retained profit	3,804,761,176.64	4,791,486,988.38
Total owners' equity	19,860,353,336.32	20,847,079,148.06
TOTAL LIABILITIES AND OWNERS' EQUITY	64,439,010,686.91	53,955,899,446.54

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated Income Statement

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	13,749,235,007.24	10,606,358,733.02
Including: Revenue	13,749,235,007.24	10,606,358,733.02
II. Total operating costs	11,880,087,434.81	9,622,587,179.13
Including: Operating costs	9,529,854,215.34	7,576,566,708.17
Taxes and surcharges	105,960,012.36	85,488,437.29
Sales expenses	641,498,275.35	573,734,657.05
Administrative expenses	856,354,999.17	694,013,827.38
Finance expenses	696,609,279.51	655,744,163.67
Loss on impairment of assets	49,810,653.08	37,039,385.57
Plus: Gain on change in fair value (“-” denotes loss)	-11,009,851.10	-10,599,543.68
Investment income (“-” denotes loss)	65,864,672.36	37,008,429.78
Including: Investment income from associates and joint ventures	-4,154,293.31	-7,203,834.37
III. Operating profit (“-” denotes loss)	1,924,002,393.69	1,010,180,439.99
Plus: Non-operating income	158,519,294.68	228,908,354.31
Including: Gain on disposal of non-current assets	1,822,923.95	2,416,628.05
Less: Non-operating expenses	3,550,702.42	6,002,982.36
Including: Loss on disposal of non-current assets	1,478,120.96	4,043,314.21
IV. Total profit (“-” denotes total loss)	2,078,970,985.95	1,233,085,811.94
Less: Income tax expenses	331,253,327.08	307,031,422.46
V. Net profit (“-” denotes net loss)	1,747,717,658.87	926,054,389.48
Net profit attributable to owners of the Company	1,745,514,838.23	939,164,870.60
Minority interest	2,202,820.64	-13,110,481.12
VI. Other comprehensive income after tax, net	170,697,419.90	-154,317,270.14
Other comprehensive income after tax attributable to owners of the Company, net	170,697,419.90	-154,317,270.14
(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	170,697,419.90	-154,317,270.14
Translation difference of financial statements denominated in foreign currency	170,697,419.90	-154,317,270.14
VII. Total comprehensive income	1,918,415,078.77	771,737,119.34
Total comprehensive income attributable to owners of the Company	1,916,212,258.13	784,847,600.46
Total comprehensive income attributable to minority interest	2,202,820.64	-13,110,481.12
VIII. Earnings per share:		
(I) Basic earnings per share	0.75	0.45
(II) Diluted earnings per share	0.75	0.45

Legal Representative: Chen Hongguo Financial controller: Hu Jinbao Head of the financial department: Dong Lianming

X Financial Report

II. Financial Statements (Cont'd)

4. Income Statement of the Company

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Revenue	3,682,570,308.92	3,404,907,928.96
Less: Operating costs	2,560,699,253.09	2,749,395,766.42
Taxes and surcharges	38,197,149.42	13,030,965.17
Selling expenses	131,699,019.76	128,062,939.31
Administrative expenses	306,624,272.42	267,555,727.82
Finance expenses	302,220,430.04	490,569,574.44
Loss on impairment of assets	13,038,951.61	1,356,150.48
Plus: Gain on change in fair value (“-” denotes loss)		
Investment income (“-” denotes loss)	69,489,948.67	244,172,165.82
Including: Investment income from associates and joint ventures	-30,620.30	-40,098.33
II. Operating profit (“-” denotes loss)	399,581,181.25	-891,028.86
Plus: Non-operating income	13,151,629.14	40,001,738.10
Including: Gain on disposal of non-current assets	369,306.40	373,450.11
Less: Non-operating expenses	83,734.18	21,731.34
Including: Loss on disposal of non-current assets	83,734.18	21,731.34
III. Total profit (“-” denotes total loss)	412,649,076.21	39,088,977.90
Less: Income tax expenses	20,154,500.40	-33,539,996.43
IV. Net profit (“-” denotes net loss)	392,494,575.81	72,628,974.33
V. Other comprehensive income after tax, net		
(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		
VI. Total comprehensive income	392,494,575.81	72,628,974.33

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	12,367,242,687.49	11,293,635,802.59
Tax rebates received	2,575,753.81	3,612,601.13
Cash received relating to other operating activities	230,498,726.61	390,470,872.96
Subtotal of cash inflows from operating activities	12,600,317,167.91	11,687,719,276.68
Cash paid for goods and services	8,746,611,691.32	6,247,052,235.36
Cash paid to and for employees	544,347,530.25	486,900,606.26
Payments of taxes	793,983,398.34	631,814,661.29
Cash paid relating to other operating activities	6,987,103,543.24	7,019,461,626.81
Subtotal of cash outflows from operating activities	17,072,046,163.15	14,385,229,129.72
Net cash flows from operating activities	-4,471,728,995.24	-2,697,509,853.04
II. Cash flows from investing activities:		
Cash received from investments	16,861,112.27	45,750,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	395,843.67	213,406.40
Cash received relating to other investing activities	972,391,073.00	104,056,200.00
Subtotal of cash inflows from investing activities	989,648,028.94	150,019,606.40
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	746,966,959.23	990,227,873.52
Cash paid on investments	606,110,000.00	
Subtotal of cash outflows from investing activities	1,353,076,959.23	990,227,873.52
Net cash flows from investing activities	-363,428,930.29	-840,208,267.12

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II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

	Unit: RMB	
Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from investments	40,000,000.00	
Including: cash received by subsidiaries from minority investments	40,000,000.00	
Cash received from borrowings	23,101,617,576.90	23,019,156,541.90
Cash received from bond issuance		
Cash received relating to other financing activities	7,720,000,594.49	12,132,838,789.75
Subtotal of cash inflows from financing activities	30,861,618,171.39	35,151,995,331.65
Cash repayments of amounts borrowed	13,156,774,323.31	19,068,968,880.27
Cash paid for dividend and profit distribution or interest payment	2,125,109,981.16	786,313,234.84
Cash paid relating to other financing activities	10,195,554,187.00	10,071,692,038.29
Subtotal of cash outflows from financing activities	25,477,438,491.47	29,926,974,153.40
Net cash flows from financing activities	5,384,179,679.92	5,225,021,178.25
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-107,391,377.48	-7,969,200.70
V. Net increase in cash and cash equivalents	441,630,376.91	1,679,333,857.39
Plus: Balance of cash and cash equivalents as at the beginning of the period	1,979,861,045.62	1,888,107,493.76
VI. Balance of cash and cash equivalents as at the end of the period	2,421,491,422.53	3,567,441,351.15

X Financial Report

II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	2,947,603,434.58	3,582,406,689.02
Cash received relating to other operating activities	697,159,595.97	79,542,569.75
Subtotal of cash inflows from operating activities	3,644,763,030.55	3,661,949,258.77
Cash paid for goods and services	1,907,092,137.24	3,315,453,666.09
Cash paid to and for employees	227,658,831.17	202,298,099.22
Payments of taxes	226,985,971.66	83,292,921.05
Cash paid relating to other operating activities	610,188,242.33	127,733,680.37
Subtotal of cash outflows from operating activities	2,971,925,182.40	3,728,778,366.73
Net cash flows from operating activities	672,837,848.15	-66,829,107.96
II. Cash flows from investing activities:		
Cash received from investments	16,861,111.11	245,750,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	17,628.00	93,406.40
Cash received relating to other investing activities	900,000,000.00	
Subtotal of cash inflows from investing activities	916,878,739.11	245,843,406.40
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	54,575,321.80	31,377,557.00
Cash paid on investments	2,665,511,220.00	
Subtotal of cash outflows from investing activities	2,720,086,541.80	31,377,557.00
Net cash flows from investing activities	-1,803,207,802.69	214,465,849.40

X Financial Report

II. Financial Statements (Cont'd)

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

Item	Unit: RMB	
	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from borrowings	14,360,451,015.03	15,208,998,560.00
Cash received relating to other financing activities	7,190,741,096.00	10,733,403,288.89
Subtotal of cash inflows from financing activities	21,551,192,111.03	25,942,401,848.89
Cash repayments of amounts borrowed	10,665,502,742.60	14,730,286,609.26
Cash paid for dividend and profit distribution or interest payment	2,240,461,564.72	322,578,000.95
Cash paid relating to other financing activities	7,751,076,273.64	10,675,743,122.70
Subtotal of cash outflows from financing activities	20,657,040,580.96	25,728,607,732.91
Net cash flows from financing activities	894,151,530.07	213,794,115.98
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-5,297,986.97	-15,526,949.47
V. Net increase in cash and cash equivalents	-241,516,411.44	345,903,907.95
Plus: Balance of cash and cash equivalents as at the beginning of the period	582,578,426.62	49,438,736.95
VI. Balance of cash and cash equivalents as at the end of the period	341,062,015.18	395,342,644.90

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity

Amounts for the period

Unit: RMB

Item	Other equity instruments				For the reporting period				Total owners' equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	General risk provisions		Retained profit
I. Balance as at the end of the prior period	1,936,405,467.00	4,477,500,000.00	2,582,800,000.00	6,149,257,784.90	6,149,257,784.90	-805,245,771.89	1,132,116,106.40	6,745,977,781.02	346,050,847.76	22,564,859,215.19
Adj: changes in accounting policies										
Corrections of previous errors										
Mergers of companies under common control										
Others										
II. Balance as at the beginning of the period	1,936,405,467.00	4,477,500,000.00	2,582,800,000.00	6,149,257,784.90	6,149,257,784.90	-805,245,771.89	1,132,116,106.40	6,745,977,781.02	346,050,847.76	22,564,859,215.19
III. Changes in the period ("-" denotes decrease)										
(I) Total comprehensive income						170,697,419.90		386,294,450.68	42,202,820.64	579,194,691.22
(II) Capital paid in and reduced by owners						170,697,419.90		1,745,514,838.23	2,202,820.64	1,918,415,078.77
1. Ordinary shares paid by shareholders									40,000,000.00	40,000,000.00
2. Capital paid by holders of other equity instruments									40,000,000.00	40,000,000.00
3. Amount of share-based payments recognised in owners' equity										
4. Others										
(III) Profit distribution								-1,379,220,387.55		-1,379,220,387.55
1. Transfer to surplus reserves										
2. Transfer to general risk provision										
3. Distribution to owners (or shareholders)										
4. Others										
(IV) Transfer of owners' equity										
1. Capital (or share capital) created on capital reserve										
2. Capital (or share capital) created on surplus reserve										
3. Surplus reserve making up losses										
4. Others										
(V) Special reserve										
1. Withdrawal										
2. Used										
(VI) Others										
IV. Balance as at the end of the period	1,936,405,467.00	4,477,500,000.00	2,582,800,000.00	6,149,257,784.90	6,149,257,784.90	-634,548,351.99	1,132,116,106.40	7,112,269,231.70	388,253,868.40	23,144,053,906.41

II. Financial Statements (Cont'd)

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

Amounts for the prior period

Unit: RMB

Item	Other equity instruments				For the prior period				Minority interest	Total owners' equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Surplus reserves			Special reserves	General risk provisions	Retained profit
I. Balance as at the end of the prior period	1,836,405,467.00		2,582,800,000.00	6,149,138,276.81			-345,014,864.26	1,132,116,106.40			5,416,049,598.87	387,431,860.66	17,258,926,445.48
Addr. changes in accounting policies													
Corrections of previous errors													
Mergers of companies under common control													
Others													
II. Balance as at the beginning of the period	1,836,405,467.00		2,582,800,000.00	6,149,138,276.81			-345,014,864.26	1,132,116,106.40			5,416,049,598.87	387,431,860.66	17,258,926,445.48
III. Changes in the period ("-" denotes decrease)													
(I) Total comprehensive income					11,900.60		-154,317,270.14				386,243,230.50	-13,110,481.12	2,429,573,793.84
(II) Capital paid in and/or reduced by owners		2,238,750,000.00					-154,317,270.14				939,164,870.60	-13,110,481.12	771,737,119.34
1. Ordinary shares paid by shareholders		2,238,750,000.00			11,900.60								2,238,761,900.60
2. Capital paid by holders of other equity instruments		2,238,750,000.00			11,900.60								11,900.60
3. Amount of share-based payments recognised in owners' equity													2,238,750,000.00
4. Others													
(III) Profit distribution											-580,921,640.10		-580,921,640.10
1. Transfer to surplus reserves													
2. Transfer to general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Transfer of owners' equity													
1. Capital (or share capital) created on capital reserve													
2. Capital (or share capital) created on surplus reserve													
3. Surplus reserve making up losses													
4. Others													
(V) Special reserve													
1. Withdrawal													
2. Used													
(VI) Others													
IV. Balance as at the end of the period	1,836,405,467.00	2,238,750,000.00	2,582,800,000.00	6,149,150,177.41			-489,332,134.40	1,132,116,106.40			5,774,292,828.37	374,321,979.54	19,888,508,825.32

II. Financial Statements (Cont'd)

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

Amounts for the period

Unit: RMB

Item	For the reporting period						Total owners' equity				
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Less: treasury shares		Other comprehensive income	Special reserves	Surplus reserves	Retained profit
I. Balance as at the end of the prior period	1,999,405,467.00	4,477,500,000.00	2,582,800,000.00	5,939,960,168.19	1,119,926,524.49	4,791,486,988.38	20,847,079,148.06				
Add: changes in accounting policies											
Corrections of previous errors											
Others											
II. Balance as at the beginning of the period	1,999,405,467.00	4,477,500,000.00	2,582,800,000.00	5,939,960,168.19	1,119,926,524.49	4,791,486,988.38	20,847,079,148.06				
III. Changes in the period ("-" denotes decrease)											
(I) Total comprehensive income											
(II) Capital paid in and reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amount of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution											
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Transfer of owners' equity											
1. Capital (or share capital) created on capital reserve											
2. Capital (or share capital) created on surplus reserve											
3. Surplus reserve making up losses											
4. Others											
(V) Special reserve											
1. Withdrawal											
2. Used											
(VI) Others											
IV. Balance as at the end of the period	1,999,405,467.00	4,477,500,000.00	2,582,800,000.00	5,939,960,168.19	1,119,926,524.49	3,804,761,176.64	19,860,353,336.32				

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	Other equity instruments				For the prior period			Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	
I. Balance as at the end of the prior period	1,895,405,467.00		2,582,800,000.00		5,838,840,680.10			16,763,145,305.35
Add: changes in accounting policies								
Corrections of previous errors								
Others								
II. Balance as at the beginning of the period	1,895,405,467.00		2,582,800,000.00		5,838,840,680.10			16,763,145,305.35
III. Changes in the period ("-" denotes decrease)								
(I) Total comprehensive income					11,900.80			11,900.80
(II) Capital paid in and reduced by owners		2,238,750,000.00			11,900.80			2,238,761,900.80
1. Ordinary shares paid by shareholders								
2. Capital paid by holders of other equity instruments					11,900.80			11,900.80
3. Amount of share-based payments recognised in owners' equity								
4. Others								
(III) Profit distribution								
1. Transfer to surplus reserves								
2. Distribution to owners (or shareholders)								
3. Others								
(IV) Transfer of owners' equity								
1. Capital (or share capital) created on capital reserve								
2. Capital (or share capital) created on surplus reserve								
3. Surplus reserve making up losses								
4. Others								
(V) Special reserve								
1. Withdrawal								
2. Used								
(VI) Others								
IV. Balance as at the end of the period	1,895,405,467.00	2,238,750,000.00	2,582,800,000.00		5,838,852,580.70			18,493,614,540.18

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III. General Information of the Company

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

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

The financial statements were considered, approved and issued by the Board of the Company on 15 August 2017.

Subsidiaries of the Company included in the scope of consolidation for the first half of 2017 totalled 54. For details, please refer to this Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had 3 companies included and two companies excluded compared to the prior year. For details, please refer to this Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

The Company’s financial statements are prepared on a going concern basis 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 41 specific accounting standards as promulgated and amended on and after 15 February 2006, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “ASBEs”), and the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” (revised in 2014) of China Securities Regulatory Commission.

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

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

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

2. Going concern

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

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V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in processing and sale of paper products (including machine made paper and paper board), paper making raw materials and machinery. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition based on their actual production and operation characteristics pursuant to the requirements under the relevant accounting standards for business enterprises. For details, please refer to this Note V. 25 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 33 “Critical accounting judgments and estimates”.

