山 東 晨 鳴 紙 業 集 團 股 份 有 限 公 司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1812)

2009 Interim Report Summary and Results Announcement

§1 Important Notice

1.1 The members of the board (the "Board") of directors (the "Directors"), the supervisory committee (the "Supervisory Committee") and the Directors, supervisors (the "Supervisors") and senior management (the "Senior Management") of Shandong Chenming Paper Holdings Limited (the "Company", "us", and "we") hereby warrant that there are no false representations, misleading statements or material omissions contained in this 2009 interim report (the "Report"), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of this Report. This Report has been prepared in both Chinese and English. For any discrepancies, the Chinese version shall prevail. This interim report summary is extracted from the full text of the interim report, which is published at the same time on the website of CNINF (www.cninfo.com.cn) and the Company (www.chenmingpaper.com). Investor should read the full text of the interim report for details. The unaudited condensed consolidated financial statements for the six months ended 30 June 2009 prepared in accordance with International Financial Reporting Standards by the Group have been reviewed by Deloitte Touche Tohmatsu, the independent international auditors of the Company, in accordance with International Standard on Review Engagements ("ISRE") 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Federation of Accountants.

1.2 No Director, Supervisor or Senior Management is unable to warrant or object to the truthfulness, accuracy and completeness of the information contained in this interim report.

1.3 This interim report was considered and passed by the fifteen meeting of the fifth session of the Board of the Company with all Directors present.

1.4 The interim financial report for the six months ended 30 June 2009 of the Company and its subsidiaries (collectively referred to as the "Group") prepared in accordance with Accounting Standards of Business Enterprises and International Financial Reporting Standards are unaudited.

1.5 Mr. Chen Hongguo, the chairman of the Company, Mr. Wang Chunfang, the financial controller, and Ms. Guo Xingping, the head of the financial department, declare that they guarantee the truthfulness and completeness of the interim financial report for the six months ended 30 June 2009.

§2 Basic Information of the Listed Company

2.1 Overview of Basic Information

Stock abbreviation	晨鳴紙業、晨鳴B、Chenming Paper (H shares)
Stock code	000488, 200488, 1812
Stock exchange of listed shares	Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited
Registered address and office address of the Company	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China
International website of the Company	http://www.chenmingpaper.com

	Secretary to the Board	Company Secretary, Hong Kong	Securities Affairs Representatives
Name	Hao Yun	Poon Shiu Cheong	Fan Yingjie, Sun Wenke
Correspondence address	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China	22nd Floor, World Wide House, Central, Hong Kong	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China
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2.2 Major Financial Data and Indicators

2.2.1 Major financial data and indicators prepared in accordance with Accounting Standards for Business Enterprises

Unit: RMB

	End of current reporting period	End of period of last year	Increase/decrease as at end of reporting period compared with the end of period of last year (%)
Total assets	28,421,647,065.47	26,299,495,745.01	8.07%
Equity attributable to equity holders of the Company	12,313,453,707.34	12,259,078,901.99	0.44%
Share capital	2,062,045,941.00	2,062,045,941.00	0.00%
Net assets per share attributable to equity holders of the Company (RMB/share)	5.9715	5.9451	0.44%
	The current reporting period (January to June)	**The corresponding period of last year**	**Increase/decrease for the reporting period compared with the corresponding period of last year (%)**
Total revenue from operation	6,675,366,559.73	8,552,402,269.40	-21.95%
Operating profit	175,177,445.44	1,185,780,329.56	-85.23%
Total profit	238,239,642.93	1,346,655,781.17	-82.31%
Net profit attributable to equity holders of the Company	157,487,312.97	947,427,409.04	-83.38%
Net profits after extraordinary gains or losses attributable to the equity holders of the Company	112,230,568.55	823,334,761.83	-86.37%
Basic earnings per share (RMB/share)	0.076	0.55	-86.18%
Diluted earnings per share (RMB/share)	N/A	N/A	N/A
Return on net assets (%)	1.28%	7.81%	decreased by 6.53 percentage points
Net cash flows from operating activities	-526,101,807.48	1,710,555,311.30	-130.76%
Net cash flows per share from operating activities (RMB/share)	-0.26	0.83	-131.33%

2.2.2 Extraordinary gains or losses items (prepared in accordance with Accounting Standards for Business Enterprises)

√ Applicable ☐ Not Applicable

Unit: RMB

Extraordinary gains or losses items	**Amount**
Net gains or losses from disposal of non-current assets	5,792,246.75
Government grants included in the gains or losses for the current period, except government grants closely related to the normal business operations of the Company that are provided under the PRC policies at a standardised fixed amount or on a fixed continuing basis	35,376,577.00
Net gains or losses attributable to debt restructuring	248,447.14
Gains arising from investment costs for acquisition of subsidiaries, associated companies, joint ventures by the corporation being less than its share of fair value of identifiable net assets of the invested entity on acquisition	3,026,165.27
Gains and losses generated from change in fair value of held for trading financial assets and held for trading financial liabilities, as well as investment gains on disposal of held for trading financial assets, held for trading financial liabilities and available-for-sale financial assets, other than effective hedging activities associated with normal business operations of the Company	6,993,100.00
Non-operating net gains and losses other than the above	11,021,766.95
Effect of income tax	-10,888,548.11
Effect of minority interests	-6,313,010.58
Total	45,256,744.42

2.2.3 Major Financial Data and Indicators Prepared in Accordance with International Financial Accounting Standards

Unit: RMB'000

Items	End of the current reporting period	End of period of last year	Increase / decrease as at end of reporting period compared with the end of period of last year (%)
Total assets	28,332,089	26,207,330	8.11%
Equity attributable to equity holders of the Company	11,980,066	11,912,192	0.57%
Net assets per share (RMB)	5.81	5.78	0.52%

	The current reporting period (January to June)	The corresponding period of last year	Increase/decrease for the reporting period compared with corresponding period of last year (%)
Total profit before tax	255,971	1,363,481	-81.23%
Profit attributable to owners of the Company	170,987	960,060	-82.19%
Basic earnings per share (RMB)	0.08	0.55	-85.45%
Diluted earnings per share (RMB)	N/A	N/A	N/A
Return on net assets	1.43%	8.15%	decreased by 6.72 percentage points
Net cash flows from operating activities	-526,102	1,710,556	-130.76%
Net cash flows per share from operating activities (RMB)	-0.26	0.83	-131.33%

2.2.4 Reconciliations of Accounts Prepared in Accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards

√ Applicable ☐ Not Applicable

Unit: RMB'000

	Net profit attributable to equity holders of the Company		Equity attributable to equity holders of the Company	
	Current period	**Previous period**	**Closing balance**	**Opening balance**
Under International Financial Reporting Standards	170,986,368.21	960,060,049.02	11,980,065,663.47	11,912,191,802.89
Under accounting standards for business enterprises	157,487,312.97	947,427,409.04	12,313,453,707.34	12,259,078,901.99
Items and total adjustments under International Financial Reporting Standards:				
Special fund for treasury bonds and special payables received	12,015,597.23	11,890,910.98	315,013,985.05	327,029,582.27
Exchange gains or losses on special borrowings	1,483,458.01	741,729.00	18,374,058.82	19,857,516.83
Total difference between domestic and overseas accounting standards	13,499,055.24	12,632,639.98	333,388,043.87	346,887,099.10

Explanation on differences: In the years prior to 2006, the Group accounted for special fund for treasury bond received in connection with construction of fixed assets and special accounts payable into capital reserves under the Accounting Standards for Business Enterprises. However, the Group accounted for such special fund for treasury bond received and special accounts payable into deferred gains under International Financial Reporting Standard, and such deferred gains were amortized in installments over the useful lives of the fixed assets.

§3 Changes in Share Capital and Shareholders

3.1 Change in shares

√ Applicable ☐ Not Applicable

Unit: shares

	Opening balance		Increase/decrease (+/-) resulting from changes in the reporting period			Closing balance	
	Number of shares	Percentage	Increase in lock-up shares	Release of restricted Shares	Sub-total	Number of shares	Percentage
I. Restricted shares	303,987,126	14.74%	335,192	-186,820	148,372	304,135,498	14.75%
1. State-owned legal person shares	293,003,657	14.21%	—	—	—	293,003,657	14.21%
2. Shares held by Senior Management	10,983,469	0.53%	335,192	-186,820	148,372	11,131,841	0.54%
II. Non-restricted shares	1,758,058,815	85.26%	-335,192	186,820	-148,372	1,757,910,443	85.25%
1. Renminbi ordinary shares	809,291,330	39.25%	-335,192	186,820	-148,372	809,142,958	39.24%
2. Domestic listed foreign shares	557,497,485	27.04%	—	—	—	557,497,485	27.04%
3. Overseas listed foreign shares	391,270,000	18.97%	—	—	—	391,270,000	18.97%
III. Total number of shares	2,062,045,941	100.00%	—	—	—	2,062,045,941	100.00%

Note: During the reporting period, the restricted shares held by Senior Management changed by 148,372 shares from 10,983,469 shares to 11,131,841 shares. The reasons for such change were as follows:

(1) According to "the Practice Guidance for the Company's shares held by the directors, supervisors and senior management of the listed companies of Shenzhen Stock Exchange" (《深圳證券交易上市公司董事、監事和高級管理人員所持本公司股份管理業務操作指南》), the shares held by the existing Directors, Supervisors and Senior Management would be released from lock-up based on 25% of the shares held at the beginning of each year. For the 1,726 shares held by Senior Management, the nature of the shareholdings would be changed from "restricted shares held by Senior Management" to "non-restricted RMB ordinary shares (A share)".

(2) During the reporting period, the half year lock-up period for the resigned Senior Management of the Company had expired. The nature of shareholding of the 185,094 shares held by Senior Management was changed from "restricted shares held by Senior Management" to "non-restricted RMB ordinary shares (A share)". The half year lock-up period for shares held by two resigned Directors had not yet expired, the shares held by them remained restricted, as a result, "restricted shares held by Senior Management" increased by 195,917 shares compared with the beginning of the year; for the 139,275 shares held by the newly appointed Directors of the Company, the nature of the shareholding had changed from "non-restricted RMB ordinary shares (A share)" to "restricted shares held by Senior Management" .

3.2 The top ten shareholders and the top ten shareholders of non-restricted shares

Unit: shares

Total number of shareholders	The total number of shareholders was 151,287, of which 117,663 were holders of A shares, 32,852 were holders of B shares and 772 were holders of H shares.				
Shareholdings of the top ten shareholders					
Name of shareholders	Type of shareholder	Percentage of shareholding	Total number of shares held (shares)	Number of restricted shares held (shares)	Number of shares pledged or locked-up
HKSCC Nominees Limited	Overseas non-state-owned legal person (foreign shareholder)	18.90%	389,807,000	0	unknown
Shouguang Chenming Holdings Company Limited	State-owned legal person	14.21%	293,003,657	293,003,657	0
KEYWISE GREATER CHINA OPPORTUNITIES MASTER FUND	Overseas legal person	1.15%	23,727,609	0	unknown
China Construction Bank －鵬華價值優勢股票型證券投資基金	Domestic non-state-owned legal person	1.07%	22,031,583	0	unknown
Industrial and Commercial Bank of China －諾安股票證券股資基金	Domestic non-state-owned legal person	1.06%	21,765,106	0	unknown
China Construction Bank －工銀瑞信精選平衡混合型證券投資基金	Domestic non-state-owned legal person	0.98%	20,294,918	0	unknown
Agricultural Bank of China －富蘭克林國海彈性市值股票型證券投資基金	Domestic non-state-owned legal person	0.98%	20,151,844	0	unknown
China Construction Bank －華寶興業行業精選股票型證券投資基金	Domestic non-state-owned legal person	0.89%	18,452,709	0	unknown
PLATINUM ASIA FUND	Overseas legal person	0.79%	16,234,459	0	unknown
China Pacific Insurance Company Limited - Bonus - Individual Bonus	Domestic legal person	0.77%	15,828,994	0	unknown

Shareholding of the top ten shareholders of non-restricted shares		
Number of shareholders	**Name of non-restricted (shares)**	**Classes shares held of shares**
HKSCC Nominees Limited	389,807,000	H Shares
KEYWISE GREATER CHINA OPPORTUNITIES MASTER FUND	23,727,609	B Shares
China Construction Bank －鵬華價值優勢股票型證券投資基金	22,031,583	A Shares
Industrial and Commercial Bank of China －諾安股票證券投資基金	21,765,106	A Shares
China Construction Bank －工銀瑞信精選平衡混合型證券投資基金	20,294,918	A Shares
Agricultural Bank of China －富蘭克林國海彈性市值股票型證券投資基金	20,151,844	A Shares
China Construction Bank －華寶興業行業精選股票型證券投資基金	18,452,709	A Shares
PLATINUM ASIA FUND	16,234,459	B Shares
China Pacific Insurance Company Limited - Bonus - Individual Bonus	15,828,994	A Shares
KEYWISE GREATER CHINA MASTER FUND	15,666,099	B Shares
Connected relationship or concert-party relationship among the above shareholders	Among the top ten shareholders of the Company, Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected with any of the other shareholders. Nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Changes in Shareholdings of Listed Companies (《上市公司持股變動信息披露管理辦法》) KEYWISE GREATER CHINA MASTER FUND and KEYWISE GREATER CHINA OPPORTUNITIES MASTER FUND are both under KEYWISE Capital. Save for the above, the Company is not aware of any other shareholders of outstanding shares as aforesaid are connected with other or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of Changes in Shareholdings of Listed Companies (《上市公司持股變動信息披露管理辦法》).	

3.3 Change of controlling shareholders and beneficial controllers

□ Applicable √ Not Applicable

§4 Directors, Supervisors and Senior Management

4.1 Changes in shareholdings of the Directors, Supervisors and senior management

□ Applicable √ Not Applicable

§5 Directors' Report

5.1 Principal operations by industry and product (prepared in accordance with Accounting Standards for Business Enterprises)

Unit: RMB in ten thousands

Principal operations by industry						
By industry or by product	Revenue from operations	Cost of sales	Gross profit margins (%)	Increase/ decrease in revenue from operations compared with the corresponding period of last year (%)	Increase/ decrease in cost of sales compared with the corresponding period of last year (%)	Increase/ decrease in gross profit margins compared with the corresponding period of last year (%)
Sales of paper products	637,336.60	541,432.00	15.05%	-20.48%	-12.78%	-7.50%
Sales of electricity and steam	10,874.00	7,424.30	31.72%	-13.66%	-32.62%	19.21%
Sales of construction materials	14,353.00	11,734.20	18.25%	-54.55%	-57.11%	4.87%
Sales of chemicals products	370.90	185.80	49.91%	-92.66%	-90.91%	-9.64%
Others	4,602.20	2,149.20	53.30%	1.05%	-39.53%	31.33%
Total	667,536.70	562,925.50	15.67%	-21.95%	-15.31%	-6.61%
Principal activities by product						
Light weight coated paper	79,156.20	68,050.70	14.03%	-14.20%	-8.08%	-5.72%
Duplex press paper	96,072.10	80,172.50	16.55%	-20.41%	-12.51%	-7.54%
Writing paper	17,010.00	14,657.50	13.83%	-15.26%	-5.82%	-8.64%
Copperplate paper	130,256.40	109,745.00	15.75%	-14.37%	0.81%	-12.69%
News press paper	88,205.90	74,606.20	15.42%	-20.62%	-16.51%	-4.16%
Paperboard	25,961.60	22,851.70	11.98%	-46.01%	-46.86%	1.40%
White paper board	91,209.50	80,264.20	12.00%	-26.57%	-11.53%	-14.97%

Among which: Connected transactions in relation to sale of products and rendering of services from the Company to controlling shareholders and its subsidiaries amounted to RMB0 during the reporting period.

5.2 Principal operations by geographical segment (prepared in accordance with Accounting Standards for Business Enterprises)

Unit: RMB in ten thousands

Geographical segment	Revenue from operations	Increase/decrease in revenue from operations compared with last year (%)
PRC	595,096.20	-21.82%
United States	5,384.10	146.09%
Hong Kong	7,128.20	-57.22%
Japan	18,310.80	182.16%
South Africa	3,869.90	-74.49%
Other overseas areas	37,747.50	-29.51%
Total	667,536.70	-21.95%

5.3 Explanation on substantial changes of principal operations and their structure

□ Applicable √ Not Applicable

5.4 Explanation on substantial changes in profitability (gross profit margin) compared with last year

√ Applicable □ Not Applicable

Affected by the global financial crisis, during the reporting period, especially in the first quarter, demand for paper products shrank and a significant drop in price of various paper products of the Company both led to decrease in gross profit margin of the paper products of the Company during the reporting period, on the basis of period-on-period comparison.

5.5 Explanation on substantial changes in composition of profit compared with last year

□ Applicable √ Not Applicable

5.6 The discussion and analysis under International Financial Reporting Standards

Revenue from operations

Unit: RMB'000

By industry or by product	For the six months ended 30 June 2009 Revenue from principal operations	As a percentage of revenue from operations (%)	For the six months ended 30 June 2008 Revenue from principal operations	As a percentage of revenue from operations (%)
Paper products	6,366,257	95.84	8,007,817	93.98
Construction materials	143,530	2.16	315,811	3.71
Chemicals products	3,709	0.06	50,535	0.59
Electricity and steam	108,740	1.64	125,938	1.48
Others	20,655	0.30	20,341	0.24
Total	6,642,891	100	8,520,442	100

Unit: RMB'000

Geographical segment	For the six months ended 30 June 2009 Revenue from operations	As a percentage of revenue from operations (%)	For the six months ended 30 June 2008 Revenue from operations	As a percentage of revenue from operations (%)
PRC	5,918,486	89.10	7,579,847	88.96
United States	53,841	0.81	21,879	0.26
Hong Kong	71,282	1.07	166,607	1.96
Japan	183,108	2.76	64,895	0.76
South Africa	38,699	0.58	151,719	1.78
Other overseas areas	377,475	5.68	535,495	6.28
Total	6,642,891	100	8,520,442	100

Revenue from operations amounted to RMB6,643 million during the reporting period, decreased by 22.03% compared with RMB 8,520 million during the corresponding period of last year.

Revenue from paper products operations amounted to RMB6,366 million, decreased by 20.5% over the corresponding period of last year, mainly due to lower sales price compared with the same period of last year as affected by the financial crisis.

Revenue from electricity and steam operations amounted to RMB109 million, decreased by 13.66% over the corresponding period of last year, mainly due to addition of art paper project in the second half of 2008 which expanded our size of operation and increased internal usage of electricity and steam, causing a decrease in revenue from external sales of electricity and steam.

Revenue from construction materials operations amounted to RMB144 million, decreased by 54.55% over the corresponding period of last year, mainly due to the sales plunge of the fiberboard for market conditions reasons in current period when compared with the corresponding period of last year.

Revenue from chemicals products operations amounted to RMB3.7 million, decreased by 92.66% over the corresponding period of last year, mainly due to the Company did not carry out production of chemical products for papermaking during the period as impacted by the financial crisis, resulting in lower revenue.

Cost of sales and gross profit

Cost of sales as a percentage of revenue from operations

Unit: RMB'000

	For the six months ended 30 June 2009		For the six months ended 30 June 2008	
By industry or by product	**Cost of sales**	**As a percentage of product segment revenue (%)**	**Cost of sales**	**As a percentage of product segment revenue (%)**
Paper products	5,396,915	84.77%	6,190,828	77.31%
Construction materials	117,342	81.75%	273,559	86.62%
Chemicals products	1,858	50.09%	20,439	40.45%
Electricity and steam	74,243	68.28%	110,185	87.49%
Others	6,541	31.67%	12,727	62.57%
Total	5,596,899	84.25%	6,607,738	77.55%

Gross Profit and Gross Profit Margin

Unit: RMB'000

By industry or by product	For the six months ended 30 June 2009 Gross profit	Gross profit margin (%)	For the six months ended 30 June 2008 Gross profit	Gross profit margin (%)
Paper products	969,342	15.23	1,816,989	22.69
Electricity and steam	34,497	31.72	15,753	12.51
Construction materials	26,188	18.25	42,252	13.38
Chemicals products	1,851	49.91	30,096	59.55
Others	14,114	68.33	7,614	37.43
Total	1,045,992	15.75	1,912,704	22.45

Cost of sales of the Group in the first half year of 2009 was RMB5,597 million, decreased by 15.30% as compared with the same period of last year. Gross profit dropped by 45.31% compared with the same period of last year to RMB1,046 million, principally because lower price of raw materials during the reporting period resulted in decreased cost of sales as compared with the corresponding period of last year. The Group recorded lower gross profit margin, mainly due to a substantial decrease in sales price during the reporting period, as compared with the same period of last year, as a result of the repercussions of the financial crisis.

Cost of sales of machine-made paper was RMB5,397 million, decreased by 12.82% over the same period of last year, mainly because the financial crisis led to lower price of raw materials as compared with the same period of last year, which resulted in reduced cost of sales.

Cost of sales of electricity and steam amounted to RMB74 million, decreased by 32.62% over the same period of last year, mainly because: the Company's addition of art paper project in the second half of 2008 expanded our size of operation and increased internal usage of electricity and steam, causing a decrease in revenue from external sales of electricity and steam.

Cost of sales of the construction materials amounted to RMB117 million, decreased by 57.11% over the same period of last year, mainly because the decrease in sales volume of products such as fiberboard during the period under the influence of market conditions and the corresponding drop in costs of sales.

Cost of sales of the chemical products was RMB1.9 million, decreased by 90.91% over the same period of last year, mainly because of lower sales volume, since the Company readjusted its product structure in view of the financial crisis and no chemical products were produced during the reporting period.

Other gains

Other gains amounted to RMB101 million in the first half year of 2009, decreased by 70.17% as compared with the same period of last year, mainly attributable to: (1) exchange gains for the period reduced by RMB165 million compared with the same period of last year, as affected by the fluctuation of exchange rate in Renminbi; and (2) government grants received during the period reduced by RMB86 million compared with the same period of last year.