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

The financial statements have been prepared by the Company in conformity with the ASBEs, which truly and fully reflect the consolidated and company’s financial position as at 30 June 2017 and relevant information such as the operating results and cash flows for the first half of 2017. In addition, the financial statements of the Company also comply with, in all material respects, the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

2. Accounting period

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

3. Operating cycle

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

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

4. Functional currency

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

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

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

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

(1) Business combinations under common control

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

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

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

(2) Business combination not under common control

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

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. Transaction cost attributable to equity or debt securities issued by the acquirer as consideration is included in the initial costs. Contingent consideration involved is charged to the combination cost at its fair value on the acquisition date, in the event that adjustment on the contingent consideration is required as a result of new or additional evidence in relation to circumstances existed on the acquisition date emerges within twelve 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”(see Note V. 6 (2)). If they belong to “transactions in a basket”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note V. 14 “Long-term equity investments”, and if they do not belong to “transactions in a basket”, they are accounted for in separate financial statements and consolidated financial reports:

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

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

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

6. Preparation of consolidated financial statements

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

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

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

(2) Basis for preparation of the consolidated financial statements

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

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

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

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

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

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

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

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i.e. to be transferred to investment income, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to “Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments” or “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. See Note V. 14 “Long-term equity investments” or Note V. 10 “Financial instruments” for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to “transactions in a basket”. Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of another transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in “partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary” (see Note V. 14 (2) ④) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

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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. In accordance with the Company's rights and obligations under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations. Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement. Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

The Company treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note V. 14 (2) ② "long-term equity investments by using equity method of accounting".

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

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

8. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Company which are readily convertible into known amount of cash and which are subject to insignificant risk of value change.

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

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Company, when initially recognised, are translated into the functional currency at the prevailing spot exchange rate on the date of exchange, i.e. the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter, while the foreign currency exchange operations and transactions in connection with foreign currency exchange shall be translated into the functional currency at the exchange rate actually adopted.

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

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

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

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

(3) Basis for translation of foreign currency financial statements

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

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

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

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

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

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

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

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

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

10. Financial instruments

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

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

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

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

10. Financial instruments (Cont'd)

(2) Classification, recognition and measurement of financial assets

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

① *Loans and receivables*

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

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

② *Available-for-sale financial assets*

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

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

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

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

10. Financial instruments (Cont'd)

(3) Impairment of financial assets

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

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

① *Impairment of loans and receivables*

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

② *Impairment of available-for-sale financial assets*

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

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

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

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

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

10. Financial instruments (Cont'd)

(4) Recognition and measurement of transfers of financial asset

Financial asset that satisfied any of the following criteria shall be derecognised: ① the contract right to receive the cash flows of the financial asset has terminated; ② the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and ③ the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not assign maintain substantially all the risk and return arising from the ownership of the financial asset.

When the entity does not either assign or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognises such financial asset and the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

If all criteria of recognition of transfer of financial assets are satisfied, the difference between the carrying amount of the financial assets transferred and the sum of the consideration received from the transfer and the accumulated changes in fair value originally included in other comprehensive income shall be recognised in the profit or loss for the period.

If a part of the financial assets is qualified for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognised and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognised in profit or loss for the period: the sum of the consideration received and the carrying amount of the part that qualifies for derecognition and the aforementioned carrying amount.

For financial assets that are sold or transferred with recourse or endorsement, the Company needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognised. If the risk and rewards of ownership of the financial asset have been retained, the financial assets shall not be derecognised. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall assess whether the control over the financial asset is retained, and the financial assets shall be accounting for according to the above paragraphs.

(5) Classification and measurement of financial liabilities

Financial liabilities are classified at initial recognition: financial liabilities recognised at fair value with changes carried through profit or loss and other financial liabilities. For financial liabilities measured at fair value with changes recognised in profit or loss of the current period, relevant transaction costs are directly recognised in profit or loss for the period. The amount is recognised initially at fair value and the subsequent changes in fair value will be recognised in profit or loss for the period. For other financial liabilities, relevant transaction costs are included in the amount initially recognised and subsequently measured at amortised cost using the effective interest method, and relevant gain or loss arising from derecognition or amortisation are included in current profit or loss.

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

10. Financial instruments (Cont'd)

(6) Derecognition of financial liabilities

Financial liabilities are derecognised in full or in part only when the present obligation is discharged in full or in part. An agreement is entered between the Company (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognise the original financial liabilities as well as recognise the new financial liabilities.

When financial liabilities are derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

(7) Offset of Financial Assets and Financial Liabilities

If the Company owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Company plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the financial assets and financial liabilities shall be reported in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

(8) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The issuance (including refinancing), repurchase, sale or cancellation of equity instruments by the Company is accounted for movement in equity. The Company does not recognise the movement in fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

Various distributions (excluding dividends) made by the Company to holders of equity instruments reduces owners' equity. The Company does not recognise the movement in fair value of equity instruments.

11. Accounts receivable

Accounts receivable include accounts receivable, other receivables, long-term receivables, etc. For the recognition and measurement of long-term receivables, please refer to Note V. 28.

(1) Basis for recognition and measurement of bad debt provision

The Company carries out an overall inspection on the carrying amount of accounts receivable on the balance sheet date. Where there arises any of the following objective evidences indicating that accounts receivable have been impaired, an impairment provision will be made: ① a serious financial difficulty occurs to the debtor; ② the debtor breaches any of the contractual stipulations (such as he fails to pay or delays the payment of interests or the principal); ③ the debtor will probably go bankrupt or carry out other financial reorganisations; ④ other objective evidences show that the accounts receivable are impaired.

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

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision

① *Recognition standard and method for making bad debt provision individually for individually significant accounts receivable*

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

For accounts receivable that is individually significant, the Company assesses such accounts receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognised are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

② *Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio*

A. *Basis for determining the credit risk portfolio*

The Company classifies its individually insignificant accounts receivable and individually significant but not impaired accounts receivable in accordance with their credit risk characteristics and relevance of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contracted terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.

Portfolios are determined according to the following basis:

Portfolio	Basis for determining the portfolio
Specific fund portfolio	A portfolio which is classified as a category on the basis of accounts receivable related to authority units and related parties
Ageing portfolio	A portfolio which is classified as a category on the basis of credit risk features such as ageing

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

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision (Cont'd)

② *Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio (Cont'd)*

B. *Method for making bad debt provision according to credit risk characteristics*

When an impairment test is performed by means of a group, bad debt provision will be assessed and ascertained according to the structure of the group of accounts receivable and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses, prevailing economic condition and losses that are expected to incur in the group of accounts receivable.

Method for making bad debt provision for different portfolio:

Portfolio	Method for making provision
Specific fund portfolio	No bad debt provision provided
Ageing portfolio	Ageing analysis

Use of ageing analysis for making bad debt provision in the portfolio:

Ageing	Ratio of accounts receivable provision (%)	Ratio of other accounts receivable provision (%)
Within 1 year (including 1 year, same applies to the below)	5	5
1-2 years	10	10
2-3 years	20	20
Over 3 years	100	100

③ *Accounts receivable individually insignificant but provided for bad debt separately*

Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Company. If there is objective evidence indicating that the accounts receivable are impaired, then impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amount, such as accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the accounts receivable indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

(3) Reversal of provision for bad debts

If there are evidences indicating that the value of the account receivable is recovered and that recovery is connected to the event subsequent to the recognition of the loss, the impairment loss previously recognised will be reversed and recorded into profit or loss for the period. However, the carrying amount so reversed shall not exceed the amortised cost of the account receivable on the date of reversal on the assumption that no bad debt provision has been made.

IX Financial Report

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

12. Inventories

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

No

(1) Classification of inventories

Inventories mainly include raw materials, work in progress, goods in stock, developing products and consumable biological assets etc.

(2) Pricing of inventories received and dispatched

Inventories are measured at their actual cost when obtained. Cost of an inventory consists of purchase costs, processing costs and other costs. When used and dispatched, inventories will be calculated with weighted average method.

The developing products of land development companies under the Company are initially measured at cost. The costs of developing products include preconstruction costs, expenditures for auxiliary facilities, expenses on construction and installation, borrowing costs incurred before the completion of the subject project and other related expenses during the course of the development. Once the inventories are delivered, the actual costs will be determined using specific measurement methods.

Consumable biological assets refer to biological assets held-for-sale which include growing timber. Consumable biological assets without a stock are stated at cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair values shall be recognised as profit or loss in the current period. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to canopy closure, including borrowing costs eligible for capitalisation. Subsequent expenses such as maintenance cost incurred after canopy closure shall be included in profit or loss for the current period.

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

(3) Recognition of net realisable value of inventory and provision for inventory impairment

Net realisable value refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and taxes and levies in daily operation. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

At the balance sheet date, inventories are calculated at the lower of cost and net realisable value. Usually, provision for inventory impairment is made when the net realisable value is lower than the cost. Provisions for impairment of inventory shall be made according to the amount by which the cost of a single item exceeds its net realisable value. For large quantity and low value items of inventories, provision may be made based on categories of inventories. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

After making the provision for inventory impairment, in case the factors causing inventory impairment no longer exists, and the net realisable value of an inventory is higher than its book-value, the original provision for inventory impairment shall be transferred back and incorporated into the profit or loss for the current period.

(4) We implement permanent inventory system as our inventory stock taking system.

(5) Low-value consumables and packaging materials are amortised when issued for use.

IX Financial Report

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

13. Classified as assets held-for-sale

When a non-current asset can be sold immediately under the circumstances by the common practice, and the Company has passed a resolution to dispose of a non-current asset, and has signed an irrevocable contract with the transferee, and the transfer will be completed within a year, the non-current asset shall be accounted for as an asset held-for-sale, which will not be depreciated or amortised starting from the date of re-classification, and is stated at the lower of its carrying amount or its fair value less costs to dispose of. Non-current assets held-for-sale include an individual asset and disposal group. If a disposal group is a group of assets, and the goodwill arising from business combinations is allocated to the group of assets in accordance with “Accounting Standards for Business Enterprises No. 8 – Impairment of Assets”, or the disposal group is an operation operating in such asset group, then the disposal group includes the goodwill arising from business combinations.

A single non-current asset classified as an asset held-for-sale or assets grouped in a disposal group should be listed separately in the balance sheet under current assets. Liabilities grouped in a disposal group and relating to transferring assets should be listed separately in the balance sheet under current liabilities.

When an asset or a disposal group previously recognised under assets held-for-sale no longer satisfy the conditions to be regarded as assets held-for-sale, the Company ceases to account for the asset as assets held-for-sale, and the asset is measured at the lower of: (1) the carrying amount of the asset or the disposal group prior to be classified as assets held-for-sale, adjusted for depreciation, amortisation or impairment as if it was not classified as assets held-for-sale; or (2) the recoverable amount of the asset or the disposal group on the date when the decision of not disposing of the asset or the disposal group is made.

14. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Company is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note V. 10. “Financial instruments”.

Joint control is the Company’s contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

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

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

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the carrying amount of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they do not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognised as a result of the previously held equity investment accounted for using equity method on the date of combination or recognised for available-for-sale financial assets will not be accounted for.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. For business combination resulted in an enterprise not under common control by acquiring equity of the acquiree under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they do not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquiree and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

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

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

(1) Determination of investment cost (Cont'd)

Agent fees incurred by the absorbing party or acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognised based on the purchase cost actually paid by the Company, the fair value of equity securities issued by the Company, the agreed value of investment contract or agreement, the fair value or original carrying amount of the non-monetary asset exchange transaction which the asset will be transferred out of the Company, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost. For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the relevant cost for long-term equity investment shall be the aggregate of fair value of previously held equity investment and additional investment cost determined according to "Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments".

(2) Subsequent measurement and method for profit or loss recognition

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. In addition, long-term equity investments with control on the investee are accounted for using cost method and record in the Company's financial statements.

① *Long-term equity investments accounted for using the cost method*

Under the cost method, a long-term equity investment is measured at its initial investment cost. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognised as the cash dividends or profits declared by the investee.

② *Long-term equity investments accounted for using the equity method*

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

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

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

(1) Determination of investment cost (Cont'd)

② *Long-term equity investments accounted for using the equity method (Cont'd)*

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Company's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying amount of long-term equity investment shall be adjusted and included in the capital reserves. The Company shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognised accordingly. In respect of the transactions between the Company and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealised gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognised accordingly. However, any unrealised loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Company disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying amount of disposed operation will be fully included in profit or loss for the current period. In the event that the Company sold an asset classified as operation to its associates or joint ventures, the difference between the carrying amount of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 - Business combination". All profit or loss related to the transaction shall be accounted for.

The Company's share of net losses of the investee shall be recognised to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Company has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Company shall resume recognising its share of profits after setting off against the share of unrecognised losses.

If there is debit variation in relation to the long-term equity investments in associates and joint venture held prior to first adoption of the Accounting Standards for Business Enterprises by the Company on 1 January 2007, the amounts amortised over the original residual term using the straight-line method is included in the profit or loss for the period.

③ *Acquisition of minority interest*

Upon the preparation of the consolidated financial statements, capital reserve is adjusted based on the difference between the additional long term equity investment from acquisition of minority interest and the share of net assets of the subsidiary attributable to the additional shareholding from the date of acquisition (or date of combination). In the case of insufficient capital surplus to offset impairment, retained earnings shall be adjusted.

IX Financial Report

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

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

(1) Determination of investment cost (Cont'd)

④ *Disposal of long-term equity investments*

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a loss in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note V. 6. (2) "Preparation Method of the Consolidated Financial Statements".

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

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

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

In the event of loss of control over investee due to partial disposal of equity investment by the Company, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For the remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognised using equity method or the recognition and measurement standard of financial instruments before the Company obtained control over the investee, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when the control over investee is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

IX Financial Report

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

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

(1) Determination of investment cost (Cont'd)

④ *Disposal of long-term equity investments (Cont'd)*

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment by the Company, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognised under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Company disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to "transactions in a basket", each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognised as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

15. Investment Property

Measurement of investment property

Measured by using the cost method

Depreciation or amortisation methods

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

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

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

The method for impaired test of investment property and measurement of impairment provision are detailed in Note V. 20 "Impairment of long-term assets".

In the event that an owner-occupied property or inventories is converted to an investment property (or vice versa), upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Investment property is measured at cost during its conversion. Upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

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

16. Fixed assets

(1) Conditions for recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. A fixed asset shall be initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use.

(2) Depreciation method

Category	Depreciation method	Useful lives of depreciation (Year)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building structure	Straight-line method	20-40	5-10	2.25-4.75
Machinery and equipment	Straight-line method	8-20	5-10	4.50-11.88
Transportation equipment	Straight-line method	5-8	5-10	11.25-19.00
Electronic equipment and others	Straight-line method	5	5-10	18.00-19.00

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the stage and in the condition expected at the end of its useful life.

(3) Methods of impairment test and provision of fixed assets

The method for impaired test of fixed assets and measurement of impairment provision are detailed in Note V. 20 "Impairment of long-term assets".

(4) Recognition, accounting and depreciation method of fixed assets acquired under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. For fixed assets acquired under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

(5) Explanation on other matters

Subsequent expenditures incurred for a fixed asset shall be included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to Chenming Paper and the relevant cost can be measured reliably; meanwhile the carrying amount of the replaced part shall be derecognised. Other subsequent expenditures shall be charged to profit or loss when incurred.

Fixed assets are derecognised when there is no economic benefit arising from disposal or expected use or disposal of fixed assets. When a fixed asset is sold, transferred, retired or damaged, the Company shall recognise the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

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

17. Construction in progress

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

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note V. 20 "Impairment of long-term asset".

18. Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalised as part of the cost of that asset; and capitalisation shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognised as expense in the period in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Company shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalised. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

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

19. Intangible assets

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company.

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognised as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Other expenditures on an item asset shall be charged to profit or loss when incurred.

Land use right acquired shall normally be recognised as an intangible asset. Self-constructed buildings (e.g. plants), related land use right and the buildings shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use right and the buildings on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration shall be recognised in full as fixed assets.

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortised using the straight-line method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Company shall review the useful life of intangible asset with a finite useful life and the amortisation method applied at least at each financial year-end. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Company shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Company shall estimate the useful life of that asset and apply the accounting policies accordingly.

(2) Research and development expenditure

Research and development expenditure of the Company was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase are recognised as profit or loss in the current period.

Expenses incurred during the development phase that satisfy the following conditions are recognised as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; and if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the research phase and the development phase cannot be distinguished separately, all development expenses incurred are accounted for in the profit or loss for the current period.

(3) Methods of impairment test and provision of intangible assets

The method for impaired test of intangible assets and measurement of impairment provision are detailed in Note V. 20 "Impairment of long-term assets".

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

20. Impairment of long-term asset

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

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

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Company shall recognise an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

21. Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have incurred but that shall be amortised over the current period and subsequent periods of more than one year. Long-term prepaid expenses of the Company mainly include expenses on improvement of fixed assets and woodland rent. Long-term prepaid expenses are amortised over the estimated benefit period using the straight-line method.

IX Financial Report

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

22. Employee benefits

Staff remuneration of the Company mainly includes short-term staff remuneration, post-employment benefits and termination benefits, in which:

Short-term remuneration mainly includes salaries, bonuses, allowance and subsidies, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs and non-monetary welfare etc. Short-term remuneration incurred during the accounting period in which the Company's staff provided services for the Company is recognised as liability, and included in profit or loss for the current period or related asset costs. Of which, non-monetary welfare is measured at fair value.