Selling expenses

Selling expenses of the Group amounted to RMB340 million in the first half year of 2009, decreased by 15.63% as compared with the corresponding period of last year, mainly attributable to lower transportation costs as compared with the same period of last year, as oil prices had dropped.

Administrative expenses

Administrative expenses of the Group was RMB270 million in the first half year of 2009, recording an increase of 11.91% over the corresponding period of last year, mainly due to increase in provision for bad debts during the period.

Other expenses

Other expenses of the Group during the first half year of 2009 was RMB82 million, mainly due to loss from production interruption of certain production lines because of the impact of the financial crisis.

Gain on change in fair value of derivative financial instruments

Gain on change in fair value of derivative financial instruments of the Group was RMB6.99 million in the first half year of 2009, representing an increase of RMB5.76 million over the same period of last year, mainly because the Company and its subsidiary, Chenming (HK) Limited, entered into future pooling foreign exchange contracts denominated in USD with China Construction Bank Shouguang sub-branch and China Construction Bank Hong Kong branch for investment purpose during the reporting period. The gain on change in fair value of this financial asset amounted to RMB6.99 million.

Gain on change in fair value less estimated point-of-sale cost of biological assets

Gain on change in fair value less estimated point-of-sale cost of biological assets of the Group was RMB1.99 million in the first half year of 2009, mainly because the fair value changes of forestry assets of the Group.

Finance costs

Finance costs of the Group was RMB 195 million in the first half year of 2009, decreased by 20.07% over the same period of last year, mainly because interest rate dropped as compared with the same period of last year as affected by the policy of the government.

Income tax expense

Income tax expense was RMB50 million in the first half year of 2009, decreased by 80.48% compared with the same period of last year, mainly because of the effect of various factors such as lower sales price led to substantially low profit as compared with the same period of last year, therefore income tax decreased accordingly.

Profit attributable to non–controlling equity interests

Profit attributable to non–controlling equity interests was RMB33 million in the first half year of 2009, decreased by 75.91% compared with the same period of last year. This was mainly because the realized net profit for the period was significantly low than that of the same period of last year under the impact of the financial crisis, which in turn resulted in lower profit attributable to non–controlling equity interests.

Net profit and profit margin

Net profit was RMB171 million in the first half year of 2009 (excluding profit attributable to non–controlling equity interests), representing a drop of 82.19% over the same period of last year; net profit margin was 2.57% (excluding profit attributable to non–controlling equity interests), representing a drop of 8.7% compared with 11.27% in the corresponding period of last year. This was due lower sales price as a result of the repercussion of the financial crisis.

Liquidity

In the first half year of 2009, the cash flows from operating activities, the cash flows from investment activities and the cash flows from financing activities of the Group were –RMB526 million, -RMB1,692 million and RMB2,019 million respectively, representing increases of -130.76%, - 177.03% and 5.84% over the same period of last year. Among which:

(1) The decrease in the cash flows from operating activities was mainly due to:

(i) sales prices dropped as compared with the same period of last year under the impact of the financial crisis, which led to reduced revenue; and

(ii) lower financial grants received during the period as compared with the corresponding period of last year.

(2) The decrease in the cash flows from investment activities was mainly due to: substantial increase in restricted bank deposits (such as deposits for letter of credit and promissory notes) during the period.

(3) The increase in the cash flows from financing activities was mainly due increase in borrowings (mainly unmatured discounted notes) during the period.

Whether there is significant seasonal effect on the capital requirements of the Company

In the first half year of 2009, there was no significant seasonal effect on the capital requirements of the Company.

Principal sources of funding

In the first half year of 2009, the principal sources of funding of the Group mainly derived from the revenue from production operations and bank loans.

Bank borrowings and interest rate of borrowings of the Company during the reporting period

As at 30 June 2009, the Group's bank borrowings increased by RMB6,483 million, repayment of loans amounted to RMB3,547 million. Such borrowings bore interest rates ranging from 1.29% to 7.83%.

Gearing ratio of the Company

As at 30 June 2009, the gearing ratio of the Group was 38%, increased by 5.5% compared with the ratio of 32.5% in 2008, mainly due to the increase of borrowings (unmatured discounted notes) of the Company during the period.

The Group calculates its gearing ratio using the following formula: total borrowings / total assets (total borrowings refer to borrowings due within one year, borrowings due after one year and short-term debentures).

Secured assets of the Company at the end of the reporting period

As at 30 June 2009, the secured assets of the Group included: International Finance Corporation ("IFC"), Deutsche Bank AG ("DEG") and China Construction Bank Nanchang Changbei Branch entered into an loan agreement with Jiangxi Chenming Paper Co., Ltd, a subsidiary of the Company, pursuant to which, secured loans of USD 40,000,000.00, USD 9,411,765.00 and USD17,500,000.00 were provided to Jiangxi Chenming Paper Co., Ltd respectively. The collateral was the fixed assets and land use rights of Jiangxi Chenming Paper Co., Ltd. As at 30 June 2009, repayment in the amount of USD17,196,078.00 was paid for the above borrowing. As at 30 June 2009, the net book value of the collateral with regard to fixed assets was RMB1,113,812,474.50 and that with regard to the land use rights (intangible assets) was RMB73,852,307.78.

Contingent liabilities of the Company

As at 30 June 2009, there were no contingent liabilities of the Group.

The financial risk management is the responsibility of the Group's treasury finction at our head office. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuations in interest rates and foreign currency exchange rates.

Risk of fluctuations in foreign exchange rate and any relevant hedging

As at 30 June 2009, the exchange gains of the Company was RMB250,000, mainly due to: the exchange gain on foreign currency borrowings and accounts payable due to changes in exchange rate of RMB.

The business operations of the Group were conducted mainly in the PRC with revenues and expenses denominated in RMB. Some of the Group's cash and bank deposits, including proceeds from global offering, were denominated in Hong Kong dollars, US dollars, Euro or RMB. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact to the Group.

During the period under review of the six months period ended 30 June 2009, the Group had not used derivative financial instruments for hedging purposes. However, the Group will continue to monitor the exposure of proceeds from global offering to foreign exchange fluctuations.

Focus of work for the second half of 2009

In relation to the second half of 2009, the Company will be committed to achieving the goals as set in the beginning of the year. With a view to improving economic efficiency, the Company will continue to focus on brand building, enhance independent innovation, energy saving, emission reduction, and carry out the construction of new projects, mainly in terms of the following aspects:

(1) To emphasise on the sales work, strengthen corporate brand building to gain market share in the PRC and overseas markets;

(2) To enhance independent innovation, promote application of new technologies and skills and actively develop new products;

(3) To set energy saving and environmental protection as the targets in the corporate development strategies of the Company, enhance energy saving and emission reduction in order to strengthen its sustainable development capability;

(4) To implement the preparation works for the commencement of operation of high-end low weight coated paper and international logistic centre, etc.;

(5) To accelerate the progression of forestry-pulp-paper integration projects, with respect to which the construction of Zhanjiang Pulp Project will be commenced orderly as planned, while our forestry companies in regions including Guangdong and Hubei will begin forestation on a major scale in acquired forest lands;

(6) To standardise corporate management and improve corporate governance structure so as to fully enhance the operating quality.

5.7 Use of financing proceeds

5.7.1 Use of proceeds

√ Applicable ☐ Not Applicable

The Company issued 355.7 million H shares on 18 June 2008 with the issue price of HK$ 9. The total proceeds from the issue were translated into RMB 2,831 million. The net proceeds less the expenses of RMB 103 million were RMB 2,728 million. As of the end of the reporting period, the proceeds of RMB 970 million were utilised as working capital and the remaining proceeds were deposited at special deposit bank accounts. The status of the projects relating to the proceeds during the reporting period is as follows:

Unit: RMB in ten thousands

Total proceeds	272,825		Use of total proceeds during the reporting period		22,648	
			Accumulated use of total proceeds		97,213	
Project undertaken	**Proposed investment**	**Project changes**	**Actual investment**	**Benefits realised**	**Whether progressing as scheduled**	**Whether progressing with estimated benefits**
Zhanjiang 700,000-tonne per annum pulp project	248,271	No	72,703	—	—	not yet in production
Supplement to working capital	24,554	No	24,510	—	—	—
Total	272,825	—	97,213	—	—	—
Explanation on failure to progress as scheduled and realise benefits (by specific projects)	Nil					
Explanation on reason of change and change procedure (by specific projects)	Nil					
Use of unused proceeds and their status	The unused remaining proceeds were deposited at special deposit bank accounts.					

5.7.2 Project changes

☐ Applicable √ Not Applicable

5.8 Modifications to operation plan in the second half year by the Board of Directors

□ Applicable √ Not Applicable

5.9 Warnings on forecast of loss or significant changes in accumulated net profit compared with the corresponding period of last year for the period from the beginning of the year to the end of the next reporting period, with explanations

√ Applicable □ Not Applicable

Under the repercussion of the global financial crisis, the Company recorded lower average product price in the first three quarters of 2009 as compared with the same period of last year, which led to lower gross profit margin of the paper products of the Company. It is expected that the Company's accumulated net profit will decrease by 60%-80% in January-September 2009 as compared with the corresponding period of last year.

5.10 Explanation by the Board on the "non-standard auditing report" issued by the accounting firm

□ Applicable √ Not Applicable

5.11 Explanation by the Board of the Company on changes in matters referred to in the "non-standard auditing report" issued by the accounting firm in the last year, and explanation on how the matter was dealt with

□ Applicable √ Not Applicable

§6 Material Matters

6.1 Assets acquisition and disposal, assets restructuring

6.1.1 Assets acquisition

□ Applicable √ Not Applicable

6.1.2 Assets disposal

□ Applicable √ Not Applicable

6.1.3 Progress of such matters subsequent to the report of assets restructuring or publication of assets disposal announcement, and their effects on operation results and financial conditions during the reporting period

□ Applicable √ Not Applicable

6.2 Guarantees

√ Applicable □ Not Applicable

Unit: RMB in ten thousands

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)	
Total guarantee provided during the reporting period	0.00
Total balance of guarantee provided at the end of the reporting period (A)	0.00
Guarantees provided by the Company for subsidiaries	
Total guarantee provided for subsidiaries during the reporting period	-33,384.65
Total balance of guarantee provided for subsidiaries at the end of the reporting period (B)	45,024.79
Total amount of guarantee provided by the Company (including guarantees provided for subsidiaries)	
Total amount of guarantee provided (A+B)	45,024.79
Total amount of guarantee provided as a percentage of the net assets of the Company	3.66%
Of which:	
Amount of guarantee provided for shareholders, beneficial controllers and its related parties (C)	0.00
Amount of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (D)	5,000.00
Total amount of guarantee provided in excess of 50% of net assets (E)	0.00
Sum of the above three amount of guarantee (C+D+E)	5,000.00

Explanation on possible joint obligation on outstanding guarantees provided	During the reporting period, the Company had neither external guarantees nor illegal guarantees.