Post-employment benefits mainly include pension insurance premium and unemployment insurance premium. Post-employment benefits mainly adopt defined contribution plan. Relevant contribution amount is included in related asset costs or profit or loss for the current period during the period in which the expenses incurred.

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognise employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; and the Company recognise cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. However, if the compensation for termination of employment is not expected to be fully paid within 12 months from the reporting period, it shall be accounted for other long-term staff remuneration.

The early retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the scheduled retirement date, shall be recognised (as compensation for termination of employment) in the current profit or loss by the Company if the recognition principles for provisions are satisfied.

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

23. Accrued liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognised as accrued liabilities: (1) The obligation is a current obligation borne by the Company; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or some expenses incurred for settlement of accrued liabilities 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 accrued liabilities.

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

24. Preference shares, perpetual bonds and other financial instruments

(1) Classification of perpetual bonds and preference shares

Perpetual bonds, preference shares and other financial instruments issued by the Company are classified as equity instruments when all of the following conditions are satisfied:

- ① The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
- ② If the financial instrument will or may be settled in the entity's own equity instruments, it is a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Company exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

Other than financial instruments classified as equity instruments according to the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

The financial instruments issued by the Company which are compound financial instruments are recognised as a liability based on the fair value of the liability component, and the amount net of the fair value of the liability component from the actual amount received is recognised as "other equity instruments". Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of gross proceeds.

(2) Accounting treatment of perpetual bonds and preference shares

For financial instruments classified as financial liabilities (such as perpetual bonds and preference shares), except borrowing costs qualifying for capitalisation (please refer to this Note V. 18 "Borrowing costs"), its related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are credited to profit or loss for the current period.

For financial instruments classified as equity instruments (such as perpetual bonds and preference shares), its issue (including refinancing), repurchase, sale or cancellation are treated by the Company as changes in equity, with related transaction costs deducted from equity. The Company's distribution to holders of equity instruments are treated as a distribution of profits.

Changes in the fair value of equity instruments are not recognised by the Company.

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

25. Revenue

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

No

(1) Revenue from sales of goods

Revenue is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs. Confirmation time for sales revenue: In terms of domestic sales, confirmation will be made on the day when goods are delivered to the clients. While in terms of overseas sales, confirmation will be made on the day when goods are loaded on board and declared.

(2) Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognise the revenue from the rendering of services employing the percentage of completion method. The completion schedule of transaction concerning the rendering of services shall be ascertained according to the proportion of service costs incurred to the estimated total costs.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the Company; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognise the revenue from the rendering of services based on the cost of rendering services already incurred and expected to be compensated, and the cost of rendering services incurred shall be recognised as an expense for the current period. If the cost of rendering services is expected not to be compensated, it shall be recognised as an expense.

When a contract or agreement signed by the Company includes sales of goods and rendering of services, if sales of goods and rendering of services can be differentiated and separately measured, they will be recognised respectively. If sales of goods and rendering of services cannot be differentiated or cannot be separately measured, they will be recognised as sales of goods in full.

(3) Revenue from rendering of services

Revenue from rendering of services is recognised as income on the accrual basis in accordance with the underlying contracts or agreements.

(4) Interest income

Interest income is calculated based on the time during which the Company's monetary fund, and the effective interest rates.

IX Financial Report

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

26. Government grants

Government grants are transfer of monetary assets or non-monetary assets from the government to the Company at no consideration, excluding capital considerations from the government as an owner of the Company. Government grants are classified into government grants related to assets and government grants related to income. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognised immediately in profit or loss for the current period. Government grants are generally recognised when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Company will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under disclosure of government information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; and (3) the date of payment be specified in related documents and the payment thereof be covered by corresponding budget to ensure such grants will be paid on time as specified.

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant shall be recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; if there is no related deferred income, the repayment shall be recognised immediately in profit or loss for the current period.

27. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current income tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

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

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

(2) Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognised as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognised for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Company recognises the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Company recognises the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: it is not probable that the temporary difference will reverse in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

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

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

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

(3) Income tax expense

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

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

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

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

(4) Offset of income tax

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Company, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Company was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

28. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. All other leases are classified as operating leases.

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

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

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

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

(3) Financing lease business with the Company recorded as lessee

On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognised as unrecognised financing expenses. In addition, initial direct costs attributable to leased items incurred during the process of lease negotiation and signing of lease agreement shall be included in the value of leased assets. The balance of minimum lease payment after deducting unrecognised financing expenses shall be accounted for long-term liability and long-term liability due within one year.

Unrecognised financing expenses shall be recognised as financing expenses for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

IX Financial Report

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

28. Lease (Cont'd)

(4) Financing lease business with the Company recorded as lessor

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial direct costs at the beginning date of the lease. The unsecured balance shall be recorded. The aggregate of minimum lease receivable, initial direct costs and unsecured balance and the different between their present values shall be recognised as unrealised financing income. The balance of lease receivable after deducting unrecognised financing income shall be accounted for long-term debt and long-term debt due within one year.

Unrecognised financing income shall be recognised as financing income for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

(5) The debts arising from the financing lease business shall be provided for impairment at 5% to 10%.

29. Discontinued operation

Discontinued operation refers to the operation disposed or classified as held-for-sale by the Company and presented separately under operation segments and financial statements, which has fulfilled one of the following criteria: ① it represents an independent key operation or key operating region; ② it is part of the proposed disposal plan on an independent key operation or proposed disposal in key operating region; or ③ it only establishes for acquisition of subsidiary through disposal.

30. Repurchase of shares

Share repurchase consideration paid and transaction costs to reduce the owner's equity, repurchase, transfer or cancellation of Chenming Paper's shares, the gains or losses are not recognised.

In respect of transfer of treasury shares, the difference between the actual amount received and the carrying amount of treasury shares shall be included in capital reserve. When insufficient to dilute, capital reserve will be offset against the surplus reserve and retained profits. Treasury shares are cancelled at par value and by the number of shares cancelled to reduce the share capital. The difference between the book balance and the nominal value of the treasury shares shall be offset against the capital reserve. When insufficient to dilute, capital reserve will be offset against the surplus reserve and retained profits.

31. Changes in Significant Accounting Policies and Estimates

(1) Changes in significant accounting policies

Applicable Not applicable

(2) Changes in significant accounting estimates

Applicable Not applicable

32. Comparative figures

Certain comparative figures for prior periods have been restated in conformity with the current year's financial statement presentation.

IX Financial Report

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

33. Critical accounting judgments and estimates

The Company needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately calculated during the application of the Company's accounting policies. Such judgments, estimates and assumptions are made based on the historical experiences of the Company's management and taking into account other relevant factors, which may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the outcome from such estimate uncertainties may differ from the current estimation of the Company's management, which may cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

The Company regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continued operation. A revision to accounting estimates is recognised in the period in which the estimate is revised if it only affects that period. A revision is recognised in the period of the revision and future periods if it affects both current and future periods.

At the balance sheet date, the critical areas where Company needs to make judgments, estimates and assumptions as to the items amount of financial statements are set out below:

(1) Classification of leases

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

(2) Provision for bad debts

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

(3) Allowance for inventories

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

IX Financial Report

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

33. Critical accounting judgments and estimates (Cont'd)

(4) Fair value of consumable biological assets

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

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

(5) Impairment of available-for-sale financial assets

In respect of impairment of available-for-sale financial assets, whether impairment loss shall be recognised in income statement significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, the Company shall assess the excess of cost of the investee's identifiable net assets attributable to the investment over fair value and the duration.

(6) Provision for impairment of non-financial non-current assets

At the balance sheet date, the Company makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their carrying amount cannot be recovered.

When the carrying amount of an asset or asset groups is higher than the recoverable amount, being the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

The net amount of the fair value less costs of disposal is determined by making reference to the price in a sale agreement in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such assets (or asset groups) and the discount rate applied in calculating the discount. In estimating the recoverable amount, the Company may adopt all relevant materials including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

The test shall be performed at least once a year as to whether there is any impairment. This requires an estimate for the present value of the future cash flows of the asset groups or sets of asset groups to which goodwill is allocated. In estimating the present value of the future cash flows, the Company needs to estimate the cash flows generated from the future asset groups or sets of asset groups. Meanwhile, the present value of future cash flows is determined using an appropriately selected discount rate.

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

33. Critical accounting judgments and estimates (Cont'd)

(7) Depreciation and amortisation

The Company shall provide depreciation and amortisation for investment properties, fixed assets and intangible assets over their useful lives and after taking into account of their residual value, using straight-line method. The Company shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Company according to its previous experience on the similar assets and estimated technical innovation. If there is any material change in the previously made estimate, the depreciation and amortisation will be adjusted over the future period.

(8) Deferred income tax assets

It is probable that all unused tax loss will be recognised as the deferred income tax assets to the extent there will be sufficient taxable profits against which the deductible loss is available. This requires the Company's management to apply numerous judgments to estimate the time and amount generated from the future taxable profits so as to determine the amount of deferred income tax assets with reference to the tax planning strategy.

(9) Income tax

There are some uncertainties in tax treatment and calculation for some transactions of the Company during its ordinary course of business. The approval from the tax authority is required for pre-tax expensing of some items. Any difference between the final recognition outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during their final recognition period.

VI. Taxation

1. Main Tax Types and Tax Rates

Tax type	Tax rate
Value added tax	17% for general, 13% for sales of gas and water and 6% for the service industry. Value-added tax is computed on the difference after deduction of input value-added tax
Urban maintenance and construction tax	7% of actual payment of turnover tax
Enterprise income tax	25% of taxable income; for the companies which are subject to preferential policies, please refer to Note V. 2(1); the overseas companies shall pay taxes at the tax rate pursuant to the requirements of the countries or regions where the companies are located
Educational surcharges	3% of actual payment of turnover tax
Local educational surcharges	2% of actual payment of turnover tax

VI. Taxation (Cont'd)

2. Tax Incentives

(1) Enterprise Income Tax

On 10 December 2015, the Company received a high and new technology enterprise certificate with a certification number of GR201537000611. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Company is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201537000228 on 10 December 2015. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201544000146 on 30 September 2015. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

Jilin Chenming Paper Co., Ltd., a subsidiary of the Company, received a high and new technology enterprise certificate with a certification number of GR201622000039 on 1 November 2016. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Jilin Chenming is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2016 to 2018.

Pursuant to the requirements of Rule 27 of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and Rule 86 of Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), subsidiaries of Chenming Paper, namely, Zhanjiang Chenming Arboriculture Co., Ltd., Yangjiang Chenming Arboriculture Co., Ltd., Nanchang Chenming Arboriculture Co., Ltd., Huanggang Chenming Arboriculture Co., Ltd. and Chenming Arboriculture Co., Ltd. are engaged in arboriculture cultivating and thus exempt from corporate income tax.

Pursuant to the "Revenue Bill 2008" passed by The Legislative Council of the Hong Kong Special Administrative Region on 26 June 2008, Chenming (HK) Limited, a subsidiary of Chenming Paper, has been subject to a corporate income tax rate of 16.5% commencing 2008, and the applicable tax rate for 2016 was 16.5%.

Except for the above preferential policies, other subsidiaries of the Company are subject to enterprise income tax rate of 25%.

(2) Value-added Tax ("VAT") incentives

Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Zhanjiang Chenming New-style Wall Materials Co., Ltd., a subsidiary of the Company, produces bricks and blocks using waste residues and is therefore subject to a preferential policy of an immediate VAT refund of 70% in 2016.

Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products that apply integrated use of resources and is therefore subject to a preferential policy of an immediate VAT refund of 70%.

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VII. Notes to items of the Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	1,937,873.98	1,920,226.94
Bank deposit	2,419,553,548.55	1,977,940,818.68
Other monetary funds	10,120,006,052.95	8,130,069,273.87
Total	12,541,497,475.48	10,109,930,319.49
Of which: Total deposits with overseas banks	168,755,726.85	142,776,755.56

Note: ① Other monetary funds of RMB2,300,611,785.00 (31 December 2016: RMB2,451,941,798.13) were the guarantee deposit for the application for bank acceptance with the banks by the Company.

② Other monetary funds of RMB1,452,051,797.35 (31 December 2016: RMB1,017,170,039.57) were the guarantee deposit for the application for letter of credit with the banks by the Company.

③ Other monetary funds of RMB5,513,885,243.14 (31 December 2016: RMB4,022,026,785.91) were the guarantee deposit for the application for guarantees with the banks by the Company

④ Other monetary funds of RMB522,257,227.46 (31 December 2016: RMB372,430,650.26) were the guarantee deposit for the application for loans with the banks by the Company

⑤ Other monetary funds of RMB331,200,000.00 (31 December 2016: RMB266,500,000.00) were the statutory deposit reserve funds with the People's Bank of China by Shandong Chenming Group Finance Co., Ltd., a subsidiary of the Company

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	2,145,126,472.85	1,590,460,875.23
Commercial acceptance bills	100,000,000.00	
Total	2,245,126,472.85	1,590,460,875.23

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

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptance bills	1,259,355,685.71
Total	1,259,355,685.71

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

2. Bills receivable (Cont'd)

(3) Outstanding bills receivable endorsed or discounted by the Company as at the end of the period

Unit: RMB

Item	Derecognised amount as at the end of the period	Recognised amount as at the end of the period
Bank acceptance bills	3,568,406,501.74	
Total	3,568,406,501.74	

(4) Other explanation

As at 31 December 2017, bills at the carrying amount of RMB595,051,159.66 (31 December 2016: RMB399,133,608.25) were pledged in exchange for short-term borrowings of RMB560,332,305.23. As at 31 December 2017, bills at the carrying amount of RMB39,000,000.00 (31 December 2016: RMB238,738,261.00) were pledged for the issuance of acceptance bills of RMB39,000,000.00. As at 31 December 2017, bills at the carrying amount of RMB625,304,526.05 were pledged for the issuance of guarantees of RMB599,069,856.00.

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable that are individually significant and provided for bad debts separately	38,728,887.83	0.94%	38,728,887.83	100.00%	38,728,887.83	0.90%	38,728,887.83	100.00%		
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	4,072,088,648.05	99.06%	304,373,655.38	7.47%	3,767,714,992.67	4,275,829,807.39	99.10%	301,764,703.24	7.06%	3,974,065,104.15
Receivables that are individually insignificant and are provided for bad debts separately						107,640.12	0.00%	107,640.12	100.00%	
Total	4,110,817,535.88	100.00%	343,102,543.21		3,767,714,992.67	4,314,666,335.34	100.00%	340,601,231.19	7.89%	3,974,065,104.15

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable (Cont'd)

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

Accounts receivable that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

Unit: RMB

Receivable (by entity)	Accounts receivable	Closing balance		
		Bad debt provision	Percentage	Reason for provision
Foshan Shunde Xingchen Paper Co., Ltd.	26,236,528.70	26,236,528.70	100.00%	Unlikely to be recovered
Beijing Huaxia Cultural Media Co., Ltd.	9,072,165.42	9,072,165.42	100.00%	Unlikely to be recovered
Jiangxi Longming Enterprise Co., Ltd.	1,763,987.74	1,763,987.74	100.00%	Unlikely to be recovered
Nanchang Xingbo Paper Co., Ltd.	1,656,205.97	1,656,205.97	100.00%	Unlikely to be recovered
Total	38,728,887.83	38,728,887.83	—	—

Use of ageing analysis for making bad debt provision in the portfolio:

Applicable Not applicable

Unit: RMB

Ageing	Account receivable	Closing balance	
		Bad debt provision	Percentage
Within 1 year			
Of which: within 3 months	2,841,804,946.99	142,090,247.35	5.00%
Within 4-6 months	452,054,909.78	22,602,745.49	5.00%
7-12 months	148,596,470.73	7,429,823.54	5.00%
Sub-total for within 1 year	3,442,456,327.50	172,122,816.38	5.00%
1-2 years	152,856,054.23	15,285,605.42	10.00%
2-3 years	66,312,183.37	13,262,436.67	20.00%
Over 3 years	103,702,796.91	103,702,796.91	100.00%
Total	3,765,327,362.01	304,373,655.38	8.08%

Explanation on the basis of recognition of the portfolio:

Accounts receivable using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable (Cont'd)

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

Bad debt provision for the current period amounted to RMB28,409,408.01. The amount for bad debt provision recovered or reversed during the current period was RMB25,908,095.99.

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

The total amount of top five accounts receivable according to closing balance of debtors of the Company for the year was RMB495,451,420.66, which accounted for 12.05% of the closing balance of the total accounts receivable. The total closing balance of corresponding bad debt provision amounted to RMB26,608,431.78.

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	1,458,107,677.37	90.11%	1,426,710,882.76	94.40%
1-2 years	160,086,615.14	9.89%	84,651,791.88	5.60%
Total	1,618,194,292.51	—	1,511,362,674.64	—

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

Name of entity	Amount	Percentage (%)	Term	Reason for being unsettled
Guangdong Lepeng Trading Co. Ltd.	147,556,152.59	9.12	Within 1 year	Prepayments for goods according to the agreed contract
All villages of Huanggang City	85,205,510.40	5.27	Within 1 year and 1-2 years	The deposit for timber according to the agreed contract
Jiangxi Province Zhonglian Energy Development Co., Ltd., Nanchang branch company	46,085,730.21	2.85	Within 1 year	Prepayments for goods according to the agreed contract
Junhong (Shanghai) International Trade Co., Ltd.	41,417,292.27	2.56	Within 1 year	Prepayments for goods according to the agreed contract
Henan Xinyu International Pulp and Paper Co., Ltd.	36,891,253.39	2.28	Within 1 year	Prepayments for goods according to the agreed contract
Total	357,155,938.86	22.07		

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

5. Other receivables

(1) Disclosure of other receivables according to category

Unit: RMB

Category	Book balance		Closing balance		Book balance	Book balance		Opening balance		Book balance
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Receivables that are individually significant and are provided for bad debts separately					15,121,825.16	0.89%	15,121,825.16	100.00%		
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	1,923,689,876.44	100.00%	103,723,833.33	5.39%	1,819,966,043.11	1,683,132,593.75	98.86%	68,917,948.27	4.09%	1,614,214,645.48
Receivables that are individually insignificant and are provided for bad debts separately					4,335,364.21	0.25%	4,335,364.21	100.00%		
Total	1,923,689,876.44	100.00%	103,723,833.33	5.39%	1,819,966,043.11	1,702,589,783.12	100.00%	88,375,137.64	5.19%	1,614,214,645.48

Other receivables that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Ageing	Other Receivables	Closing balance Bad debt provision	Percentage
Items within 1 year			
Within 1 year	177,030,956.77	8,851,547.84	5.00%
Subtotal for within 1 year	177,030,956.77	8,851,547.84	5.00%
1-2 years	11,266,726.14	1,126,672.61	10.00%
2-3 years	29,122,182.68	5,824,436.54	20.00%
Over 3 years	87,921,176.34	87,921,176.34	100.00%
Total	305,341,041.93	103,723,833.33	

Explanation on the basis of recognition of the portfolio:

Other receivables using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

Applicable Not applicable

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

5. Other receivables (Cont'd)

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

Bad debt provision for the year amounted to RMB24,387,819.69. The amount for bad debt provision recovered or reversed during the period was RMB9,039,124.00.

(3) Top five other receivables according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivables	Closing balance of bad debt provision
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Open credit	1,284,982,919.14	Within 1 year, 1-2 years, 2-3 years and 3-4 years	66.80%	0.00
Xiashan Customs of the PRC	Prepaid duties	87,310,538.89	Within 1 year	4.54%	4,365,526.94
Shouguang City People's Court	Litigation fee	17,731,500.00	Within 1 year	0.92%	886,575.00
Changle County People's Court	Judicial deduction	16,450,000.00	Within 1 year	0.86%	822,500.00
Guangdong Zhongtuo Construction Co., Ltd	Open credit	15,200,000.00	3-4 years	0.79%	15,200,000.00
Total	—	1,421,674,958.03	—	73.90%	21,274,601.94

6. Inventories

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Raw materials	2,362,149,883.05	8,138,005.87	2,354,011,877.18	1,791,864,383.60	8,138,005.87	1,783,726,377.73
Work-in-process products	89,062,386.29	1,835,271.09	87,227,115.20	67,947,038.81	1,835,271.09	66,111,767.72
Goods in stock	1,613,764,011.61		1,613,764,011.61	1,069,500,932.31		1,069,500,932.31
Consumable biological assets	1,692,640,645.23		1,692,640,645.23	1,633,513,994.28		1,633,513,994.28
Developing products	309,823,674.86		309,823,674.86	309,815,674.86		309,815,674.86
Total	6,067,440,601.04	9,973,276.96	6,057,467,324.08	4,872,642,023.86	9,973,276.96	4,862,668,746.90

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

6. Inventories (Cont'd)

(2) Impairment provision for inventories

Unit: RMB

Item	Increase for the period			Decrease for the period		Closing balance
	Opening balance	Provision	Others	Reversal or transfer	Others	
Raw materials	8,138,005.87					8,138,005.87
Work in process	1,835,271.09					1,835,271.09
Total	9,973,276.96					9,973,276.96

7. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	4,313,561,787.97	4,587,376,588.22
Entrusted loans due within one year		900,000,000.00
Total	4,313,561,787.97	5,487,376,588.22

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT proceeds recoverable	1,119,933,525.08	905,435,684.67
Prepaid tax	3,459,997.43	90,837.12
Receivables under financial lease due within one year	9,217,660,976.34	5,711,218,309.49
Total	10,341,054,498.85	6,616,744,831.28

9. Available-for-sale financial assets

(1) Particulars of available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments:						
At cost	2,446,450,000.00	1,450,000.00	2,445,000,000.00	1,946,450,000.00	1,450,000.00	1,945,000,000.00
Total	2,446,450,000.00	1,450,000.00	2,445,000,000.00	1,946,450,000.00	1,450,000.00	1,945,000,000.00

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

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

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

Unit: RMB

Investee	Opening balance	Book balance		Closing balance	Opening balance	Provision for impairment		Closing balance	Equity interest in the investee held by the Company	Cash dividends for the period
		Increase for the period	Decrease for the period			Increase for the period	Decrease for the period			
Qingzhou Chenming Denaturation Anylum Co., Ltd.	900,000.00			900,000.00	900,000.00			900,000.00		30.00%
Shandong Paper Making & Printing Enterprises Corporation	200,000.00			200,000.00	200,000.00			200,000.00		2.00%
Jinan Shangyou Commercial Company Limited	350,000.00			350,000.00	350,000.00			350,000.00		5.00%
Zhejiang Guangyu Idall Print Co., Ltd.	2,000,000.00			2,000,000.00						1.67%
Anhui Time Source Corporation	1,000,000.00			1,000,000.00						10.00%
Shandong Hongqiao Venture Capital Co., Ltd.	50,000,000.00			50,000,000.00						16.67%
Lide Technology Co., Ltd.	36,000,000.00			36,000,000.00						3.00%
Shanghai Hengzheng Venture Investment Center (Limited Partnership)	6,000,000.00			6,000,000.00						11.43%
Guangdong Dejun Investment Co., Ltd.	1,850,000,000.00	500,000,000.00		2,350,000,000.00						50.00%
Total	1,946,450,000.00	500,000,000.00		2,446,450,000.00	1,450,000.00			1,450,000.00		—

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

Unit: RMB

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

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

10. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance		Range of discount rate (%)
		Provision for bad debts	Carrying amount		Provision for bad debts	Carrying amount	
Finance leasing payments of which: unrealised	13,999,253,038.93	111,994,024.31	13,887,259,014.62	13,545,382,743.83	113,743,981.96	13,431,638,761.87	6.15-10.00
finance income	281,578,169.99		281,578,169.99	296,928,815.45		296,928,815.45	
Less: non-current assets due within one year	4,348,348,576.58	34,786,788.61	4,313,561,787.97	4,624,371,560.71	36,994,972.49	4,587,376,588.22	
Total	9,650,904,462.35	77,207,235.70	9,573,697,226.65	8,921,011,183.12	76,749,009.47	8,844,262,173.65	—

11. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Profit/loss of investment recognised under equity method	Increase/decrease for the period				Closing balance	Closing balance of provision
					Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared	Provision for impairment		
I. Joint venture										
Shouguang Chenming Huisen										
New Building Materials Co., Ltd.	3,338,480.03			374,446.28						3,712,926.31
Wefang Sime Darby West Port Co., Ltd.		106,110,000.00		-343,346.21						105,766,653.79
Subtotal	3,338,480.03	106,110,000.00		31,100.07						109,479,580.10
II. Associate										
Arjo Wiggins Chenming Specialty Paper Co., Ltd.										
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	3,063,072.03			-513,244.56						2,549,827.47
Zuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	51,280,148.98			451,524.18						51,731,673.16
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	3,596,725.38			-3,596,725.38						
Jiangxi Chenming Port Co., Ltd.	5,973,566.46			-526,947.62						5,446,618.84
Subtotal	63,913,512.85			-4,185,393.38						59,728,119.47
Total	67,251,992.88			-4,154,293.31						169,207,699.57

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

12. Investment properties

(1) Investment properties measured at cost

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Land use right	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	38,291,395.70			38,291,395.70
2. Increase for the period				
3. Decrease for the period	38,291,395.70			38,291,395.70
(1) Disposal	38,291,395.70			38,291,395.70
4. Closing balance	0.00			0.00
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	24,032,719.87			24,032,719.87
2. Increase for the period	1,738,256.04			1,738,256.04
(1) Provision or amortisation	1,738,256.04			1,738,256.04
3. Decrease for the period	25,770,975.91			25,770,975.91
(1) Disposal	25,770,975.91			25,770,975.91
4. Closing balance	0.00			0.00
III. Carrying amount				
1. Closing carrying amount	14,258,675.83			14,258,675.83
2. Opening carrying amount	14,258,675.83			14,258,675.83

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

13. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount					
1. Opening balance	7,099,380,406.80	33,685,801,628.82	303,662,747.57	468,378,426.16	41,557,223,209.35
2. Increase for the period	189,177,388.77	329,683,285.16	27,278,293.91	4,537,584.33	550,676,552.17
(1) Acquisition	179,644,900.98	56,363,380.56	27,278,293.91	4,537,584.33	267,824,159.78
(2) Transferred from construction in progress	9,532,487.79	273,319,904.60			282,852,392.39
(3) Increase in business combination					
3. Decrease for the period	23,030,003.12	10,488,589.20	5,422,220.36	10,326,044.85	49,266,857.53
(1) Disposal or retirement	23,030,003.12	10,488,589.20	5,422,220.36	10,326,044.85	49,266,857.53
4. Closing balance	7,265,527,792.45	34,004,996,324.78	325,518,821.12	462,589,965.64	42,058,632,903.99
II. Accumulated depreciation					
1. Opening balance	1,251,769,048.48	10,911,866,637.99	130,018,612.53	257,190,343.60	12,550,844,642.60
2. Increase for the period	103,156,624.51	665,356,062.01	15,668,610.52	7,736,891.47	791,918,188.51
(1) Provision	103,156,624.51	665,356,062.01	15,668,610.52	7,736,891.47	791,918,188.51
3. Decrease for the period	6,566,012.95	3,828,643.23	3,310,098.02	1,460,027.25	15,164,781.45
(1) Disposal or retirement	6,566,012.95	3,828,643.23	3,310,098.02	1,460,027.25	15,164,781.45
4. Closing balance	1,348,359,660.04	11,573,394,056.77	142,377,125.03	263,467,207.82	13,327,598,049.66
III. Provision for impairment					
1. Opening balance	52,087,272.07	142,315,419.93	58,196.03	362,313.33	194,823,201.36
2. Increase for the period					0.00
(1) Provision					
3. Decrease for the period	179,059.16	370,636.91	21,972.97		571,669.04
(1) Disposal or retirement					
4. Closing balance	51,908,212.91	141,944,783.02	36,223.06	362,313.33	194,251,532.32
IV. Carrying amount					
1. Closing carrying amount	5,865,259,919.50	22,289,657,484.99	183,105,473.03	198,760,444.49	28,536,783,322.01
2. Opening carrying amount	5,795,524,086.25	22,631,619,570.90	173,585,939.01	210,825,769.23	28,811,555,365.39

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

13. Fixed assets

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Buildings	146,112,969.46	49,299,339.43	51,908,212.91	44,905,417.12	
Machinery and equipment	332,397,490.11	103,213,202.65	141,916,156.11	87,268,131.35	
Vehicles	4,276,332.83	3,872,364.25	362,313.33	41,655.25	
Electronic equipment and others	2,082,370.62	1,604,628.68	36,223.06	441,518.88	
Total	484,869,163.02	157,989,535.01	194,222,905.41	132,656,722.60	

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Zhanjiang Chenming Pulp & Paper Co., Ltd.	1,276,113,497.21	Processing with scheduled operation commencement not imminent
Jilin Chenming Paper Co., Ltd.	545,399,775.96	Processing with scheduled operation commencement not imminent
Shouguang Meilun Paper Co., Ltd.	220,376,028.35	Processing with scheduled operation commencement not imminent
Jiangxi Chenming Paper Co., Ltd.	201,679,853.57	Processing with scheduled operation commencement not imminent
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	96,586,206.48	Processing with scheduled operation commencement not imminent
Shandong Chenming Paper Holdings Limited	92,082,082.83	Processing with scheduled operation commencement not imminent
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	78,297,070.13	Processing with scheduled operation commencement not imminent
Total	2,510,534,514.53	

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

14. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Static dust removal of captive power plant and renovation of induced fans (Headquarters)	27,442,438.71		27,442,438.71	17,021,225.03		17,021,225.03
Captive power plant ink sludge burning renovation project (Jiangxi Chenming)	7,300,823.73		7,300,823.73	7,252,340.14		7,252,340.14
Magnesite mining (Haicheng Haiming)	881,174,407.27		881,174,407.27	758,224,355.23		758,224,355.23
Forestry pulp integration project (Huanggang Chenming)	2,067,200,502.66		2,067,200,502.66	2,147,036,838.90		2,147,036,838.90
Integrated terminal project (Huanggang Chenming)	111,571,288.60		111,571,288.60	62,908,602.53		62,908,602.53
Chemical pulp project (Meilun)	1,426,697,472.53		1,426,697,472.53	613,458,994.30		613,458,994.30
High-end cultural paper (Meilun)	292,160,129.83		292,160,129.83	119,232,939.56		119,232,939.56
Others	255,355,426.06	14,764,226.23	240,591,199.83	404,823,800.77	14,764,226.23	390,059,574.54
Total	5,068,902,489.39	14,764,226.23	5,054,138,263.16	4,129,959,096.46	14,764,226.23	4,115,194,870.23

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

Item 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 amount for the period	Capitalisation rate of the interest amount for the period	Source of fund
Static dust removal of captive power plant and renovation of induced fans (Hechiqianlei)	0.32	17,021,225.03	10,467,213.88			27,442,438.71	85.76%	85.76%				Others
Captive power plant ink sludge burning renovation project (Jiangxi Chemming)	0.07	7,282,340.14	48,483.59			7,300,823.73	99.00%	99.00%				Others
Magnesite mining (Heibei) mining	12.00	759,224,355.23	238,729,841.31	61,304.00	115,718,885.27	881,174,407.27	73.43%	73.43%	80,001,751.02	15,830,069.26	4.35%	Loans from financial institutions
Forestry pulp integration project (Huanggang Chemming)	34.85	2,147,036,833.90	392,867,848.19	0.00	472,704,184.43	2,067,200,302.66	50.95%	50.95%	61,247,010.70	1,002,033.95	5.15%	Loans from financial institutions
Integrated terminal project (Huanggang Chemming)	3.51	62,948,602.53	48,662,886.07			111,571,288.60	31.79%	31.79%				Others
Chemical pulp project (Mei'an)	41.10	615,458,994.30	813,238,078.23			1,428,697,072.53	47.58%	47.58%	7,382,911.51		4.35%	Fund raised
High-end cultural paper (Mei'an)	37.61	119,232,939.56	172,927,190.27			292,160,129.83	7.77%	7.77%	1,622,755.64	1,354,511.13	4.35%	Loans from financial institutions
Others		390,059,574.54	133,322,713.57	282,791,088.39		240,391,199.83						Others
Total	129.46	4,115,194,870.23	1,810,218,255.01	282,852,392.39	588,422,469.70	5,054,138,263.16	—	—	150,264,423.87	18,186,614.34	—	—

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

15. Materials for project

Unit: RMB		
Item	Closing balance	Opening balance
Special materials	10,460,416.77	12,095,968.55
Special equipment	1,596,825.97	6,751,616.24
Total	12,057,242.74	18,847,584.79

16. Intangible assets

(1) Particulars of intangible assets

Unit: RMB			
Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	1,810,144,722.41	23,265,385.83	1,833,410,108.24
2. Increase for the period	475,714,872.25	850,427.35	476,565,299.60
(1) Acquisition	475,714,872.25	850,427.35	476,565,299.60
(2) In-house research and development			
(3) Increase in business combination			
3. Decrease for the period	14,792,292.93		14,792,292.93
(1) Disposal			
Others	14,792,292.93		14,792,292.93
4. Closing balance	2,271,067,301.73	24,115,813.18	2,309,975,407.84
II. Accumulated amortisation			
1. Opening balance	273,817,046.91	18,633,730.59	292,450,777.50
2. Increase for the period	21,710,375.12	682,679.76	22,393,054.88
(1) Provision	21,710,375.12	682,679.76	22,393,054.88
3. Decrease for the period			
(1) Disposal			
4. Closing balance	295,527,422.03	19,316,410.35	314,843,832.38
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
4. Closing balance			
III. Carrying amount			
1. Closing carrying amount	1,975,539,879.70	4,799,402.83	1,980,339,282.53
2. Opening carrying amount	1,536,327,675.50	4,631,655.24	1,540,959,330.74

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

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
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57
Total	20,283,787.17			20,283,787.17

(2) Provision for impairment of goodwill

Goodwill arose from business combination not under common control during prior years.