6.3 Non-operating connected debts

□ Applicable √ Not Applicable

6.4 Material litigation and arbitration

□ Applicable √ Not Applicable

6.5 Other material matters and analysis and explanation on their effects and solutions

√ Applicable □ Not Applicable

During the reporting period, except for provision of entrusted loans to subsidiaries of the Company (for details, please refer to Note 7 in the financial statements and notes prepared in accordance with Accounting Standards for Business Enterprises), the Company did not appoint any person to manage the Company's funds during the reporting period or in the preceding reporting period which had been carried over to this reporting period. Also, there was no significant custody, subcontracting or lease of the assets between the Company and other companies during the reporting period or in the preceding reporting period which had been carried over to this reporting period.

6.5.1 Securities investment

□ Applicable √ Not Applicable

6.5.2 Shareholding in other listed companies

□ Applicable √ Not Applicable

6.5.3 Utilisation of funds during the first half year of 2009 and the repayment thereof

□ Applicable √ Not Applicable

Independent opinion from Independent Directors of the Company concerning utilisation of funds by related parties and external guarantees.

> After inspection, there existed no utilisation of funds of the Company by controlling shareholders and other related parties during the reporting period, except for connected transactions with subordinate controlling subsidiaries and participating companies (for details, please refer to Note 8 in the financial statements and notes prepared in accordance with Accounting Standards for Business Enterprises). The connected transactions are comparably true and accurate to represent the routine connected transactions of the Company, which complied with the principle of fair and reasonable, and related requirements of the Company Law and the Articles of Associations. The prices of the transactions are true and fair and do not impair the interests of the Company and other shareholders, especially the interest of medium and minority shareholders, and non-associated shareholders.
>
> After inspection, the external guarantees of the Company during the current period in the first half year of 2009 and accumulated amount are both nil, except for the guarantees provided to subsidiaries during the reporting period (for details, please refer to Note 8 in the financial statements and notes prepared in accordance with Accounting Standards for Business Enterprises). The Company strictly complied with the related requirements of "Notice on Regulating External Guarantees made by Listed Companies" (Zheng Jian Fa [2005] No. 120) And the Articles of Associations, the Company has been in strict compliance with the obligation of disclose of the information about external guarantees, and truly provide the information of all the external guarantees to the qualified accountant according to the rule. During the reporting period, the guarantees provided to subsidiaries by the Company conform to the requirements of the routine production and operation and reasonable utilisation of the funds of the Company, its decision making procedure is legitimate, and do not impair of the interests of the Company and other shareholders, especially the interest of medium and minority shareholders.

6.5.4 Performance of undertakings by the Company, shareholders, Directors, Supervisors and senior management

√ Applicable □ Not Applicable

Undertaking matters	Details of undertakings	Performance
Undertakings during reform of conversion	Undertaken that shares held will not be listed for trading within 48 months following the implementation of the reform of conversion.	Strictly adherence to performance of undertakings

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

Date of reception	Place of reception	Manner of reception	Parties accommodated	Main topics of discussion and information provided
2009.1.7	Shouguang, Shandong	On-site research investigation	China International Capital Corporation Limited, Orktree Capital Management	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.2.3	Shouguang, Shandong	On-site research investigation	Galaxy Securities, Bosera Funds	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.2.5	Shouguang, Shandong	On-site research investigation	Galaxy Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.2.8	Shouguang, Shandong	On-site research investigation	Sinolink Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.2.11	Shouguang, Shandong	On-site research investigation	20 institutions, including Sinolink Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.2.12	Shouguang, Shandong	On-site research investigation	Guotai Junan	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development

Date of reception	Place of reception	Manner of reception	Parties accommodated	Main topics of discussion and information provided
2009.2.25	Shouguang, Shandong	On-site research investigation	Joint research investigation personnel from CITIC Securities, specialised in paper-making industry	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.2.27	Shouguang, Shandong	On-site research investigation	Everbright Securities, Donghai Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.3.10	Shouguang, Shandong	On-site research investigation	Gartmore Investment Management	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.3.22	Shouguang, Shandong	On-site research investigation	Shareholders of Zibo Fund	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.3.25	Shouguang, Shandong	On-site research investigation	Haitong Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.4.15	Shouguang, Shandong	On-site research investigation	Guosen Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.4.18	Shouguang, Shandong	On-site research investigation	GF Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.4.29	Shouguang, Shandong	On-site research investigation	ChinaAMC	Matters including recent development of the industry and development trend in the future, production and operation of the strategic development
2009.5.12	Shouguang, Shandong	On-site research investigation	China International Capital Corporation Limited	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.5.13	Shouguang, Shandong	On-site research investigation	Goldman Sachs Group, Beijing Gao Hua Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.6.10	Shouguang, Shandong	On-site research investigation	Industrial Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development
2009.6.11	Shouguang, Shandong	On-site research investigation	Orient Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well as strategic development

§7 Financial Reporting

7.1 Auditors' opinions

Financial report	√ Unaudited ☐ Audited

7.2 Financial statements prepared in accordance with Accounting Standards for Business Enterprises

7.2.1 Balance sheet

Prepared by: Shandong Chenming Paper Holdings Limited 30 June 2009
Unit: RMB

	Closing balance		Opening balance	
Items	Consolidated	Parent Company	Consolidated	Parent Company
CURRENT ASSETS:				
Monetary assets	3,992,960,347.64	3,496,695,742.65	2,853,418,128.07	2,142,439,739.51
Settlement reserves	—	—	—	—
Lendings to banks	—	—	—	—
Marketable financial assets	12,200,000.00	—	—	—
Bills receivable	2,221,866,092.84	1,464,935,031.34	974,009,788.24	465,681,067.32
Accounts receivable	1,991,014,261.79	2,462,162,273.54	1,752,409,349.17	1,937,280,312.86
Advance to suppliers	657,794,360.86	542,073,876.86	462,526,338.87	438,759,362.48
Premiums receivable	—	—	—	—
Reinsurance accounts receivable	—	—	—	—
Reinsurance reserve receivable	—	—	—	—
Interest receivable	—	—	—	—
Dividend receivable	—	139,874,997.10	—	164,874,997.10
Other receivables	127,041,041.43	1,319,954,783.46	135,889,612.93	936,468,514.72
Financial assets purchased under repurchase agreements	—	—	—	—
Entrusted loans due within one year	—	896,100,000.00	—	982,000,000.00
Inventories	2,980,266,373.67	1,285,339,988.47	3,397,792,930.38	1,682,657,074.51
Non-current assets due within one year	—	—	—	—
Other current assets	127,832,652.63	55,810,289.41	151,993,045.95	52,747,204.98
TOTAL CURRENT ASSETS	12,110,975,130.86	11,662,946,982.83	9,728,039,193.61	8,802,908,273.48

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
NON-CURRENT ASSETS:				
Loans extended and advance receipts	—	—	—	—
Entrusted loans	—	870,000,000.00	—	965,000,000.00
Available-for-sale financial assets	—	—	—	—
Held-to-maturity investments	—	—	—	—
Long-term receivables	—	—	—	—
Long-term equity investments	89,142,049.02	4,098,327,856.90	92,673,769.14	4,081,859,577.02
Investment properties	27,295,596.13	27,295,596.13	28,164,724.15	28,164,724.15
Fixed assets	13,727,636,750.57	5,918,650,618.43	14,213,441,758.08	6,258,618,550.53
Construction in progress	536,675,503.19	108,800,143.28	431,379,272.50	59,788,891.26
Construction materials	27,683,267.72	1,817,374.00	42,079,864.21	1,981,408.48
Disposal of fixed assets	—	—	—	—
Productive biological assets	—	—	—	—
Consumable biological assets	422,695,311.24	—	301,212,691.14	—
Oil and gas assets	—	—	—	—
Intangible assets	1,282,334,460.63	353,726,291.48	1,277,076,588.53	364,509,396.99
Development costs	—	—	—	—
Goodwill	20,283,787.17	—	20,283,787.17	—
Long term expenses to be amortised	44,014,023.55	—	37,227,730.36	—
Deferred income tax assets	132,911,185.39	75,357,703.46	127,916,366.12	78,605,721.73
Other non-current assets	—	—	—	—
Total non-current assets	16,310,671,934.61	11,453,975,583.68	16,571,456,551.40	11,838,528,270.16
TOTAL ASSETS	28,421,647,065.47	23,116,922,566.51	26,299,495,745.01	20,641,436,543.64

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
CURRENT LIABILITIES:				
Short-term borrowings	4,898,959,345.72	4,320,399,962.94	1,516,945,042.67	1,144,068,305.68
Borrowings from the central bank	—	—	—	—
Deposits taken and balances with other banks	—	—	—	—
Borrowings from banks	—	—	—	—
Marketable financial liabilities	5,200,000.00	5,200,000.00	198,900.00	
Notes payable	326,094,292.58	184,923,314.39	367,627,562.14	210,151,045.59
Accounts payable	2,130,086,449.65	1,639,681,551.17	2,642,308,185.90	1,716,031,795.17
Advances from customers	192,986,623.31	134,725,478.69	101,693,578.57	66,019,457.87
Financial assets sold under repurchase agreements	—	—	—	—
Fees and commissions payable	—	—	—	—
Employee benefits payable	219,919,501.51	118,333,048.15	190,209,067.13	98,888,359.60
Taxes payable	111,825,380.13	79,721,669.67	49,965,982.34	16,156,180.51
Interest payable	—	—	—	—
Dividend payable	103,138,386.36	103,138,386.36	36,089.31	36,089.31
Other payables	368,345,487.62	241,031,732.94	346,226,242.06	283,099,241.86
Reinsurance accounts payable	—	—	—	—
Insurance reserve	—	—	—	—
Trading securities on a commissioned basis	—	—	—	—
Underwriting securities on a commissioned basis	—	—	—	—
Non-current liabilities due within one year	382,381,364.15	280,107,900.00	1,038,125,240.62	883,602,600.00
Short-term debentures payable	1,252,519,999.98	1,252,519,999.98	1,941,874,444.43	1,941,874,444.43
Other current liabilities	—	—	—	—
TOTAL CURRENT LIABILITIES	9,991,456,831.01	8,359,783,044.29	8,195,210,335.17	6,359,927,520.02

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
NON-CURRENT LIABILITIES:				
Long-term borrowings	4,228,896,509.43	3,520,606,035.94	4,019,250,823.86	3,064,076,035.94
Bonds payable	—	—	—	—
Long-term payables	—	—	—	—
Special items payable	—	—	—	—
Anticipated liabilities	—	—	—	—
Deferred gains	103,076,589.48	10,387,541.95	56,828,375.23	5,537,541.95
Deferred income tax liabilities	6,929,685.73	—	6,431,545.79	—
Other non-current liabilities	—	—	—	—
TOTAL NON-CURRENT LIABILITIES	4,338,902,784.64	3,530,993,577.89	4,082,510,744.88	3,069,613,577.89
TOTAL LIABILITIES	14,330,359,615.65	11,890,776,622.18	12,277,721,080.05	9,429,541,097.91
OWNERS' EQUITY (or SHAREHOLDERS' EQUITY):	—	—	—	—
Paid-up captial (or Share capital)	2,062,045,941.00	2,062,045,941.00	2,062,045,941.00	2,062,045,941.00
Capital surplus	6,093,483,801.92	6,186,218,584.33	6,093,483,801.92	6,184,215,988.77
Less: treasury shares	—	—	—	—
Special items reserve	—	—	—	—
Surplus reserve	825,476,850.53	813,287,268.62	825,476,850.53	813,287,268.62
General risk reserve	—	—	—	—
Undistributed profits	3,331,577,826.32	2,164,594,150.38	3,277,192,810.40	2,152,346,247.34
Difference on translation of foreign currency statements	869,287.57	—	879,498.14	—
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12,313,453,707.34	11,226,145,944.33	12,259,078,901.99	11,211,895,445.73
Minority interests	1,777,833,742.48	—	1,762,695,762.97	—
TOTAL OWNERS' EQUITY	14,091,287,449.82	11,226,145,944.33	14,021,774,664.96	11,211,895,445.73
TOTAL LIABILITIES AND OWNERS' EQUITY	28,421,647,065.47	23,116,922,566.51	26,299,495,745.01	20,641,436,543.64