On the balance sheet date, the management of the Company assessed the recoverable amount of cash generating unit which results in goodwill, in order to determine whether to make provision for impairment loss accordingly. The recoverable amount of cash-generating unit was determined based on the estimated cash flow in the financial budget for the next five years by the management, and the time value of currency was estimated using the discount rate of 8.32% (2015: 8.32%). Results of impairment test showed that no provision for impairment loss was necessary to be made for goodwill.

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	147,204,251.72		12,659,887.20		134,544,364.52
Others	10,567,848.97	61,132.08	352,407.30	2,061,665.14	8,214,908.61
Total	157,772,100.69	61,132.08	13,012,294.50	2,061,665.14	142,759,273.13

Note: Other deductions are transferred from shoreline rights of Huanggang terminal to intangible assets.

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

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 differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	649,110,274.85	148,841,526.02	597,834,988.96	140,836,946.10
Unrealised profit arising from intra-group transactions	323,553,303.32	80,888,325.82	120,874,958.12	30,218,739.52
Deductible loss	1,207,453,909.58	218,739,848.58	1,479,562,089.74	260,263,772.80
Outstanding payables	105,077,412.31	26,512,852.34	114,938,961.38	25,368,213.93
Deferred income	160,106,786.97	42,763,364.59	231,252,430.87	40,770,154.35
Total	2,445,301,687.03	517,745,917.35	2,544,463,429.07	497,457,826.70

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	205,715,040.35	189,462,869.39
Deductible loss	556,680,211.11	593,978,877.06
Total	762,395,251.46	783,441,746.45

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

Unit: RMB

Year	Closing amount	Opening amount	Remark
2017		197,732,325.65	
2018	204,706,029.31	119,236,265.65	
2019	134,178,903.92	93,579,660.13	
2020	109,624,219.87	75,266,633.57	
2021	91,012,529.55	108,163,992.06	
2022	17,158,528.46		
Total	556,680,211.11	593,978,877.06	—

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

20. Other non-current assets

Item	Unit: RMB	
	Closing balance	Opening balance
Entrusted loans		900,000,000.00
Prepayments of properties	411,518,493.67	485,687,038.68
Prepayments of real estates	200,000,000.00	
Less: portion due within one year (see Note VII. 7)		900,000,000.00
Total	611,518,493.67	485,687,038.68

21. Short-term borrowings

(1) Classification of short-term borrowings

Item	Unit: RMB	
	Closing balance	Opening balance
Pledged borrowings	709,789,930.23	375,226,912.50
Guarantee borrowings	13,044,389,855.80	9,905,203,494.05
Credit borrowings	7,979,085,574.36	8,191,184,231.09
Discounted borrowings	9,953,310,000.00	9,403,892,350.89
Total	31,686,575,360.39	27,875,506,988.53

22. Bills payable

Category	Unit: RMB	
	Closing balance	Opening balance
Commercial acceptance bills	452,943,441.56	
Bank acceptance bills	430,410,000.00	515,301,703.08
Total	883,353,441.56	515,301,703.08

Unpaid bills payable due as at the end of the period amounted to nil.

23. Accounts payable

(1) Particulars of accounts payable

Item	Unit: RMB	
	Closing balance	Opening balance
Within 1 year	3,064,594,256.05	3,296,220,303.37
1-2 years	243,535,697.67	140,901,523.75
2-3 years	90,308,295.26	184,442,132.75
Over 3 years	131,936,964.24	102,702,422.19
Total	3,530,375,213.22	3,724,266,382.06

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

23. Accounts payable (Cont'd)

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
Guangdong Huadeli Electric Co., Ltd.	9,985,421.28	Not to be collected yet
AstenJohnson Asia Sales & Marketing	7,824,210.33	Not to be collected yet
Lianjiang Junlong Packing Co., Ltd.	5,551,906.74	Not to be collected yet
Shenzhen Zhixiongda Logistics Co., Ltd.	4,685,638.88	Not to be collected yet
Total	28,047,177.23	—

24. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	285,739,667.77	323,949,855.39
1-2 years	16,566,182.92	53,185,710.94
Total	302,305,850.69	377,135,566.33

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
YEKTA PERSIAN BOOK PAPAER INDUSTRIES CO.	1,520,471.94	No delivery requirement from the counterparty yet
TOSEE TEJARAT BONYAN SAZ	1,705,213.05	No delivery requirement from the counterparty yet
YONG YI ADHESIVE (ZHONGSHAN) CO., LTD.	1,384,668.41	No delivery requirement from the counterparty yet
Total	4,610,353.40	—

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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	159,317,246.24	540,746,288.88	538,129,206.91	161,934,328.21
II. Retirement benefit plan – defined contribution scheme	651,016.58	62,539,050.31	62,524,497.37	665,569.52
III. Lay off welfare		903,712.27	903,712.27	
Total	159,968,262.82	604,189,051.46	601,557,416.55	162,599,897.73

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	109,349,417.56	449,645,720.23	453,559,833.94	105,435,303.85
2. Staff welfare		19,835,211.37	19,835,211.37	
3. Social insurance premium	2,823,510.65	26,411,421.14	27,580,755.77	1,654,176.02
Of which: Medical insurance premium	1,851,113.49	21,583,134.71	22,649,463.24	784,784.96
Work-related injury insurance premium	6,141.58	2,787,149.78	2,855,159.69	-61,868.33
Maternity insurance premium	966,255.58	2,041,136.65	2,076,132.84	931,259.39
4. Housing provident funds	5,481,598.96	31,664,601.44	30,346,381.28	6,799,819.12
5. Union funds and workers' education	22,872,059.64	11,522,361.30	5,280,910.85	29,113,510.09
6. Other short-term remuneration	18,790,659.43	1,666,973.40	1,526,113.70	18,931,519.13
Total	159,317,246.24	540,746,288.88	538,129,206.91	161,934,328.21

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

25. Staff remuneration payables (Cont'd)

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	548,637.38	60,237,350.11	60,232,588.59	553,398.90
2. Unemployment insurance	102,379.20	2,301,700.20	2,291,908.78	112,170.62
Total	651,016.58	62,539,050.31	62,524,497.37	665,569.52

26. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	25,479,099.64	53,237,826.18
Enterprise income tax	158,596,339.43	150,743,301.02
Individual income tax	10,810,172.74	3,440,230.58
Urban maintenance and construction tax	3,531,451.69	4,472,485.43
Land use tax	13,764,102.65	10,984,814.56
Property tax	15,867,963.38	6,886,755.05
Educational surcharges and others	3,031,923.92	3,924,688.24
Stamp duty	2,910,975.39	3,237,358.72
Total	233,992,028.84	236,927,459.78

27. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	112,876,170.58	3,276,170.53
Interest on medium-term notes		27,455,083.18
Interest on privately placed bonds	18,180,000.00	
Total	131,056,170.58	30,731,253.71

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

28. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	824,339,858.71	834,154,891.32
1-2 years	91,950,315.05	37,518,148.35
2-3 years	32,521,654.02	24,930,994.02
Over 3 years	77,246,156.14	52,315,162.11
Total	1,026,057,983.92	948,919,195.80

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
Wenzhou Dongda Mine Construction Engineering Co., Ltd.	5,450,000.00	Deposit outstanding
Tianjin Jinbao Commerce and Trade Co., Ltd.	5,000,000.00	Deposit outstanding
Guangxi Construction Engineering Group No. 1 Installation Co., Ltd.	4,030,000.00	Deposit outstanding
Total	14,480,000.00	—

29. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,604,088,371.55	1,343,940,282.00
Bonds payable due within 1 year	3,797,855,000.04	3,794,932,919.70
Medium-term notes due within 1 year		1,098,148,355.47
Total	5,401,943,371.59	6,237,021,557.17

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term commercial paper	10,156,266,146.23	6,602,863,069.45
Total	10,156,266,146.23	6,602,863,069.45

Increase/decrease in short-term commercial papers payable:

Unit: RMB

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance
16 Lu Chenming scp005	1,500,000,000.00	2016-4-15	270 days	1,497,750,000.00	1,545,131,250.00		916,695.21		1,546,047,945.21	0.00
16 Lu Chenming scp008	500,000,000.00	2016-6-24	270 days	499,250,000.00	511,054,581.00		4,423,957.81	166,666.67	515,645,205.48	0.00
16 Lu Chenming scp009	1,000,000,000.00	2016-7-7	270 days	998,500,000.00	1,021,000,002.00		11,787,669.23	500,000.00	1,033,287,671.23	0.00
16 Lu Chenming scp010	500,000,000.00	2016-8-10	270 days	499,250,000.00	507,026,665.00		6,250,960.57	333,333.33	513,610,958.90	0.00
16 Lu Chenming scp011	1,000,000,000.00	2016-10-18	270 days	998,500,000.00	1,006,605,556.56		18,602,777.78	1,000,000.00		1,026,208,334.34
16 Lu Chenming scp012	1,000,000,000.00	2016-11-4	270 days	998,500,000.00	1,004,939,444.44		19,055,277.78	1,000,000.00		1,024,994,722.22
16 Lu Chenming scp013	1,000,000,000.00	2016-12-1	270 days	998,500,000.00	1,007,105,570.45		24,636,111.11	1,000,000.00		1,032,741,681.56
17 Lu Chenming cp001	1,500,000,000.00	2017-1-6	287 days	1,497,641,096.00		1,497,641,096.00	35,860,000.00	1,572,600.00		1,535,073,696.00
17 Lu Chenming scp001	1,000,000,000.00	2017-1-9	256 days	998,577,777.78		998,577,777.78	23,403,055.56	790,125.00		1,022,770,958.34
17 Lu Chenming scp002	1,000,000,000.00	2017-3-8	252 days	998,600,000.00		998,600,000.00	15,556,944.44	608,333.00		1,014,765,277.44
17 Lu Chenming scp003	1,000,000,000.00	2017-3-15	181 days	999,000,000.00		999,000,000.00	1,020,000.00	666,667.00		1,000,666,667.00
17 Lu Chenming cp002	1,500,000,000.00	2017-4-13	365 days	1,497,000,000.00		1,497,000,000.00	1,300,000.00	750,000.00		1,499,050,000.00
17 Lu Chenming scp004	1,000,000,000.00	2017-4-24	270 days	998,500,000.00		998,500,000.00	974,809.33	500,000.00		999,974,809.33

31. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,166,870,668.89	2,369,123,668.89
Guarantee borrowings	6,070,164,977.28	4,689,223,358.40
Credit borrowings	1,153,692,035.94	1,221,192,035.94
Less: long-term borrowings due within 1 year	1,604,088,371.55	1,343,940,282.00
Total	7,786,639,310.56	6,935,598,781.23

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
12 Chenming bond	3,797,855,000.04	3,791,215,868.81
17 Privately placed bonds	1,000,000,000.00	
Less: bonds due within 1 year	3,797,855,000.04	3,791,215,868.81
Total	1,000,000,000.00	

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

33. Long-term payables

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	250,190,103.51	246,190,103.51
Specific capital for China Development	700,000,000.00	700,000,000.00
Equipment leaseback	3,220,909,734.68	3,005,178,750.49
Total	4,171,099,838.19	3,951,368,854.00

34. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Huanggang Chenming integrated forestry, pulp and paper project	681,039,716.66			681,039,716.66	
Total	681,039,716.66			681,039,716.66	—

35. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,443,846,526.33	72,391,073.00	45,482,440.40	1,470,755,158.93	
Total	1,443,846,526.33	72,391,073.00	45,482,440.40	1,470,755,158.93	—

Items in respect of government grant:

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

35. Deferred income (Cont'd)

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Include in non-operating income for the period	Other Changes	Closing balance	Asset-related/ income-related
Special subsidy funds for environmental protection	865,690,958.67		24,800,367.34		840,890,591.33	Asset-related
Project fund for National technological support scheme	1,946,625.00		82,350.35		1,864,274.65	Asset-related
Special subsidy fund for Songhuajiang environmental protection project	1,589,263.01		1,589,263.01			Asset-related
Sewage treatment and water conservation reconfiguration project	7,324,085.45		596,341.46		6,727,743.99	Asset-related
Financial grants for technological modification project	177,600,549.89		5,673,864.39		171,926,685.50	Asset-related
Zhanjiang integrated forestry, pulp and paper project	286,335,959.68	5,090,000.00	8,740,837.29		282,685,122.39	Asset-related
Interest Subsidy	87,441,351.47	13,674,372.00	3,147,766.73		97,967,956.74	Asset-related
Railway line change compensation	14,135,416.66		245,833.33		13,889,583.33	Asset-related
Logistics park project		53,626,701.00			53,626,701.00	Asset-related
Others	1,782,316.50		605,816.50		1,176,500.00	Asset-related
Total	1,443,846,526.33	72,391,073.00	45,482,440.40		1,470,755,158.93	—

36. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes		1,098,148,355.47
Privately placed bonds		
Less: the portion maturing within one year		1,098,148,355.47
Total	—	—

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

37. Share capital

Item	Opening balance	Increase/decrease for the period	Closing balance
RMB ordinary shares (A shares)	1,113,278,456.00		1,113,278,456.00
Domestic listed foreign shares (B shares)	470,923,511.00		470,923,511.00
Overseas listed foreign shares (H shares)	352,203,500.00		352,203,500.00
Total number of shares	1,936,405,467.00		1,936,405,467.00

38. Other equity instruments

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

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Perpetual bonds	2,582,800,000.00			2,582,800,000.00
Preference shares	4,477,500,000.00			4,477,500,000.00
Total	7,060,300,000.00			7,060,300,000.00

(2) Changes in preference shares, perpetual bonds and other outstanding financial instruments at the end of the period

Unit: RMB

Outstanding financial instruments	Opening balance		Increase during the period		Decrease during the period		Closing balance	
	Size	Carrying amount	Size	Carrying amount	Size	Carrying amount	Size	Carrying amount
15 Lu Chenming MMTN001	13,000,000	1,291,900,000.00					13,000,000	1,291,900,000.00
15 Lu Chenming MMTN001	13,000,000	1,290,900,000.00					13,000,000	1,290,900,000.00
Chenming You 01	22,500,000	2,238,750,000.00					22,500,000	2,238,750,000.00
Chenming You 02	10,000,000	995,000,000.00					10,000,000	995,000,000.00
Chenming You 03	12,500,000	1,243,750,000.00					12,500,000	1,243,750,000.00
Total	—	7,060,300,000.00					—	7,060,300,000.00

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

38. Other equity instruments (Cont'd)

(2) Changes in preference shares, perpetual bonds and other outstanding financial instruments at the end of the period (Cont'd)

Changes (increase or decrease) during the period, reasons for such changes and basis for relevant accounting treatment of other equity instruments:

Particulars of the perpetual bonds

① Particulars of issue: The Company issued medium-term notes amounting to RMB2.6 billion on 6 July and 8 September 2015 at a coupon rate of 6.00% and 5.78%. The proceeds net of issue costs amounted to RMB2,582.8000 million.

② Particulars of the notes as perpetual bonds

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company.

The Company has the right to defer any payment of interest.

The right of redemption of the notes is vested with the Company so that it is up to the Company to decide whether to redeem or not.

Based on the above, the notes do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they were eligible to be recognised and accounted for as equity instruments and included under other equity instruments.

Particulars of the preference shares

① Particulars of issue: The Company non-publicly issued preference shares amounting to RMB4.5 billion on 17 March, 17 August and 22 September 2016 at a dividend rate of 6%. The proceeds net of issue costs amounted to RMB4,477.50 million.

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

38. Other equity instruments (Cont'd)

- (2) Changes in preference shares, perpetual bonds and other outstanding financial instruments at the end of the period (Cont'd)

Particulars of the preference shares (Cont'd)

- ② Particulars of the preference shares as equity Instruments

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

A. Distribution of fixed dividend

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

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

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

Based on the above, the preference shares do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they were eligible to be recognised and accounted for as equity instruments and included under other equity instruments – preference shares.

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

39. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	5,478,935,277.69			5,478,935,277.69
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,257,784.90			6,149,257,784.90

40. Other comprehensive income

Unit: RMB

Item	Opening balance	During the period				Attributable to minority shareholders after tax	Closing balance
		Incurring before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax		
II. Other comprehensive income to be reclassified to profit or loss in subsequent periods	-805,245,771.89	170,697,419.90			170,697,419.90		-634,548,351.99
Exchange differences on translation of foreign operations	-805,245,771.89	170,697,419.90			170,697,419.90		-634,548,351.99
Total other comprehensive income	-805,245,771.89	170,697,419.90			170,697,419.90		-634,548,351.99

41. Surplus reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	1,132,116,106.40			1,132,116,106.40
Total	1,132,116,106.40			1,132,116,106.40

Particulars of the surplus reserve, including changes (increase or decrease) during the period and reasons for such changes:

Pursuant to the Companies Law and the Articles of Association, the Company transferred 10% of the net profit to the statutory surplus reserves. There was no need to transfer if the accumulated amounts of the statutory reserves exceeded 50% of the Company's registered capital.

The Company can transfer the discretionary surplus reserve upon the transfer of statutory surplus reserve. Once approved, the discretionary surplus reserve can be used to offset loss for prior years or increase the share capital.

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

42. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	6,745,974,781.02	5,416,049,598.87
Retained profit as at the beginning of the year after adjustment	6,745,974,781.02	5,416,049,598.87
Plus: Net profit for year attributable to shareholders of the parent company	1,745,514,838.23	939,164,870.60
Ordinary dividend payable	1,161,843,280.20	580,921,640.10
Preference dividend payable	217,377,107.35	
Retained profit as at the end of the period	7,112,269,231.70	5,774,292,829.37

43. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	13,563,143,834.69	9,468,056,148.11	10,531,214,461.68	7,550,568,444.39
Other activities	186,091,172.55	61,798,067.23	75,144,271.34	25,998,263.78
Total	13,749,235,007.24	9,529,854,215.34	10,606,358,733.02	7,576,566,708.17

Note: In order to disclose the gross profit by business segment of the Company more accurately, the financial costs incurred by the financing lease business are recognised in the operating costs instead of finance expenses. The relevant adjustment is made in the corresponding period of the prior year. This adjustment has no effect on the profit for the period and the prior period.

44. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Urban maintenance and construction tax	22,398,860.35	19,040,816.07
Educational surcharges	14,388,582.42	13,519,315.18
Property tax	26,916,701.19	
Land use tax	24,234,332.85	
Vehicle and vessel use tax	34,306.91	
Stamp tax	13,148,327.87	
Business tax		50,110,672.72
Water engineering funds	3,177,917.53	2,565,046.51
Others	1,660,983.24	252,586.81
Total	105,960,012.36	85,488,437.29

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

45. Selling and distribution expenses

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Wages and surcharges	65,953,852.36	62,610,240.72
Depreciation expenses	6,409,390.78	7,716,005.86
Office expenses	1,835,605.09	2,284,579.17
Transportation expenses	453,538,636.06	398,501,300.34
Selling commissions	6,775,566.23	9,680,049.87
Cargo handling charges	9,619,073.45	7,496,104.53
Travel expenses	10,999,160.71	14,079,701.21
Business hospitality expenses	36,623,061.92	33,198,045.00
Warehouse expenses	714,169.93	1,750,686.55
Rental expenses	4,580,600.56	3,836,615.38
Others	44,449,158.26	32,581,328.42
Total	641,498,275.35	573,734,657.05

46. General and administrative expenses

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Wages and surcharges	91,040,324.67	83,040,079.11
Welfare expenses	20,103,576.01	19,735,058.11
Labour insurance premium	6,102,709.36	26,637,831.86
Insurance premium	9,518,602.13	10,302,590.82
Depreciation expenses	33,612,163.11	33,670,891.00
Waste disposal expenses	9,214,959.75	12,242,348.57
Hospitality expenses	23,024,208.87	19,243,914.33
Amortisation of intangible assets	16,315,486.42	11,943,479.38
Technological development expenses	446,835,957.44	305,617,867.77
Tax	97,755.03	53,373,398.17
Production interruption loss	32,610,068.28	33,255,858.46
Repair fees	25,429,045.13	14,967,595.79
Others	142,450,142.97	69,982,914.01
Total	856,354,999.17	694,013,827.38

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

47. Finance expenses

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Interest expenses	714,171,231.76	694,652,263.63
Less: Interest income	117,395,792.54	96,175,924.81
Capitalised interest amount	90,133,011.27	82,706,472.39
Foreign exchange gains and losses	107,381,433.91	49,068,370.62
Bank charges	82,585,417.66	90,905,926.61
Total	696,609,279.51	655,744,163.67

Note: In order to disclose the gross profit by business segment of the Company more accurately, the financial costs incurred by the financing lease business are recognised in the operating costs instead of finance expenses. The relevant adjustment is made in the corresponding period of the prior year. This adjustment has no effect on the profit for the period and the prior period.

48. Loss on impairment of assets

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
I. Loss on bad debts	50,382,322.12	27,039,385.57
II. Loss on inventory impairment	-571,669.04	
III. Loss on fixed assets impairment		10,000,000.00
Total	49,810,653.08	37,039,385.57

49. Gain on change in fair value

Source of gain on change in fair value	Unit: RMB	
	Amount for the period	Amount for the prior period
Consumable biological assets measured at fair value	-11,009,851.10	-10,599,543.68
Total	-11,009,851.10	-10,599,543.68

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

50. Investment income

Item	Unit: RMB	
	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-4,154,293.30	-7,203,834.37
Investment gain on disposal of long-term equity investments	480,189.88	
Investment gain on disposal of available-for-sale financial assets	56,226,406.81	
Income on external entrusted loans	13,312,368.97	44,212,264.15
Total	65,864,672.36	37,008,429.78

51. Non-operating income

Item	Unit: RMB		
	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total gain on disposal of non-current assets	1,822,923.95	2,416,628.05	1,822,923.95
Of which: Gain on disposal of fixed assets	1,822,923.95	2,416,628.05	1,822,923.95
Gain on debt restructuring		1,909,002.10	
Government grants	140,637,717.90	218,025,169.93	138,061,964.09
Others	16,058,652.83	6,557,554.23	16,058,652.83
Total	158,519,294.68	228,908,354.31	155,943,540.87

Further particulars:

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Amortised deferred income	45,482,440.40	41,480,887.29	Asset-related
Grants income	92,579,523.69	172,931,681.51	income-related
Value-added tax refund	2,575,753.81	3,612,601.13	income-related
Total	140,637,717.90	218,025,169.93	—

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

52. 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
Total loss on disposal of non-current assets	1,478,120.96	4,043,314.21	
Of which: loss on disposal of fixed assets	1,478,120.96	4,043,314.21	
Donation	450,000.00		
Others	1,959,668.15	1,959,668.15	
Total	3,550,702.42	6,002,982.36	

53. 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	351,541,417.73	230,829,355.97
Deferred income tax expenses	-20,288,090.65	76,202,066.49
Total	331,253,327.08	307,031,422.46

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	2,078,970,985.95
Income tax expenses	331,253,327.08

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

54. Other comprehensive income

For details, please see Notes.

55. 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	93,044,281.20	172,931,681.51
Interest income	117,395,792.54	96,175,924.81
External security deposit of the Financial Leasing Company	4,000,000.00	55,000,000.00
Open credit, and income from default penalty and fine	16,058,652.87	66,363,266.64
Total	230,498,726.61	390,470,872.96

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expense and open credit	1,541,645,097.56	805,195,276.10
Net increase in principal receivables relating to finance lease business	5,445,458,445.68	6,214,266,350.71
Total	6,987,103,543.24	7,019,461,626.81

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Government grants	72,391,073.00	
Special subsidy funds of Huanggang		104,056,200.00
Entrusted loans	900,000,000.00	
Total	972,391,073.00	104,056,200.00

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

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

(4) Cash paid relating to other financing activities

	Unit: RMB	
Item	Amount for the period	Amount for the prior period
Issuance of short-term and super &-short term commercial paper	6,990,741,096.00	8,494,653,288.89
Issuance of preference shares		2,238,750,000.00
Capital contribution by CDB Fund to Zhanjiang Chenming		200,000,000.00
Equipment financing	729,259,498.49	1,199,435,500.86
Total	7,720,000,594.49	12,132,838,789.75

(5) Cash paid relating to other financing activities

	Unit: RMB	
Item	Amount for the period	Amount for the prior period
Repayment of privately placed bonds		1,587,000,000.00
Repayment of commercial paper	7,159,436,554.95	7,375,483,606.56
Increase in restricted bank deposits	3,036,117,632.05	1,109,208,431.73
Total	10,195,554,187.00	10,071,692,038.29

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

56. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	1,747,717,658.87	926,054,389.48
Plus: Provision for impairment of assets	199,810,653.08	37,039,385.57
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	816,376,614.36	694,931,226.76
Amortisation of intangible assets	25,214,975.98	16,835,509.25
Amortisation of long-term prepaid expenses	10,052,618.57	3,733,859.91
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-344,802.99	1,626,686.16
Loss on changes in fair value (“-” denotes gain)	11,087,873.76	10,599,543.68
Finance expenses (“-” denotes gain)	714,171,231.76	1,007,251,661.57
Investment loss (“-” denotes gain)	-65,864,672.36	-37,008,429.78
Decrease in deferred income tax assets (“-” denotes increase)	-20,288,090.65	76,202,066.49
Decrease in inventories (“-” denotes increase)	-1,194,720,554.52	-15,307,641.68
Decrease in operating receivables (“-” denotes increase)	-3,414,834,472.92	-5,584,481,269.74
Increase in operating payables (“-” denotes decrease)	-3,300,108,028.18	165,013,159.29
Net cash flows from operating activities	-4,471,728,995.24	-2,697,509,853.04
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Closing balance of cash	2,421,491,422.53	3,567,441,351.15
Less: Opening balance of cash	1,979,861,045.62	1,888,107,493.76
Net increase in cash and cash equivalents	441,630,376.91	1,679,333,857.39

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,421,491,422.53	1,979,861,045.62
Of which: Cash on hand	1,937,873.98	192,022.94
Bank deposits readily available for payment	2,419,553,548.54	1,977,940,818.68
III. Balance of cash and cash equivalent as at end of period	2,421,491,422.53	1,979,861,045.62

Note: As at 31 December 2016, restricted monetary funds amounted to RMB10,120,006,052.96 (31 December 2015: RMB8,130,069,273.87).

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VII. Notes to items of the Consolidated Financial Statements (Cont'd)

57. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	10,120,006,052.96	As guarantee deposits for bank acceptance bills, letter of credit, and bank borrowings deposits, and deposit reserves
Bills receivable	1,259,355,685.71	As collateral for short-term borrowings, bills payable, letters of guarantee and letters of credit
Fixed assets	4,458,390,058.49	As collateral for bank borrowings and long-term payables
Intangible assets	427,899,004.31	As collateral for bank borrowings and long-term payables
Total	16,265,650,801.47	—

58. Foreign currency items

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

Applicable Not applicable

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

The companies numbered 3, 4 and 5 are companies of the fourth level. Overseas subsidiaries of the Company recognise U.S. dollar ("USD" or "US\$"), Japanese yen ("JPY") Euro ("EUR") and Korean Won ("KRW") as their respective functional currency according to the general economic environment in which these subsidiaries operate.

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VIII. Change in scope of consolidation

1. Business combinations under common control

(1) Business combinations under common control for the period

Unit: RMB

Name of the party being absorbed	Shareholding acquired during the business combination	Basis for business combination under common control	Combination date	Basis for the combination date	Income	Net profit	Income	Net profit
					of the party being absorbed from the beginning of the current period to the combination date	of the party being absorbed from the beginning of the current period to the combination date	of the party being absorbed during the comparative period	of the party being absorbed during the comparative period
Shouguang Chenming Hongxin Packaging Co., Ltd.	100.00%	Both were subsidiaries of Shandong Chenming	1 June 2017	Completion of the cancellation of industry and commerce registration and tax registration	0	-92,680.78	—	—

(2) Combination costs

Unit: RMB

Combination costs	Shouguang Chenming Hongxin Packaging Co., Ltd.
--Carrying amount of non-cash assets	3,227,202.77

(3) Carrying amount of assets and liabilities of the party being absorbed at the combination date

Unit: RMB

	Shouguang Chenming Hongxin Packaging Co., Ltd.	
	Combination date	At the end of the prior period
Monetary funds		9,259.54
Fixed assets	4,260,662.32	4,352,649.52
Other current assets	56,830.95	56,830.95
Accounts payables	1,090,290.50	1,098,856.46
Net assets	3,227,202.77	3,319,883.55
Net assets acquired	3,227,202.77	3,319,883.55

VIII. Change in scope of consolidation (Cont'd)

2. Disposal of subsidiaries

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

Yes No

Unit: RMB

Name of subsidiary	Consideration for equity disposal	Percentage of equity disposal	Method of equity disposal	Timing of losing control	Basis of determination of timing of losing control	Difference between consideration for disposal and net assets of the subject subsidiary attributable to the Company under consolidated financial statements	Percentage of remaining equity on the day of losing control	Carrying amount of remaining equity on the day of losing control	Fair value of remaining equity on the day of losing control	Profit or loss from remeasurement of remaining equity at fair value	Method of determination and key assumptions for the fair value of remaining equity on the day of losing control	Amount of other comprehensive income transferred into investment gains or losses related to equity investment of the original subsidiary
Jilin Chemming Machinery Manufacturing Co., Limited	0.00	100.00%	Transfer	1 May 2017	Equity transfer agreement	480,188.88	—	—	—	—	—	—

Whether there was disposal of investment in a subsidiary through several transactions resulting in loss of control during the reporting period

Yes No

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VIII. Change in scope of consolidation (Cont'd)

3. Change in scope of consolidation due to other reasons

Explanations for other reasons resulting in changes in the scope of combination (e.g. newly established subsidiary, liquidation of subsidiary) and relevant circumstances:

Unit: RMB'0,000

Name of the company	Date of establishment	Operating scope	Registered capital	Percentage of shareholding
Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd.	May 2017	Spot transactions, trading and electronic commerce of pulp, finished paper products, paper-making auxiliary materials, etc., online sale of pulp, paper, paper products, etc., warehousing services, logistics distribution and economic information consultation, etc.	3000.00	100%
Xuchang Chenming Paper Co., Ltd.	April 2017	Packaging and production of pulp, finished paper products and paper products, generation and supply of thermal power, treatment and recycling of sewage, and recycling of recycling materials, etc.	40,000.00	60%
Shandong Chenming Commercial Factoring Co., Ltd.	June 2017	Relevant consultation services for domestic factoring, export factoring and commercial factoring, corporate management consultation, and asset valuation services.	20,000.00	100%

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IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Indirect		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	100.00%		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	100.00%		Establishment
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper making	100.00%		Merger and acquisition
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp production	100.00%		Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper	100.00%		Establishment
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	100.00%		Establishment
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Paper product trading	100.00%		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	100.00%		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	100.00%		Merger and acquisition
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	100.00%		Establishment
Shouguang Chenming Industrial Logistics Co., Ltd.	Shouguang, China	Shouguang, China	Logistics	100.00%		Establishment
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment management	100.00%		Establishment
Huanggang Chenming Arboriculture Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	100.00%		Establishment
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper	100.00%		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power	100.00%		Establishment
Shouguang Shun Da Customs Declaration Co, Ltd.	Shouguang, China	Shouguang, China	Customs declaration	100.00%		Establishment
Wuxi Song Ling Paper Co., Ltd.	Wuxi, China	Wuxi, China	Paper making	100.00%		Merger and acquisition
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper	100.00%		Establishment
Shandong Chenming Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	80.00%	20.00%	Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper making	51.00%	49.00%	Establishment
Qingdao Chenming International Logistics Co., Ltd.	Qingdao, China	Qingdao, China	Logistics	30.00%	70.00%	Establishment
Qingdao Chenming Pulp and Paper Electronic Commodity Exchange Co., Ltd.	Qingdao, China	Qingdao, China	Pulp and paper trading	30.00%	70.00%	Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	75.00%		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper making	75.00%		Establishment
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	70.00%		Establishment
Haicheng Haiming Mining Co., Ltd.	Haicheng, China	Haicheng, China	Mining	60.00%		Establishment
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper making	50.93%		Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding	
				Indirect	Acquisition
Xuchang Chenming Paper Co., Ltd.	Xuchang, China	Xuchang, China	Paper making	60.00%	Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing	100.00%	Establishment
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	Qingdao, China	Qingdao, China	Financial leasing	100.00%	Establishment
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Paper product trading	100.00%	Establishment
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging	100.00%	Merger and acquisition
Shouguang Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal	100.00%	Merger and acquisition
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and sale of waste	100.00%	Merger and acquisition
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics	100.00%	Merger and acquisition
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panels	100.00%	Merger and acquisition
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board	100.00%	Merger and acquisition
Shouguang Chenming Cement Co., Limited	Shouguang, China	Shouguang, China	Cement	100.00%	Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Electric power	51.00%	Establishment
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment	100.00%	Establishment
Japan Chenming Paper Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Paper product trading	100.00%	Establishment
Chenming International Co., Ltd.	Los Angeles, the United States	Los Angeles, the United States	Paper product trading	100.00%	Establishment
Zhanjiang Chenming Arboriculture Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture	100.00%	Establishment
Yangjiang Chenming Arboriculture Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture	100.00%	Establishment
Nanchang Chenming Arboriculture Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture	100.00%	Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment	51.00%	Merger and acquisition
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials	100.00%	Establishment
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall materials	100.00%	Establishment
Jilin Chenming Logistics Co., Ltd.	Jilin, China	Jilin, China	Logistics	100.00%	Establishment
Jiangxi Chenming Logistics Co., Ltd.	Nanchang, China	Nanchang, China	Logistics	100.00%	Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper making	100.00%	Establishment
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper making	100.00%	Establishment
Shandong Chenming Commercial Factoring Co., Ltd.	Jinan, China	Jinan, China	Factoring	100.00%	Establishment