7.2.2 Income statement

Prepared by: Shandong Chenming Paper Holdings Limited

January – June 2009

Unit: RMB

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Total operating revenue	6,675,366,559.73	6,181,612,312.77	8,552,402,269.40	7,253,178,510.24
Including: Operating revenue	6,675,366,559.73	6,181,612,312.77	8,552,402,269.40	7,253,178,510.24
Interest income	—	—	—	—
Premiums earned	—	—	—	—
Fees and commission income	—	—	—	—
II. Total costs of operations	6,499,643,053.93	6,075,892,497.26	7,370,536,934.02	6,470,481,400.35
Including: Costs of operations	5,629,255,046.18	5,578,614,295.07	6,647,216,143.91	6,161,287,463.14
Interest expenses	—	—	—	—
Fees and commission expenses	—	—	—	—
Surrender charges	—	—	—	—
Net claim payments	—	—	—	—
Net premium reserves on drawn-down polices	—	—	—	—
Policy dividend payments	—	—	—	—
Reinsurance fee	—	—	—	—
Tax and levies on operations	7,109,033.53	154,785.75	6,755,555.55	135,343.88
Selling and distribution expenses	339,929,245.25	214,720,116.93	402,926,002.43	197,903,117.82
General and administrative expenses	335,899,354.53	114,469,006.05	265,718,708.42	102,326,327.25
Finance expenses	176,847,315.84	155,142,424.33	78,635,192.38	30,691,691.51
Loss on impairment of assets	10,603,058.60	12,791,869.13	-30,714,668.67	-21,862,543.25

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
Add: Gain on change in fair value ("-" denotes loss)	8,985,659.76	-5,200,000.00	16,204,457.27	—
Investment income ("-" denotes loss)	-9,531,720.12	36,407,598.41	-12,289,463.09	230,665,587.59
Including: Investment income from associates and joint ventures	-9,531,720.12	-9,531,720.12	-12,375,340.05	-12,375,340.05
Gain on translation ("-" denotes loss)	—	—	—	—
III. Operating profit ("-" denotes loss)	175,177,445.44	136,927,413.92	1,185,780,329.56	1,013,362,697.48
Add: Non-operating income	68,384,829.29	32,808,385.47	168,804,618.70	80,045,436.63
Less: Non-operating expenses	5,322,631.80	4,666,580.20	7,929,167.09	5,943,534.62
Including: Loss on disposal of non-current assets	4,653,149.89	4,449,274.39	1,394,490.60	739,683.34
IV. Total profit ("-" denotes total loss)	238,239,642.93	165,069,219.19	1,346,655,781.17	1,087,464,599.49
Less: Income tax expenses	52,124,816.31	49,719,019.10	267,002,051.55	218,351,458.24
V. Net profit ("-" denotes net loss)	186,114,826.62	115,350,200.09	1,079,653,729.62	869,113,141.25
Net profit attributable to equity holders of the Company	157,487,312.97	115,350,200.09	947,427,409.04	869,113,141.25
Profit and loss of minority interests	28,627,513.65	—	132,226,320.58	—
VI. Earnings per share:				
(I) Basic earnings per share	0.076	0.056	0.55	0.50
(II) Diluted earnings per share	N/A	N/A	N/A	N/A

7.2.3 Cash flow statement

Prepared by: Shandong Chenming Paper Holdings Limited

January – June 2009

Unit: RMB

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Cash flows from operating activities: Cash received from sales of goods and rendering of services	5,072,568,207.01	4,131,278,897.79	8,936,604,199.60	7,474,230,963.24
Net increase in customer deposits and balances with other banks	—	—	—	—
Net increase in borrowings from the central bank	—	—	—	—
Net increase in borrowings from other financial institutions	—	—	—	—
Cash received as premiums under original policies	—	—	—	—
Net cash received from the reinsurance business	—	—	—	—
Net increase in reserves and investments funds held under trust for customers	—	—	—	—
Net increase in disposal of marketable financial assets	—	—	—	—
Cash received as interest, fees and commission	—	—	—	—
Net increase in borrowings from other banks	—	—	—	—

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
Net increase in funds related to the repurchase business	—	—	—	—
Refund of taxes and levies	7,596,994.38	—	25,236,318.81	—
Cash received relating to other operating activities	101,170,561.40	52,407,526.45	168,013,655.24	84,287,436.24
Subtotal of cash inflows from operating activities	5,181,335,762.79	4,183,686,424.24	9,129,854,173.65	7,558,518,399.48
Cash paid for goods and services	4,710,646,865.64	4,391,742,107.99	5,892,637,854.74	5,392,150,045.39
Net increase in customer loans and advances	—	—	—	—
Net increase in funds placed with the central bank and other banks	—	—	—	—
Cash paid for claims under original policies	—	—	—	—
Cash paid as interest, fees and commissions	—	—	—	—
Cash paid as policy dividends	—	—	—	—
Cash paid to and on behalf of employees	253,887,714.94	94,149,841.11	306,891,001.32	104,585,529.37
Payments of taxes and levies	343,299,580.44	181,207,781.34	829,151,747.45	503,373,439.22
Cash paid relating to other operating activities	399,603,409.25	571,437,104.56	390,618,258.84	4,837,439.32
Subtotal of cash outflows from operating activities	5,707,437,570.27	5,238,536,835.00	7,419,298,862.35	6,004,946,453.30
Net cash flows from operating activities	-526,101,807.48	-1,054,850,410.76	1,710,555,311.30	1,553,571,946.18

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
II. Cash flows from investing activities:				
Cash received from investments	—	580,900,000.00	—	210,300,000.00
Cash received from investment income	—	50,939,318.53	85,876.96	122,215,844.01
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	19,421,000.00	19,099,922.08	335,259.76	1,006,638.42
Net cash received from disposal of subsidiaries and other operating entities	—	—	—	—
Cash received relating to other investing activities	47,990,000.00	4,850,000.00	65,922,610.10	42,656,386.46
Subtotal of cash inflows from investing activities	67,411,000.00	655,789,240.61	66,343,746.82	376,178,868.89
Cash paid to acquire fixed assets, intangible assets and other long-term assets	407,727,921.18	21,564,955.31	677,118,558.42	46,319,258.93
Cash paid on investments	6,000,000.00	406,000,000.00	10,000.00	813,000,000.00
Net increase in secured loans	—	—	—	—
Net cash received from subsidiaries and other operating entities	5,706,000.00	—	—	—
Other cash paid in relation to investing activities	—	—	—	—
Subtotal of cash outflows from investing activities	419,433,921.18	427,564,955.31	677,128,558.42	859,319,258.93
Net cash flows from investing activities	-352,022,921.18	228,224,285.30	-610,784,811.60	-483,140,390.04

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
III. Cash flows from financing activities:				
Cash received from investment	—	—	2,661,332,038.20	2,661,332,038.20
Including: cash received from capital contribution from minority shareholders in subsidiaries	—	—	—	—
Cash received from borrowings	6,483,130,711.58	5,798,764,711.64	3,110,154,795.66	2,644,282,458.86
Cash received from issuance of bonds	—	—	—	—
Cash received from issuance of short-term debentures	—	—	697,200,000.00	697,200,000.00
Cash received relating to other financing activities	—	—	—	—
Subtotal of cash inflows from financing activities	6,483,130,711.58	5,798,764,711.64	6,468,686,833.86	6,002,814,497.06
Cash repayments of amounts borrowed	3,546,592,000.00	2,757,800,070.71	4,301,820,243.76	3,978,801,801.18
Cash payments for repayment of short-term debentures	700,000,000.00	700,000,000.00	—	—
Cash payments for interest expenses, or dividend or profit distribution	217,493,000.00	160,011,987.42	259,162,049.91	194,312,585.36
Including: dividend and profit distribution paid by subsidiaries to their minority shareholders	—	—	—	—

Items	Closing balance		Opening balance	
	Consolidated	Parent Company	Consolidated	Parent Company
Cash payments relating to other financing activities	1,340,013,989.64	1,315,594,417.01	—	—
Subtotal of cash outflows from financing activities	5,804,098,989.64	4,933,406,475.14	4,560,982,293.67	4,173,114,386.54
Net cash flows from financing activities	679,031,721.94	865,358,236.50	1,907,704,540.19	1,829,700,110.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,378,763.33	-70,524.91	-8,091,780.24	-7,336,841.19
V. Net increase in cash and cash equivalents	-200,471,770.05	38,661,586.13	2,999,383,259.65	2,892,794,825.47
Add: Balance of cash and cash equivalents at the beginning of the period	2,687,579,159.85	2,080,005,634.40	613,826,456.62	235,957,551.29
VI. Balance of cash and cash equivalents at the end of the period	2,487,107,389.80	2,118,667,220.53	3,613,209,716.27	3,128,752,376.76