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name	Minority interests	Gain or loss attributable to minority interests during the period	Dividend to minority interests declared during the period	Closing balance of minority interests
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	49.07%	2,231,565.56		124,427,022.92
Shouguang Chenming Art Paper Co., Ltd.	25.00%	5,015,501.71		43,065,434.26
Shandong Grand View Hotel Co., Ltd.	30.00%	-2,964,051.26		-35,732,102.07
Hailaer Chenming Paper Co., Ltd.	25.00%			9,135,357.41
Haicheng Haiming Mining Co., Ltd.	40.00%	-1,682,792.35		94,265,905.65
Guangdong Huirui Investment Co., Ltd.	49.00%	-397,403.01		113,092,050.24
Xuchang Chenming Paper Co., Ltd.	40.00%			40,000,000.00

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Unit: RMB

Name	Closing balance			Opening balance			Total liabilities	Total liabilities				
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total assets			Current liabilities			
Wutan Chenming Hanyang Paper Holdings Co., Ltd.	1,843,287,296.87	1,256,757,353.96	3,100,044,650.83	2,838,059,420.44	54,812,991.65	2,892,872,412.09	1,768,965,632.03	1,224,480,686.33	2,893,446,328.36	2,752,454,924.45	56,443,514.03	2,808,898,438.48
Shouguang Chenming Art Paper Co., Ltd.	258,526,891.09	694,788,623.31	953,316,514.40	781,054,777.41	781,054,777.41	781,054,777.41	154,755,091.25	722,086,544.67	876,841,635.92	724,641,305.77		724,641,305.77
Shandong Grand View Hotel Co., Ltd.	15,594,545.82	217,474,844.41	233,069,390.23	352,176,397.15		352,176,397.15	14,688,579.92	219,520,044.14	234,208,624.06	343,435,460.10		343,435,460.10
Halaer Chenming Paper Co., Ltd.	13,622,564.86	28,431,683.32	42,054,248.18	5,512,818.55		5,512,818.55	13,622,564.86	28,431,683.32	42,054,248.18	5,512,818.55		5,512,818.55
Haiheng Haiming Mining Co., Ltd.	57,730,921.64	1,011,839,747.62	1,069,570,669.26	833,905,905.14		833,905,905.14	57,357,546.56	914,205,828.11	971,563,374.67	731,691,629.67		731,691,629.67
Guangdong Huihui Investment Co., Ltd.	310,106,574.81	466,331.80	310,572,906.61	1,792,804.09	77,980,000.00	79,772,804.09	317,118,671.16	186,264.83	317,304,935.99	7,713,806.92	77,980,000.00	85,683,806.92

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IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Unit: RMB

Name	Amount during the year				Amount during the prior year			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	600,890,033.83	6,940,887.35	6,940,887.35	-6,556,195.80	554,350,364.42	-27,322,183.58	-27,322,183.58	4,831,299.33
Shouguang Chenming Art Paper Co., Ltd.	315,445,237.82	20,062,006.83	20,062,006.84	857,026.40	312,682,091.71	11,706,212.99	11,706,212.99	461,691.92
Shandong Grand View Hotel Co., Ltd.	16,349,994.57	-9,880,170.88	-9,880,170.88	-1,592,519.03	17,794,419.06	-7,233,315.31	-7,233,315.31	-844,051.71
Haicheng Haiming Mining Co., Ltd.		-4,206,980.88	20,062,006.84	-19,856,846.14		-63,834.09	-63,834.09	62,143,196.78
Guangdong Huirui Investment Co., Ltd.		-811,026.55	-811,026.55	181,814.34		-3,075,130.28	-3,075,130.28	-15,394.01

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang, China	Shouguang, China	Construction materials	50.00%		Equity method
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	30.00%		Equity method
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Nanchang, China	Nanchang, China	Printing	21.15%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	50.00%		Equity method
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Wuhan, China	Wuhan, China	Real estate development	40.00%		Equity method
Jiangxi Chenming Port Co., Ltd.	Nanchang, China	Nanchang, China	Handling and transportation of goods and storage	40.00%		Equity method
Weifang Sime Darby West Port Co., Ltd.	Weifang, China	Weifang, China	Port	50.00%		Equity method

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IX. Interest in other entities (Cont'd)

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

(2) Key financial information of major joint ventures

Unit: RMB

	Closing balance/amount during the year		Opening balance/amounts during the prior year	
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Weifang Sime Darby West Port Co., Ltd.	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Weifang Sime Darby West Port Co., Ltd.
Current assets	1,139,638.73	84,951,176.93	4,249,054.46	38,351,661.82
Of which: Cash and cash equivalents	672,928.87	52,125,946.07	458,458.31	22,738,319.93
Non-current assets	11,710,167.40	312,397,949.42	12,473,449.30	311,606,614.65
Total assets	12,849,806.13	397,349,126.35	16,722,503.76	349,958,276.47
Current liabilities	5,423,953.49	47,686,964.33	10,045,543.68	165,609,422.04
Total liabilities	5,423,953.49	199,309,246.72	10,045,543.68	286,231,704.43
Equity interest attributable to shareholders of the parent company	7,425,852.64	198,039,879.63	6,676,960.08	63,726,572.04
Share of net assets based on shareholding	3,712,926.32	99,019,939.82	3,338,480.04	31,863,286.02
Carrying amount of investment in joint ventures	3,712,926.32	99,019,939.82	3,338,480.04	31,863,286.02
Revenue	5,519,650.45		9,413,451.32	
Finance expenses	84,056.46	-75,920.03	231,928.00	
Income tax expenses	125,563.08		22,169.33	
Net profit	748,892.56	-686,692.41	723,325.04	
Total comprehensive income	748,892.56		723,325.04	

Other explanation

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IX. Interest in other entities (Cont'd)

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

(3) Key financial information of major associates

Unit: RMB

	Closing balance/amount during the period				Opening balance/amount during the prior period			
	Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Jiangxi Chenming Port Co., Ltd.	Jiangxi Jiangbao Media Colour Printing Co., Ltd.	Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Jiangxi Chenming Port Co., Ltd.
Current assets	20,483,612.38	33,718,693.70	1,803,256,045.33	13,383,695.55	24,068,421.70	39,815,555.02	1,675,978,214.45	9,736,438.88
Non-current assets	9,154,281.02	69,760,000.00	31,366,998.95	108,029,471.37	10,816,762.76	62,760,000.00	21,774,839.04	110,970,435.58
Total assets [†]	29,637,893.40	103,478,693.70	1,834,623,044.28	121,413,166.92	34,885,184.46	102,575,555.02	1,697,753,053.49	120,706,874.46
Current liabilities	17,579,120.74	5,000.00	729,571,780.74	107,796,619.81	20,399,149.78	5,000.00	590,521,405.00	105,780,641.88
Non-current liabilities			1,066,021,254.91				1,046,021,254.91	
Total liabilities	17,579,120.74	5,000.00	1,795,593,035.65	107,796,619.81	20,399,149.78	5,000.00	1,636,542,659.91	105,780,641.88
Equity interest attributable to shareholders of the parent company	12,058,772.66	103,473,693.70	39,030,008.63	13,616,547.11	14,486,034.68	102,570,555.02	61,210,393.58	14,926,232.58
Share of net assets based on shareholding	2,549,827.48	51,731,673.16	15,612,003.45	5,446,618.84	3,063,072.03	51,280,148.98	24,484,157.43	5,973,566.46
- Unrealised profit arising from intra-group transactions							-20,887,432.05	
Carrying amount of investment in associates	2,549,827.48	51,731,673.16	15,612,003.45	5,446,618.84	3,063,072.03	51,280,148.98	3,596,725.38	5,973,566.46
Revenue	6,950,458.93		39,982,570.54	12,360,478.60	13,455,840.99		284,917,004.35	28,290,476.10
Net profit	-2,332,303.36	903,138.68	-22,180,384.95	-1,309,685.47	-5,446,338.94	1,530,728.19	13,800,471.65	428,354.35
Total comprehensive income	-2,332,303.36	903,138.68	-22,180,384.95	-1,309,685.47	-5,446,338.94	1,530,728.19	13,800,471.65	428,354.35

(4) Excess loss of joint ventures or associates

Unit: RMB

Name	Accumulated unrecognised loss incurred for prior periods	Unrecognised loss (or share of net profit) for the period	Accumulated unrecognised loss as at the end of the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.		7,308,869.16	7,308,869.16

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X. Fair value

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

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement at fair value	—	—	—	—
(IV) Biological assets		1,184,374,214.74	1,184,374,214.74	1,184,374,214.74
1. Consumable biological assets		1,184,374,214.74	1,184,374,214.74	1,184,374,214.74
Total assets continuously measured at fair value		1,184,374,214.74	1,184,374,214.74	1,184,374,214.74
II. Non-continuous measurement at fair value	—	—	—	—

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

The Company adopts the income method in determining the fair value of its consumable biological assets. Under the income method, the valuation is arrived at based on the aggregate expected future profit estimates from forest resources discounted to their present values at an applicable rate which is usually equivalent to yield prevailing in the forestry industry.

Key inputs of the method include expected annual income and discount rate.

Expected annual profit = expected annual income - expected total input

Expected annual income = expected output x expected sales price

Expected output = based on normal output of the Company's logging

Expected sales price = normal sales price of the Company in 2017

Expected total input is based on total historic input of saplings growing of the Company up to logging.

Discount rate is 10.74%, based on the yield prevailing in the industry.

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

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XI. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Shouguang Chenming Holdings Co., Ltd.	Shouguang City, Shandong Province	Investment in manufacture of paper, electricity, steam, arboriculture	1,238,787,742	26.77%	26.77%

Explanation on the parent company of the Company: Shouguang Chenming Holdings Co., Ltd. directly held 15.13% equity interest in the Company and indirectly held 11.64% equity interest in the Company through Chenming Holdings (Hong Kong) Limited, its wholly-owned subsidiary. It held 26.77% equity interest in the Company in total.

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

2. Subsidiaries of the Company

Please refer to Note IX. 1. Interest in subsidiaries for details.

3. Joint ventures and associates of the Company

Please refer to Note IX. 2. Interest in joint arrangements or associates for details.

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

Name of joint ventures or associates	Relation
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	An associate of the Company
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	An associate of the Company
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	An associate of the Company
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Company

4. Other related parties

Name of other related parties	Relation
Anhui Time Source Corporation	A subsidiary
Shouguang Hengtai Enterprise Investment Company Limited	A company invested by the senior management of the Company
Jiangxi Chenming Natural Gas Co., Ltd.	The senior management of the Company serving as directors

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

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amount during the period	Transaction facility approved	Whether the transaction facility is exceeded	Amount during the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Procurement of natural gas	84,339,429.95	350,000,000.00	No	51,346,339.83

Table on sales of goods/provision of services

Unit: RMB

Related party	Details of related party transactions	Amount during the period	Amount for the prior period
Anhui Time Source Corporation	Sales of paper	122,403,067.72	133,818,532.79