7.2.4 Consolidated statement of change in owners' equity

Prepared by: Shandong Chenming Paper Holdings Limited

First half year of 2009
Unit: RMB

Items	Current period							Last year						
	Equity attributable to equity holders of the Company							Equity attributable to equity holders of the Company						
	Paid-up capital (or share capital)	Capital reserve	Surplus reserve	Undistributed profit	Others	Minority interests	Total owners' equity	Paid-up capital (or share capital)	Capital reserve	Surplus reserve	Undistributed profit	Others	Minority interests	Total owners' equity
I. Balance at prior year end	2,062,045,941.00	6,093,483,801.92	825,476,850.53	3,277,192,810.40	879,498.14	1,762,695,762.97	14,021,774,664.96	1,706,345,941.00	3,737,991,906.21	723,742,920.58	2,576,650,349.38	303,894.68	1,835,524,653.11	10,580,559,664.96
II. Balance at the beginning of the current year	2,062,045,941.00	6,093,483,801.92	825,476,850.53	3,277,192,810.40	879,498.14	1,762,695,762.97	14,021,774,664.96	1,706,345,941.00	3,737,991,906.21	723,742,920.58	2,576,650,349.38	303,894.68	1,835,524,653.11	10,580,559,664.96
III. Changes in the current year ("-" denotes decrease)	–	–	–	54,385,015.92	-10,210.57	15,137,979.51	69,512,784.86	355,700,000.00	2,355,491,895.71	101,733,929.95	700,542,461.02	575,603.46	-72,828,890.14	3,441,215,000.00
(I) Net profit	–	–	–	157,487,312.97	–	15,137,979.51	172,625,292.48	–	–	–	1,075,291,741.53	–	184,249,712.74	1,259,541,454.27
(II) Profit and loss directly dealt with in owners' equity	–	–	–	–	-10,210.57	–	-10,210.57	–	–	–	–	575,603.46	–	575,603.46
1. Net change in the fair value of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Effect on equity movements of other owners in the invested entities under the equity method	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Effect of income tax on items accounted for in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	-10,210.57	–	-10,210.57	–	–	–	–	575,603.46	–	575,603.46
Sub-total of (I) and (II)	–	–	–	157,487,312.97	-10,210.57	15,137,979.51	172,615,081.91	–	–	–	1,075,291,741.53	575,603.46	184,249,712.74	1,260,117,057.73
(III) Owners' contributions and decrease in capital	–	–	–	–	–	–	–	355,700,000.00	2,355,491,895.71	–	–	–	–	2,711,191,895.71
1. Owners' contributions in capital	–	–	–	–	–	–	–	355,700,000.00	–	–	–	–	–	355,700,000.00
2. Share-based payments accounted for in owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	2,355,491,895.71	–	–	–	–	2,355,491,895.71
(IV) Profit distribution	–	–	–	-103,102,297.05	–	–	-103,102,297.05	–	–	101,733,929.95	-374,749,280.51	–	-142,483,663.78	-415,499,014.34
1. Transfer to surplus reserves	–	–	–	–	–	–	–	–	–	101,733,929.95	-101,733,929.95	–	–	–
2. Transfer to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to owners (or shareholders)	–	–	–	-103,102,297.05	–	–	-103,102,297.05	–	–	–	-273,015,350.56	–	-142,483,663.78	-415,499,014.34
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Transfer within owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	-114,594,939.10	-114,594,939.10
1. Transfer from capital reserve to equity (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Transfer from surplus reserve to equity (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Transfer from surplus reserve to make up for loss	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	-114,594,939.10	-114,594,939.10
IV Balance at current period end	2,062,045,941.00	6,093,483,801.92	825,476,850.53	3,331,577,826.32	869,287.57	1,777,833,742.48	14,091,287,449.82	2,062,045,941.00	6,093,483,801.92	825,476,850.53	3,277,192,810.40	879,498.14	1,762,695,762.97	14,021,774,664.96

7.2.5 Statement of change in owners' equity of the Company

Prepared by: Shandong Chenming Paper Holdings Limited

First half year of 2009
Unit: RMB

Items	Current period					Last year				
	Equity attributable to equity holders of the Company					Equity attributable to equity holders of the Company				
	Paid-up capital (or share capital)	Capital reserve	Surplus reserve	Undistributed profit	Total owners' equity	Paid-up capital (or share capital)	Capital reserve	Surplus reserve	Undistributed profit	Total owners' equity
I. Balance at prior year end	2,062,045,941.00	6,184,215,988.77	813,287,268.62	2,152,346,247.34	11,211,895,445.73	1,706,345,941.00	3,827,378,359.74	711,553,338.67	1,509,756,228.39	7,755,033,867.80
II. Balance at the beginning of the current year	2,062,045,941.00	6,184,215,988.77	813,287,268.62	2,152,346,247.34	11,211,895,445.73	1,706,345,941.00	3,827,378,359.74	711,553,338.67	1,509,756,228.39	7,755,033,867.80
III. Changes in the current year ("-" denotes decrease)	–	2,002,595.56	–	12,247,903.04	14,250,498.60	355,700,000.00	2,356,837,629.03	101,733,929.95	642,590,018.95	3,456,861,577.93
(I) Net profit	–	–	–	115,350,200.09	115,350,200.09	–	–	–	1,017,339,299.46	1,017,339,299.46
(II) Profit and loss directly dealt with in owners' equity	–	2,002,595.56	–	–	2,002,595.56	–	1,345,733.32	–	–	1,345,733.32
1. Net change in the fair value of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	–
2. Effect on equity movements of other owners in the invested entities under the equity method	–	–	–	–	–	–	–	–	–	–
3. Effect of income tax on items accounted for in owners' equity	–	–	–	–	–	–	–	–	–	–
4. Others	–	2,002,595.56	–	–	2,002,595.56	–	1,345,733.32	–	–	1,345,733.32
Sub-total of (I) and (II)	–	2,002,595.56	–	115,350,200.09	117,352,795.65	–	1,345,733.32	–	1,017,339,299.46	1,018,685,032.78
(III) Owners' contributions and decrease in capital	–	–	–	–	–	355,700,000.00	2,355,491,895.71	–	–	2,711,191,895.71
1. Owners' contributions in capital	–	–	–	–	–	355,700,000.00	–	–	–	355,700,000.00
2. Share-based payments accounted for in owners' equity	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	2,355,491,895.71	–	–	2,355,491,895.71
(IV) Profit distribution	–	–	–	-103,102,297.05	-103,102,297.05	–	–	101,733,929.95	-374,749,280.51	-273,015,350.56
1. Transfer to surplus reserves	–	–	–	–	–	–	–	101,733,929.95	-101,733,929.95	–
2. Distribution to owners (or shareholders)	–	–	–	-103,102,297.05	-103,102,297.05	–	–	–	-273,015,350.56	-273,015,350.56
3. Others	–	–	–	–	–	–	–	–	–	–
(V) Transfer within owners' equity	–	–	–	–	–	–	–	–	–	–
IV Balance at current period end	2,062,045,941.00	6,186,218,584.33	813,287,268.62	2,164,594,150.38	11,226,145,944.33	2,062,045,941.00	6,184,215,988.77	813,287,268.62	2,152,346,247.34	11,211,895,445.73

7.3 Notes to the statements

7.3.1 If there were changes to accounting policies, accounting estimates or corrections to accounting errors, please state the relevant details, reasons and effects

☐ Applicable √ Not Applicable

7.3.2 If there existed significant changes to the scope of consolidation of the financial statements, please state the reasons and effects

☐ Applicable √ Not Applicable

7.3.3 If a "non-standard auditing report" was issued, please state the relevant notes to the matters involved

☐ Applicable √ Not Applicable

7.4 Financial statements prepared in accordance with the International Financial Reporting Standards

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2009

	Notes	**Six months ended 30 June** **2009** *RMB'000* *(unaudited)*	**2008** *RMB'000* *(unaudited)*
Revenue	1	6,642,891	8,520,442
Cost of sales		(5,596,899)	(6,607,738)
Gross profit		1,045,992	1,912,704
Other income	3	100,780	337,903
Share of results of associates		(9,531)	(12,375)
Distribution expenses		(339,929)	(402,926)
Administrative expenses		(273,087)	(244,017)
Other expenses		(82,196)	—
Gain on change in fair value of derivative financial instruments		6,993	1,232
Gain on change in fair value less estimated point-of-sale cost of biological assets		1,993	14,972
Finance costs		(195,044)	(244,012)
Profit before tax	4	255,971	1,363,481
Income tax expense	5	(52,125)	(267,002)
Profit for the period		203,846	1,096,479
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(11)	468
Total comprehensive income for period		203,835	1,096,947
Profit for the period attributable to:			
Owners of the Company		170,987	960,060
Non-controlling interests		32,859	136,419
		203,846	1,096,479
Total comprehensive income attributable to:			
Owners of the Company		170,976	960,528
Non-controlling interests		32,859	136,419
		203,835	1,096,947
Earnings per share	7		
– Basic		RMB0.08	RMB0.55
– Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2009

	Notes	**At 30 June 2009** *RMB'000* *(unaudited)*	**At 31 December 2008** *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment	8	14,243,023	14,641,475
Prepaid lease payments - non-current portion	8	1,236,600	1,225,356
Investment property		27,296	28,165
Interests in associates	9	63,291	66,822
Available-for-sale investments		25,851	25,851
Goodwill		20,284	20,284
Biological assets	10	422,695	301,213
Deferred tax assets		132,911	127,916
		16,171,951	16,437,082
Current assets			
Inventories		2,980,266	3,397,793
Trade and other receivables	11	5,100,269	3,449,740
Prepaid lease payments - current portion	8	49,164	42,209
Income tax recoverable		25,279	27,088
Derivative financial instruments	13	12,200	—
Restricted bank deposits	12	1,505,853	165,839
Cash and cash equivalents		2,487,107	2,687,579
		12,160,138	9,770,248

	Notes	At 30 June 2009 RMB'000 (unaudited)	At 31 December 2008 RMB'000 (audited)
Current liabilities			
Trade and other payables	14	3,304,517	3,670,671
Borrowings - amount due within one year	15	5,281,341	2,555,070
Short-term debentures	16	1,252,520	1,941,874
Provisions		—	17,987
Income tax payable		44,740	9,374
Dividend payable		103,138	36
Deferred income - current portion		27,500	21,598
Derivative financial instruments	13	5,200	199
		10,018,956	8,216,809
Net current assets		2,141,182	1,553,439
Total assets less current liabilities		18,313,133	17,990,521
Non-current liabilities			
Borrowings - amount due after one year	15	4,228,897	4,019,251
Deferred income - non-current portion		333,094	307,869
Deferred tax liabilities		6,930	6,432
		4,568,921	4,333,552
Net assets		13,744,212	13,656,969
Capital and reserves			
Share capital	17	2,062,046	2,062,046
Reserves		9,918,020	9,850,146
Equity attributable to owners of the Company		11,980,066	11,912,192
Non-controlling interests		1,764,146	1,744,777
Total equity		13,744,212	13,656,969

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
At 1 January 2009 (audited)	2,062,046	5,765,795	825,360	117	880	3,257,994	11,912,192	1,744,777	13,656,969
Exchange differences arising on translation of foreign operation	—	—	—	—	(11)	—	(11)	—	(11)
Profit for the period	—	—	—	—	—	170,987	170,987	32,859	203,846
Total comprehensive income for the period	—	—	—	—	(11)	170,987	170,976	32,859	203,835
Dividends recognised as distribution	—	—	—	—	—	(103,102)	(103,102)	—	(103,102)
Transfer of reserves (note)	—	12,016	—	—	—	(12,016)	—	—	—
Distribution made by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(13,490)	(13,490)
At 30 June 2009 (unaudited)	2,062,046	5,777,811	825,360	117	869	3,313,863	11,980,066	1,764,146	13,744,212

For the six months ended 30 June 2009

	Share capital	Capital reserve-	Statutory surplus reserve	Discretionary surplus reserve	Translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
At 1 January 2008 (audited)	1,706,346	3,392,242	723,626	117	304	2,548,516	8,371,151	1,809,145	10,180,296
Exchange differences arising on translation of foreign operation	—	—	—	—	468	—	468	—	468
Profit for the period	—	—	—	—	—	960,060	960,060	136,419	1,096,479
Total comprehensive income for the period	—	—	—	—	468	960,060	960,528	136,419	1,096,947
Issue of shares by way of placing and public offering (Note 18)	355,700	2,362,553	—	—	—	—	2,718,253	—	2,718,253
Dividends recognised as distribution	—	—	—	—	—	(273,015)	(273,015)	—	(273,015)
Transfer of reserves (note)	—	11,891	—	—	—	(11,891)	—	—	—
Distribution made by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	(95,443)	(95,443)
Decrease in non-controlling interest as a result of increase in interest in subsidiaries	—	—	—	—	—	—	—	(114,595)	(114,595)
At 30 June 2008 (unaudited)	2,062,046	5,766,686	723,626	117	772	3,223,670	11,776,917	1,735,526	13,512,443

Note: The Group obtained government grants in relation to the construction of property, plant and equipment of the Group from the local municipal governments. The grants were recorded as deferred income in the balance sheet and credited to the income statement on a straight-line basis over the expected useful lives of the related assets. In accordance with the terms of the grants, the relevant amounts were transferred from retained earnings to capital reserve during the period as it cannot be distributed before winding up.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash (used in) from operating activities	(526,102)	1,710,556
Investing activities		
Purchase of property, plant and equipment and lease payment on land use rights	(407,728)	(677,119)
Acquisition of additional interests in subsidiaries from minority shareholders of subsidiaries	—	(10)
Net cash outflow arising from acquisition of subsidiaries	(5,706)	—
Investment in an associate	(6,000)	—
(Increase) decrease in restricted bank deposits	(1,340,014)	25,621
Proceeds on disposal of property, plant and equipment	19,421	335
Government grants received	47,990	40,301
Investment income received from available-for-sale investments	—	86
Net cash used in investing activities	(1,692,037)	(610,786)
Financing activities		
Net proceeds on issuance of shares	—	2,661,332
Short-term debentures repaid	(700,000)	—
Net proceeds on issuance of short-term debentures	—	697,200
New borrowings raised	6,483,131	3,110,155
Borrowings repaid	(3,546,592)	(4,301,820)
Interest paid	(204,003)	(240,574)
Dividends paid to non-controlling interests of subsidiaries	(13,490)	(18,588)
Net cash from financing activities	2,019,046	1,907,705
(Decrease) increase in cash and cash equivalents	(199,093)	3,007,475
Cash and cash equivalents at beginning of the period	2,687,579	613,826
Effect of exchange rate changes on cash and cash quivalents	(1,379)	(8,091)
Cash and cash equivalents at end of the period	2,487,107	3,613,210

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2009

1. REVENUE

	Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000*
Sale of paper products	6,366,257	8,007,817
Sale of construction materials	143,530	315,811
Sale of electricity and steam	108,740	125,938
Sale of chemical products	3,709	50,535
Others	20,655	20,341
	6,642,891	8,520,442

2. SEGMENT INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are prepared in accordance with Accounting Standards for Business Enterprise (the "PRC GAAP") and regularly reviewed by the chief operating decision maker, the Company's Chief Executive Officer (the "CEO"), in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

Information reported to the CEO for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services, namely, paper products, construction materials, electricity and steam, and others. As this is also the basis of designation of the Group's reportable segments under IAS 14, the application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments. However, other income such as exchange gain which was previously not allocated to segment results under IAS 14 is now allocated to segment result upon application of IFRS 8.

As the manufacture and sales of paper products accounted for a substantial part of the Group's operation, no analysis of individual business segment was presented for the prior period under IAS 14. In the current period, as individual operating segments are the measure reported to the CEO for the purpose of resource allocation and assessment of segment performance, the management has presented additional analysis for individual operating segments. Segment information reported for the prior period has been restated to conform with current period presentation.

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

Six months ended 30 June 2009

	Paper product *RMB'000*	**Construction materials** *RMB'000*	**Electricity and steam** *RMB'000*	**Other** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE						
External sales	6,398,733	143,530	108,740	24,364	—	6,675,367
Inter-segment sales	—	20,115	105,799	4,149	(130,063)	—
Total	6,398,733	163,645	214,539	28,513	(130,063)	6,675,367
Segment results	520,686	(12,261)	30,437	(14,262)	—	524,600
Unallocated expenses						(98,309)
Diffierence between financial statements prepared in accordance with IFRS and PRC GAAP						17,731
Gain on change in fair value of derivative financial instruments						6,993
Financial costs						(195,044)
Profit before tax						255,971
Income tax charge						(52,125)
Profit for the period						203,846

Six months ended 30 June 2008

	Paper product RMB'000	Construction materials RMB'000	Electricity and steam RMB'000	Other RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE						
External sales	8,039,776	315,811	125,938	70,877	—	8,552,402
Inter-segment sales	—	20,555	102,467	—	(123,022)	—
Total	8,039,776	336,366	228,405	70,877	(123,022)	8,552,402
Segment results	1,636,153	28,904	7,461	14,064	—	1,686,582
Unallocated expenses						(97,146)
Difference between financial statements prepared in accordance with IFRS and PRC GAAP						16,825
Gain on change in fair value of derivative financial instruments						1,232
Financial costs						(244,012)
Profit before tax						1,363,481
Income tax charge						(267,002)
Profit for the period						1,096,479

Other operations mainly include the production and sale of chemical products and hotel operation.

Segment results represents the profit (loss) of each segment without allocation of unallocated corporate expenses, gain on change in fair value of derivative financial instruments, finance costs and difference between financial statements prepared in accordance with IFRS and PRC GAAP. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

3. OTHER INCOME

	Six months ended 30 June	
	2009	**2008**
	RMB'000	RMB'000
Government grants:		
Expansion grants (note a)	35,377	103,756
Value-added tax refund (note b)	7,597	25,236
	42,974	128,992
Interest income	27,045	8,855
Net exchange gain	257	165,697
Net gain (loss) from sales of raw materials	5,828	(4,219)
Discount on acquisition of subsidiaries (Note 24)	3,026	—
Discount on acquisition of additional interests in subsidiaries (note c)	—	28,209
Gain from disposal of property, plant and equipment	5,771	—
Others	15,879	10,369
	100,780	337,903

Notes:

(a) The Group received government grants from the local municipal governments in relation to the encouragement of the development and advancement of the business of the Group. According to the relevant government grant documents, the grants are the general and unconditional subsidies for the business operations of the Group.

(b) Pursuant to various circulars issued by the State Administration of Taxation and local government authorities, the Group is entitled to receive various types of refund on value-added tax as it has used certain designated materials in its production.

(c) Pursuant to the transfer agreement dated 24 December 2007 entered into between the ultimate holding company of the Company, State-owned Assets Supervision and Administration Commission of Shouguang City and the People's Government of Shouguang City, as vendors and the Company as purchaser, the Company agreed to acquire 35.71% equity interest of a then 51% owned subsidiary, Shandong Chenming Power Supply Holdings Co., Ltd., at a consideration of RMB86,376,000. The transaction was completed in January 2008. A discount on acquisition of equity interest amounted to approximately RMB28,204,000 was recognised, after reassessment, immediately in profit or loss during the six months ended 30 June 2008.

Pursuant to the transfer agreement dated 4 April 2008 entered into between Zhang Bangji, the independent third party, as vendor and Jilin Chenming Paper Co., Ltd., a wholly-owned subsidiary of the Company ("Jilin Chenming"), as purchaser, Jilin Chenming agreed to acquire 1% equity interest of a then 99% owned subsidiary, Jilin Chenming Waste Collection Co., Ltd., a subsidiary of the Company at a cash consideration of RMB10,000. A discount on acquisition of equity interest amounted to approximately RMB5,000 was recognised, after reassessment, immediately in profit or loss during the six months ended 30 June 2008.

4. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000*
Gross rental income from investment properties	(1,242)	(1,242)
Less: Direct operating expenses from investment properties that generated rental income during the period	223	223
Net rental income from investment properties	(1,019)	(1,019)
Loss on suspension of production (note)	82,196	—
Investment income from available-for-sale investments	—	(86)
Allowance for (reversal of) bad and doubtful debts	23,555	(30,715)
Reversal of allowance for inventories	(12,952)	—
Release of lease payment charge	9,897	18,905
Depreciation of property, plant and equipment	591,219	541,062
Depreciation of investment properties	869	869
(Gain) loss on disposal of property, plant and equipment	(5,771)	4,942

Note: As a result of the financial crisis in the second half of 2008, the Group's pulp production and construction business has been adversely affected and the Group has temporarily suspended certain production units during the period to reduce losses. The loss on suspension of production mainly includes depreciation of production facilities RMB61,246,000 and staff cost RMB16,656,000. Subsequent to 30 June 2009, the Group has resumed these production units.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Income tax expense comprises:		
Charge for the period	55,951	257,351
Underprovision in prior years	671	715
Current income tax	56,622	258,066
Deferred tax (credit) charge	(4,497)	8,936
Charge for the period	52,125	267,002

PRC Enterprise Income Tax of the Group mainly comprises income tax of the Company and its subsidiaries which are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2009 (2008: 25%).

No provision for Hong Kong Profits Tax has been made by the Group for the six months ended 30 June 2008 and 2009 as the Group did not have any assessable profit or incur tax losses during the relevant periods.

6. DIVIDENDS

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Dividend declared for:		
– 2008 (RMB0.05 per share)	103,102	—
– 2007 (RMB0.16 per share)	—	273,015
	103,102	273,015

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the Group's profit for the period attributable to the owners of the Company of RMB170,987,000 (2008: RMB960,060,000) and on the weighted average number of shares of 2,062,046,000 (2008: 1,731,753,000) in issue during the period.

The Group has no potential ordinary shares during each of the six months ended 30 June 2008 and 2009.

8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period, the Group acquired property, plant and equipment amounting to approximately RMB205,723,000 (2008: RMB786,812,000) and made prepaid lease payments in relation to land use rights amounting to approximately RMB26,342,000 (2008: RMB82,187,000).

At 30 June 2009, the Group has pledged certain plant and machinery and buildings and land use rights having a carrying amount of approximately RMB1,113,812,000 and RMB73,852,000 (31 December 2008: RMB1,144,235,000 and RMB74,654,000) respectively to secure the loan facilities granted to the Group by certain banks and a non-controlling shareholder of a subsidiary of the Company.

9. INTERESTS IN ASSOCIATES

On 4 March 2009, the Group acquired 21.15% equity interest in 江西江報傳媒彩印有限公司 (Jiangxi Jiangbao Media Colour Printing Co. Ltd), a company established in Nanchang city, Jiangxi Province, the PRC and is engaged in printing, from an independent third party at a cash consideration of RMB6,000,000.

10. BIOLOGICAL ASSETS

Biological assets represent immature trees in the plantation forest purchased to be grown for lumber for own use. The Group incurred plantation expenditure of approximately RMB119,489,000 for the six months period ended 30 June 2009 (2008: RMB46,038,000).