(2) Guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	5 December 2016	25 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	27 December 2016	20 December 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2 March 2017	12 February 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	27 May 2017	26 May 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2 June 2017	1 June 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	800,000,000.00	13 January 2017	12 January 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	550,000,000.00	30 March 2017	29 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	350,000,000.00	1 April 2017	29 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	28 October 2016	27 October 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	1 December 2016	30 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	10 February 2017	9 February 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	175,000,000.00	2 March 2017	1 March 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	4 November 2016	3 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	22 September 2016	21 September 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	8 December 2016	7 December 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	15 December 2016	14 December 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	3 January 2017	2 January 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	28 April 2017	27 April 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	73,000,000.00	17 May 2017	16 May 2018	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,263,419.48	17 March 2017	13 September 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	24 October 2016	23 October 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	29 November 2016	29 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,896,000.00	26 June 2017	20 September 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	3 January 2017	2 January 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	3 January 2017	2 January 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	63,500,000.00	27 November 2015	27 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	190,000,000.00	26 October 2016	26 October 2018	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,000,000.00	3 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	20 June 2017	20 June 2019	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	65,711,680.00	5 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,744,000.00	26 October 2016	26 October 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	50,000,000.00	1 December 2016	1 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	214,000,000.00	7 June 2017	7 June 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	34,454,598.40	28 November 2014	27 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	519,223,200.00	22 May 2015	26 March 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	129,340,824.00	24 November 2015	10 November 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	317,733,600.00	20 November 2015	5 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	619,968,000.00	17 December 2015	16 December 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	307,659,120.00	2 March 2016	2 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	307,659,120.00	18 March 2016	2 February 2019	No
Shandong Chenming Financial Leasing Co., Ltd.	158,014,344.00	28 July 2016	28 July 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	9,070,000.00	17 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	17 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	17 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	5,000,000.00	14 December 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	14 December 2015	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	14 December 2015	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	39,000,000.00	24 June 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	21,000,000.00	5 January 2017	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	5 January 2017	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	60,000,000.00	5 January 2017	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	59,000,000.00	5 January 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	1,000,000.00	3 February 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	3 February 2017	26 September 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	3 February 2017	26 December 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	9,000,000.00	3 February 2017	26 March 2021	No
Huanggang Chenming Pulp & Paper Co., Ltd.	47,420,800.00	7 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	33,872,000.00	7 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	7,451,840.00	20 July 2016	26 March 2018	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Huanggang Chenming Pulp & Paper Co., Ltd.	6,096,960.00	22 July 2016	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	4,877,568.00	22 July 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	2,880,474.88	8 August 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	35,633,344.00	16 August 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	4,029,413.12	26 September 2016	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	54,195,200.00	26 September 2016	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	54,195,200.00	26 September 2016	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	54,195,200.00	26 September 2016	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	17,106,714.88	26 September 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,142,928.00	5 December 2016	26 June 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	65,871,600.00	5 December 2016	26 September 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	41,227,872.00	5 December 2016	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	24,643,728.00	12 April 2017	26 December 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	65,871,600.00	12 April 2017	26 March 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	10,229,472.00	12 April 2017	26 June 2020	No
Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 December 2015	29 December 2018	No
Jiangxi Chenming Paper Co., Ltd.	49,800,000.00	22 January 2017	21 July 2017	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	1 May 2017	1 May 2018	No
Jiangxi Chenming Paper Co., Ltd.	94,841,600.00	14 March 2017	9 September 2017	No
Jiangxi Chenming Paper Co., Ltd.	19,578,016.00	26 April 2017	21 October 2017	No
Jiangxi Chenming Paper Co., Ltd.	17,816,672.00	8 June 2017	8 December 2017	No
Jiangxi Chenming Paper Co., Ltd.	15,388,830.41	16 June 2017	16 June 2018	No
Jiangxi Chenming Paper Co., Ltd.	22,355,520.00	20 June 2017	16 June 2018	No
Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	30 September 2016	29 September 2018	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	16 March 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	1 April 2017	16 March 2019	No
Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	12 June 2017	12 June 2019	No
Shouguang Meilun Paper Co., Ltd.	70,000,000.00	12 January 2017	10 July 2017	No
Shouguang Meilun Paper Co., Ltd.	214,999,999.99	12 January 2017	10 July 2017	No
Shandong Chenming Paper Sales Co., Ltd.	250,000,000.00	14 October 2016	12 October 2017	No
Shandong Chenming Paper Sales Co., Ltd.	200,000,000.00	26 October 2016	24 October 2017	No
Shandong Chenming Paper Sales Co., Ltd.	56,071,275.69	5 January 2017	4 July 2017	No
Shandong Chenming Paper Sales Co., Ltd.	420,000,000.00	13 January 2017	4 July 2017	No
Shandong Chenming Paper Sales Co., Ltd.	300,000,000.00	26 February 2017	23 August 2017	No
Shandong Chenming Paper Sales Co., Ltd.	200,000,000.00	1 March 2017	30 August 2017	No
Shandong Chenming Paper Sales Co., Ltd.	364,380,340.04	17 May 2017	17 November 2017	No
Shandong Chenming Paper Sales Co., Ltd.	130,000,000.00	5 June 2017	5 June 2018	No
Shandong Chenming Paper Sales Co., Ltd.	351,364,726.02	5 June 2017	4 December 2017	No
Shandong Chenming Paper Sales Co., Ltd.	280,369,025.46	22 June 2017	20 December 2017	No
Chenming (HK) Limited	223,555,200.00	29 July 2016	14 July 2017	No
Chenming (HK) Limited	162,585,600.00	12 August 2016	26 July 2017	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Chenming (HK) Limited	206,957,920.00	23 August 2016	2 August 2017	No
Chenming (HK) Limited	112,658,272.00	17 October 2016	1 September 2017	No
Chenming (HK) Limited	105,795,804.80	22 September 2016	23 August 2017	No
Chenming (HK) Limited	300,105,920.00	7 November 2016	31 October 2017	No
Chenming (HK) Limited	186,296,000.00	21 November 2016	9 November 2017	No
Chenming (HK) Limited	186,973,440.00	13 December 2016	4 December 2017	No
Chenming (HK) Limited	93,486,720.00	23 December 2016	9 December 2017	No
Chenming (HK) Limited	48,287,645.45	20 December 2016	20 November 2017	No
Chenming (HK) Limited	96,303,820.37	23 December 2016	23 November 2017	No
Chenming (HK) Limited	83,325,120.00	23 December 2016	13 December 2017	No
Chenming (HK) Limited	101,616,000.00	23 December 2016	13 December 2017	No
Chenming (HK) Limited	136,842,880.00	27 January 2017	24 January 2018	No
Chenming (HK) Limited	181,215,200.00	22 February 2017	6 February 2018	No
Chenming (HK) Limited	145,649,600.00	27 February 2017	25 August 2017	No
Chenming (HK) Limited	93,757,696.00	1 March 2017	9 February 2018	No
Chenming (HK) Limited	134,776,688.00	20 March 2017	3 March 2018	No
Chenming (HK) Limited	119,568,160.00	5 May 2017	4 April 2018	No
Chenming (HK) Limited	165,667,952.00	18 April 2017	1 April 2018	No
Chenming (HK) Limited	158,859,680.00	27 April 2017	18 April 2018	No
Chenming (HK) Limited	94,502,880.00	22 May 2017	9 April 2018	No
Chenming (HK) Limited	98,228,800.00	15 June 2017	12 May 2018	No
Chenming (HK) Limited	276,056,800.00	20 June 2017	1 June 2018	No
Chenming (HK) Limited	198,151,200.00	28 June 2017	28 May 2018	No
Chenming (HK) Limited	36,920,480.00	30 June 2017	30 May 2018	No
Chenming (HK) Limited	32,178,400.00	30 June 2017	30 May 2018	No
Chenming (HK) Limited	103,844,640.00	10 January 2017	23 December 2017	No
Chenming (HK) Limited	199,939,680.00	12 January 2017	14 December 2018	No
Chenming (HK) Limited	242,137,995.66	26 January 2017	2 January 2018	No
Chenming (HK) Limited	92,375,232.00	14 March 2017	2 March 2018	No
Chenming (HK) Limited	189,090,240.00	21 March 2017	3 March 2018	No
Chenming (HK) Limited	137,942,880.00	21 March 2017	13 March 2018	No
Chenming (HK) Limited	133,913,088.00	28 April 2017	9 April 2018	No
Chenming (HK) Limited	100,744,800.00	4 May 2017	30 April 2018	No
Chenming (HK) Limited	154,992,000.00	13 May 2017	27 April 2018	No
Chenming (HK) Limited	139,492,800.00	24 May 2017	10 May 2018	No
Chenming (HK) Limited	7,979,898.18	27 January 2017	26 July 2017	No
Chenming (HK) Limited	20,444,752.25	20 April 2017	18 August 2017	No
Chenming (HK) Limited	12,281,046.37	6 March 2017	4 September 2017	No
Chenming (HK) Limited	25,531,485.54	9 March 2017	4 September 2017	No
Chenming (HK) Limited	12,399,615.71	11 April 2017	4 September 2017	No
Chenming (HK) Limited	15,320,491.90	9 March 2017	5 September 2017	No
Chenming (HK) Limited	25,729,457.76	26 June 2017	6 September 2017	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Chenming (HK) Limited	16,410,772.77	16 March 2017	12 September 2017	No
Chenming (HK) Limited	8,967,541.68	29 March 2017	25 September 2017	No
Chenming (HK) Limited	7,938,000.48	11 May 2017	26 September 2017	No
Chenming (HK) Limited	9,404,489.47	5 June 2017	3 October 2017	No
Chenming (HK) Limited	7,646,361.00	7 June 2017	3 October 2017	No
Chenming (HK) Limited	8,914,066.06	6 June 2017	4 October 2017	No
Chenming (HK) Limited	31,245,243.34	12 April 2017	9 October 2017	No
Chenming (HK) Limited	15,100,977.56	20 April 2017	17 October 2017	No
Chenming (HK) Limited	7,500,950.47	31 May 2017	17 October 2017	No
Chenming (HK) Limited	12,839,329.89	31 May 2017	17 October 2017	No
Chenming (HK) Limited	37,496,484.61	2 June 2017	17 October 2017	No
Chenming (HK) Limited	11,846,005.85	2 June 2017	17 October 2017	No
Chenming (HK) Limited	9,385,068.75	7 June 2017	17 October 2017	No
Chenming (HK) Limited	17,445,167.63	20 June 2017	18 October 2017	No
Chenming (HK) Limited	4,917,893.29	20 June 2017	18 October 2017	No
Chenming (HK) Limited	9,221,534.87	28 April 2017	25 October 2017	No
Chenming (HK) Limited	3,687,302.40	27 June 2017	25 October 2017	No
Chenming (HK) Limited	22,539,870.80	27 June 2017	25 October 2017	No
Chenming (HK) Limited	18,154,921.86	28 June 2017	26 October 2017	No
Chenming (HK) Limited	15,615,978.01	10 May 2017	6 November 2017	No
Chenming (HK) Limited	18,942,917.49	17 May 2017	13 November 2017	No
Chenming (HK) Limited	9,113,077.34	18 May 2017	14 November 2017	No
Chenming (HK) Limited	16,719,203.82	19 May 2017	15 November 2017	No
Chenming (HK) Limited	17,757,468.08	22 May 2017	20 November 2017	No
Chenming (HK) Limited	34,556,959.58	24 May 2017	20 November 2017	No
Chenming (HK) Limited	27,350,586.58	25 May 2017	21 November 2017	No
Chenming (HK) Limited	17,511,897.23	5 June 2017	4 December 2017	No
Chenming (HK) Limited	30,900,880.94	9 June 2017	6 December 2017	No
Chenming (HK) Limited	25,005,077.19	9 June 2017	6 December 2017	No
Chenming (HK) Limited	16,022,918.19	9 June 2017	6 December 2017	No
Chenming (HK) Limited	16,621,501.50	9 June 2017	6 December 2017	No
Chenming (HK) Limited	193,070,400.00	6 October 2016	30 August 2018	No
Chenming (HK) Limited	284,524,800.00	2 November 2016	10 September 2019	No
Chenming (HK) Limited	203,232,000.00	12 January 2017	12 July 2018	No
Chenming (HK) Limited	105,274,176.00	12 January 2017	12 July 2018	No
Chenming (HK) Limited	359,043,200.00	18 January 2017	8 April 2019	No
Jilin Chenming Paper Co., Ltd.	40,000,000.00	20 July 2016	11 July 2017	No

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

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Anhui Time Source Corporation	41,749,671.13	2,087,483.56	46,710,218.01	2,335,510.90
Accounts receivable	Jiangxi Jiangbao Media Colour Printing Co. Ltd.			693,760.56	69,376.06
Prepayments	Jiangxi Chenming Natural Gas Co., Ltd.	1,549,719.60		1,984,282.12	
Other receivables	Arjo Wiggins Chenming Specialty Paper Co., Ltd.	1,191,705.08	1,191,705.08	1,191,705.08	1,191,705.08
Other receivables	Wuhan Chenming Wan Xing Real Estate Co., Ltd.	1,251,282,621.32		1,284,982,919.14	
Other receivables	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	685,000.00	34,250.00	1,992,435.48	99,621.77
Other receivables	Weifang Sime Darby West Port Co., Ltd.	75,500,000.00			

XII. Undertaking and contingency

1. Significant commitments

Significant commitments as at the balance sheet date

(1) Capital commitment

Item	Closing balance	Opening balance
Contracted but not yet recognised in the financial statements		
Commitments in relation to acquisition and construction of long-term assets	3,641,093,560.29	5,798,429,688.37
Huirui BT Project	3,000,000,000.00	3,000,000,000.00
Total	6,641,093,560.29	8,798,429,688.37

(2) Operating lease commitments

As at the balance sheet date, the Company entered into irrevocable operating lease contracts with external companies as follows:

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	4,426,069.03	24,255,504.88
The second year after balance sheet date	4,821,581.97	15,163,089.04
The third year after balance sheet date	4,514,173.22	14,855,680.29
In the years thereafter	90,751,463.45	531,299,664.72
Total	104,513,287.67	585,573,938.93

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

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Closing balance		Bad debt provision		Carrying amount	Book balance		Opening balance		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Accounts receivable that are provided for bad debts on portfolio basis based on credit risk features	55,459,120.33	100.00%	635,254.94	1.15%	54,823,865.39	85,778,155.11	100.00%	1,688,243.30	1.97%	84,089,911.81
Total	55,459,120.33	100.00%	635,254.94	1.15%	54,823,865.39	85,778,155.11	100.00%	1,688,243.30	1.97%	84,089,911.81

Accounts receivable that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

Accounts receivable using ageing analysis for making bad debt provision in the portfolio:

Applicable Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance Provision for bad debts	Percentage
Within 1 year			
Subtotal for within 1 year	4,272,065.36	213,603.27	5.00%
1 to 2 years	1,922,682.16	192,268.22	10.00%
Over 3 years	229,383.45	229,383.45	100.00%
Total	6,424,130.97	635,254.94	9.89%

Explanation on the basis of recognition of the portfolio:

Accounts receivable using percentage of amount outstanding for making bad debt provision in the portfolio:

Applicable Not applicable

Accounts receivables using other methods for making bad debt provision in the portfolio:

(2) Bad debt provision made, recovered or reversed during the reporting period

The amount of bad debt provision made for the current period amounted to RMB442,839.91. The amount of bad debt provision recovered or reversed during the current period was RMB1,495,828.27.

(3) Top five accounts receivable based on closing balance by debtor

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the year was RMB54,257,023.17, which accounted for 63.26% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB271,834.44.

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

2. Other receivables

(1) Other receivables by category

Unit: RMB

Category	Closing balance		Carrying amount	Opening balance		Carrying amount
	Book balance Amount	Bad debt provision Percentage		Book balance Amount	Bad debt provision Percentage	
Other receivables that are individually significant and are provided for bad debts separately						
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	27,632,797,669.99	100.00%	27,570,416,090.05	62,381,579.94	0.23%	22,879,345,136.34
Other receivables that are individually insignificant and are provided for bad debts separately						
Total	27,632,797,669.99	100.00%	27,570,416,090.05	62,381,579.94	0.23%	22,896,975,625.71

Other receivables that are individually significant and are provided for bad debts separately as at the end of the period:

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Age	Closing balance		
	Other receivables	Bad debt provision	Provision percentage
Items under within 1 year			
Within 1 year	81,875,354.60	4,093,767.73	5.00%
1 to 2 years	7,771,472.04	777,147.20	10.00%
2 to 3 years	5,177,817.85	1,035,563.57	20.00%
Over 3 years	56,475,101.44	56,475,101.44	100.00%
Total	151,299,745.93	62,381,579.94	41.23%

Explanation on the basis of recognition of the portfolio:

Other receivables using percentage of balance for making bad debt provision in the portfolio:

Applicable Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

Applicable Not applicable

(2) Bad debt provision made, recovered or reversed during the reporting period

The amount of bad debt provision made for the current period amounted to RMB14,091,939.97. The amount of bad debt provision recovered or reversed during the current period was RMB0.00.

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

2. Other receivables (Cont'd)

(3) Top five other receivables based on closing balance by debtor

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of total closing balance of other receivables	Closing balance of bad debt provision
Shandong Chenming Financial Leasing Co., Ltd.	Open credit	17,416,894,093.47	Within 1 year	63.03%	
Shouguang Meilun Paper Co., Ltd.	Open credit	1,469,166,116.67	Within 1 year	5.32%	
Shandong Chenming Paper Sales Co., Ltd.	Open credit	1,050,843,244.89	Within 1 year	3.80%	
Jiangxi Chenming Paper Co., Ltd.	Open credit	1,646,628,324.19	Within 1 year	5.96%	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Open credit	889,132,565.06	Within 1 year	3.22%	
Total	—	22,472,664,344.28	—	81.33%	

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance Impairment provision	Book value	Book balance	Opening balance Impairment provision	Book value
Interest in subsidiaries	16,363,508,366.48		16,363,508,366.48	14,500,415,957.45		14,500,415,957.45
Interest in associates and joint ventures	163,761,080.74		163,761,080.74	57,681,701.04		57,681,701.04
Total	16,527,269,447.22		16,527,269,447.22	14,558,097,658.49		14,558,097,658.49

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

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

(1) Interest in subsidiaries

Unit: RMB

Investee Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43			157,810,117.43		
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	202,824,716.34			202,824,716.34		
Hailaer Chenming Paper Co., Ltd.	12,000,000.00			12,000,000.00		
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40			822,867,646.40		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Jilin Chenming Paper Co., Ltd.	1,501,350,000.00			1,501,350,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	3,000,000,000.00	2,000,000,000.00		5,000,000,000.00		
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80			113,616,063.80		
Huanggang Chenming Arboriculture Co., Ltd.	70,000,000.00			70,000,000.00		
Huanggang Chenming Pulp & Paper Co., Ltd.	1,200,000,000.00			1,200,000,000.00		
Shouguang Meilun Paper Co., Ltd.	4,646,349,570.28		196,907,590.97	4,449,441,979.31		
Shouguang Shun Da Customs Declaration Co., Ltd.	1,500,000.00			1,500,000.00		
Shandong Chenming Paper Sales Co., Ltd.	662,641,208.20			662,641,208.20		
Shouguang Chenming Import and Export Trade Co., Ltd.	100,000,000.00			100,000,000.00		
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00			2,000,000.00		
Shouguang Chenming Industrial Logistics Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Hongxin Packaging Co., Ltd.	1,000,000.00		1,000,000.00			
Haicheng Haiming Mining Co., Ltd.	144,000,000.00			144,000,000.00		
Chenming GmbH	4,083,235.00			4,083,235.00		
Shouguang Hongxiang Printing and Packaging Co., Ltd.	2,730,000.00	1,000,000.00		3,730,000.00		
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	1,000,000.00			1,000,000.00		
Shandong Chenming Group Finance Co., Ltd.	1,600,000,000.00			1,600,000,000.00		
Chenming Arboriculture Co., Ltd.	45,000,000.00			45,000,000.00		
Xuchang Chenming Paper Co., Ltd.		60,000,000.00		60,000,000.00		
Qingdao Chenming International Logistics Co., Ltd.	3,000,000.00			3,000,000.00		
Jinan Chenming Investment Management Co., Ltd.	100,000,000.00			100,000,000.00		
Chenming Paper Korea Co., Ltd.	6,143,400.00			6,143,400.00		
Total	14,500,415,957.45	2,061,000,000.00	197,907,590.97	16,363,508,366.48		

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

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

(2) Interest in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period				Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision	
I. Joint venture									
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	3,338,480.03			374,446.28					3,712,926.31
Weifang Chenming Sime Darby West Port Co., Ltd. (潍坊晨鸣森达美西港有限公司)		106,110,000.00		-343,346.21					105,766,653.79
Sub-total	3,338,480.03	106,110,000.00		31,100.07					109,479,580.10
II. Associates									
Arjo Wiggins Chenming Specialty Paper Co., Ltd.				-513,244.55					2,549,827.48
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	3,063,072.03								
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	51,280,148.98			451,524.18					51,731,673.16
Sub-total	54,343,221.01			-61,720.37					54,281,500.64
Total	57,681,701.04			-30,620.30					163,761,080.74

4. Revenue and operating costs

Unit: RMB

Item	Amounts during the period		Amounts during the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	3,098,374,716.53	2,056,980,676.10	2,964,265,435.57	2,355,738,024.24
Other activities	584,195,592.39	503,718,576.99	440,642,493.39	393,657,742.18
Total	3,682,570,308.92	2,560,699,253.09	3,404,907,928.96	2,749,395,766.42

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

5. Investment income

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method		200,000,000.00
Income from long-term equity investments accounted for using the equity method	-30,620.30	-40,098.33
Investment gain from available-for-sale financial assets held	56,208,200.00	
Interest income from entrusted loans	13,312,368.97	44,212,264.15
Total	69,489,948.67	244,172,165.82

XVI. Supplementary information

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

Applicable Not applicable

Item	Unit: RMB	
	Amount	Remark
Profit or loss from disposal of non-current assets	344,802.99	
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	139,985,255.40	
Gain or loss on external entrusted loans	13,312,368.97	
Non-operating gains and losses other than the above items	12,062,780.06	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-11,009,851.10	
Less: Effect of income tax	31,709,677.73	
Effect of minority interest	765,398.57	
Total	122,220,280.02	—

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

Applicable Not applicable

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XVI. Supplementary information (Cont'd)

2. Returns on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic earnings per share (RMB per share)	Diluted earnings per share (RMB per share)
Net profit attributable to ordinary shareholders of the Company	7.24%	0.75	0.75
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	6.71%	0.69	0.69

3. Difference 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 in the designated newspaper as approved by China Securities Regulatory Commission during the reporting period;
- IV. The interim report disclosed on the Stock Exchange of Hong Kong Limited;
- V. Other related information.

Shandong Chenming Paper Holdings Limited
15 August 2017