The biological assets are stated at their fair values less estimated point-of-sale costs. The fair value has been arrived at based on the estimation made by the Directors. The estimation is determined using the discounted value of the expected delivered market price for estimated timber volumes less cost of delivery and estimated maintenance costs up to when the timber becomes usable or saleable. The discount rate used is the applicable pre-tax weighted average cost of capital of the Group. Accordingly, gain on change in fair value less estimated point-of-sale cost of biological assets amounted to RMB1,993,000 has been recognised and credited to the consolidated income statement for the six months ended 30 June 2009 (2008: RMB14,972,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2009	**At 31 December 2008**
	RMB'000	*RMB'000*
Trade receivables aged:		
0 - 90 days	1,558,853	1,365,834
91 - 180 days	324,705	240,387
181 - 365 days	75,099	104,987
1 - 2 years	27,569	27,306
2 - 3 years	4,789	13,895
Total trade receivables	1,991,015	1,752,409
Bills receivable aged:		
0 - 90 days	1,134,143	802,843
91 - 180 days	1,087,723	171,167
Bills receivable	2,221,866	974,010
Advance to suppliers	649,201	448,282
Other receivables	229,594	260,795
Deposits and prepayment	8,593	14,244
	5,100,269	3,449,740

The Group allows an average credit period of 90 days to its trade customers with trading history and an average credit period of 60 days to non-controlling shareholders of its subsidiaries, otherwise sales on cash terms are required. Bills receivable are repayable on the pre-determined date within 180 days.

12. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent the bank deposits pledged to banks to secure certain short-term bills facilities granted to the Group by certain banks amounting to RMB1,505,853,000 (2008: RMB165,839,000) and are therefore classified as current assets. The restricted bank deposits carry fixed interest rate of 1.71% (2008: 0.36%) per annum as at 30 June 2009. The pledged bank deposits will be released upon the settlement of relevant short-term bills issued.

13. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2009, the Group has entered into certain forward exchange contracts with financial institutions and the total notional amounts and details of these contracts committed by the Group are as follows:

Notional amount	Maturity date	Forward contract rates
1 contract to buy US$50,000,000	18 December 2009	US$1 to RMB6.776
1 contract to buy US$100,000,000	26 May 2010	US$1 to RMB6.699
1 contract to sell US$50,000,000	18 December 2009	US$1 to RMB6.812
1 contract to sell US$100,000,000	26 May 2010	US$1 to RMB6.764

The above forward contracts are required to be settled net in cash on maturity date and were measured at fair value at each balance sheet dates. Their fair values were determined based on the valuation provided by counterparty financial institutions for equivalent instruments at the balance sheet date.

14. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	At 30 June 2009 *RMB'000*	**At 31 December 2008** *RMB'000*
Trade payables aged:		
0 - 90 days	1,354,094	2,001,600
91 - 180 days	207,556	275,863
181 - 365 days	370,909	216,240
1 - 2 years	117,109	98,420
2 - 3 years	46,788	17,648
Over 3 years	33,630	32,537
Trade payables	2,130,086	2,642,308
Bills payable aged:		
0 - 90 days	244,524	252,629
91 - 180 days	81,570	114,999
Bills payable	326,094	367,628
Other payables	595,453	506,114
Accrued charges	59,897	52,927
Advances received from customers	192,987	101,694
	3,304,517	3,670,671

Trade and bills payable principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 90 days.

15. BORROWINGS

During the period, the Group obtained new bank and other loans in the amount of RMB6,483,131,000 and made repayments in the amount of RMB3,546,592,000. The loans bear interest at the range from 1.29% to 7.09% per annum. The proceeds were used to finance the capital expenditure and general working capital of the Group.

16. SHORT-TERM DEBENTURES

Pursuant to a circular [2007] No. 427 issued by the People's Bank of China in 2007, the Company issued two debentures to third party debenture holders with face value of RMB700,000,000 and RMB1,200,000,000 on 6 June 2008 and 29 August 2008 respectively. The debentures are unsecured, bear interest at 5.2% per annum.

On 9 June 2009, the debentures with face value of RMB700,000,000 were due and repaid.

17. SHARE CAPITAL

	Type of shares					
	Number of shares	**Restricted A Shares**	**A Shares**	**B Shares**	**H Shares**	**Total**
	'000	*'000*	*'000*	*'000*	*'000*	*RMB'000*
At 1 January 2008	1,706,346	339,501	809,348	557,497	—	1,706,346
Issue of H shares (note a)	355,700	—	—	—	355,700	355,700
Transfer of A shares to H shares (note b)	—	(35,570)	—	—	35,570	—
Transfer of A shares held by directors, supervisors and senior management to restricted A shares (note c)	—	177	(177)	—	—	—
Transfer of restricted A Shares held by directors, supervisors and senior management to A shares (note d)	—	(120)	120	—	—	—
At 31 December 2008	2,062,046	303,988	809,291	557,497	391,270	2,062,046
Transfer of A shares held by directors, supervisors and senior management to restricted A shares (note c)	—	335	(335)	—	—	—
Transfer of restricted A Shares held by directors, supervisors and senior management to A shares (note d)	—	(187)	187	—	—	—
At 30 June 2009	2,062,046	304,136	809,143	557,497	391,270	2,062,046

Notes:

(a) On 18 June 2008, 355,700,000 H shares of the Company of RMB1.00 each were issued at HK$9.00 per share for cash by way of an international offering and a public offering on the Stock Exchange.

(b) In accordance with relevant approval document regarding the listing of shares of the company outside the PRC, Shouguang Chenming Holdings Co., Ltd., the parent company of the Company, is required to transfer 35,570,000 A shares to 中華人民共和國全國社會保障基金理事會 (The National Social Security Fund Council of the PRC ("NSSF Council")) upon the listing of H shares of the Company on the Stock Exchange, and all the shares held by NSSF Council were converted into H Shares on an one-for-one basis.

(c) According to the relevant requirement of the Shenzhen Stock Exchange, the shares of the Company held by the directors and key managements of the Company may not be transferred in the six months period following the date when these individuals become owners of these shares (the 'lock-up period"). During the period ended 30 June 2009 and the year ended 31 December 2008, certain directors and key management of the Company acquired 335,192 A Shares and 176,774 A Shares from the public and these shares were reclassified from A Shares to Restricted A shares accordingly.

(d) The six-month minimun lock-up period for certain restricted A Shares held by certain directors and key management of the Company expired during the period ended 30 June 2009 and the year ended 31 December 2008, 186,820 Restricted A Shares and 120,000 Restricted A Shares were reclassified from Restricted A Shares to A Shares.

18. CAPITAL COMMITMENTS

	At 30 June 2009 *RMB'000*	**At 31 December 2008** *RMB'000*
Authorised but not contracted for acquisition of property, plant and equipment	7,450,346	5,622,480
Contracted but not provided for acquisition of property, plant and equipment	265,497	291,332
	7,715,843	5,913,812

19. NON-CASH TRANSACTION

During the period ended 30 June 2008, the Group distributed dividends of RMB95,443,000 to the non-controlling shareholders of the subsidiaries. The Group paid part of the dividends to these shareholders by way of RMB18,588,000 in cash and RMB10,427,000 in bills. The remaining unpaid dividends amounting to RMB66,428,000 is included in other payables at 30 June 2008.

20. RELATED PARTY TRANSACTIONS

(a) Apart from the transactions with related parties as disclosed in Note 6(c), the Group has entered into the following significant transactions with its related parties during the period

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Associates:		
Electricity charges received	3,896	15,461
Utility charges received	—	6,483
Miscellaneous service charges received	99	854
Non-controlling shareholders of subsidiaries:		
Sales of finished products	57,161	163,866
Technology consultancy fee paid	812	812
Interest paid	4,448	8,614
Minimum operating lease payment in respect of property, plant and equipment	3,480	3,583

Other than the above transactions, the Group also makes payments or collect debts on behalf of certain related parties during the periods and the unsettled balance is included in the balance with the respective related parties as at the end of the reporting period.

(b) Balances with related parties (included in respective item on the balance sheet)

	At 30 June 2009	**At 31 December 2008**
	RMB'000	*RMB'000*
Associates:		
Trade receivables	—	10,744
Other receivables	1,738	14,679
Non-controlling shareholders of subsidiaries:		
Trade receivables	42,674	18,354
Borrowings	196,304	214,153

All the amounts due from associates and non-controlling shareholders of subsidiaries are unsecured, interest-free and expected to be recovered within one year from the end of the respective reporting periods. The borrowings from a non-controlling shareholder of a subsidiary are repayable after one year from the end of the respective reporting periods.

(c) Material transactions and balances with other stated-owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "State-owned Enterprises"). During the period, the Group had material transactions with some of these State-owned Enterprises in its ordinary and usual course of business. In establishing its pricing strategies and approval process for its products, the Group does not differentiate whether the counter-party is a State-owned Enterprise or not. While the directors of the Company consider the State-owned Enterprises are independent third parties so far as the Group's business transactions with them are concerned, for the purpose of this report, the Group has identified the nature and quantified the amounts of its significant transactions with State-owned Enterprises during the periods as follows:

(i) Material transactions

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Sales	1,807,550	2,150,307
Purchases	512,720	179,343
Construction works expenses paid	40,020	115,786

(ii) Material balances

	At 30 June 2009	**At 31 December 2008**
	RMB'000	*RMB'000*
Restricted bank deposits	967,937	150,650
Cash and cash equivalents	2,323,369	2,484,732
Trade and other receivables	735,228	823,004
Trade and other payables	547,612	552,004
Bank borrowings	7,235,370	6,284,920

(d) Compensation of key management personnel

The remuneration of directors and other members of senior management during the period was as follows:

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Short-term employee benefits		
– Directors	978	2,803
– Other senior management	784	1,787
Subtotal	1,762	4,590
Post-employment benefits		
– Directors	97	72
– Other senior management	161	162
Subtotal	258	234
Total	2,020	4,824

21. ACQUISITION OF SUBSIDIARIES

In June 2009, the Group acquired certain subsidiaries engaged in decorative packaging, goods transportation and coal trading from various independent third parties at an aggregate cash consideration of RMB6,900,000. The consideration was paid in June 2009.

The fair value of assets and liabilities acquired is set out as follows:

	Carrying amount before combination *RMB'000*	Fair value adjustment *RMB'000*	Fair value *RMB'000*
Net assets acquired:			
Property, plant and equipment	6,805	—	6,805
Prepaid lease payment	3,993	1,746	5,739
Inventories	5,534	—	5,534
Trade and other receivables	13,688	—	13,688
Cash and cash equivalents	2,194	—	2,194
Trade and other payables	(24,034)	—	(24,034)
	8,180	1,746	9,926
Discount on acquisition			(3,026)
Total consideration, satisfied by cash			6,900
Net cash outflow arising on acquisition:			
Cash consideration paid			(6,900)
Cash and cash equivalents acquired			2,194
			(4,706)

The businesses acquired contributed revenue and incurred loss amounting to RMB302,000 and RMB924,000 respectively for the six months ended 30 June 2009.

If the above acquisitions had been completed on 1 January 2009, the Group's revenue for six months ended 30 June 2009 would have been RMB6,646,116,000 and profit for six months ended 30 June 2009 would have been RMB202,588,000. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

22. POST BALANCE SHEET EVENTS

(a) On 6 July 2009, Zhanjiang Chenming Paper Pulp Co., Ltd., a subsidiary of the Company, entered into purchase contracts with independent third parties to purchase various equipment and parts at an aggregate consideration of approximately RMB1.3 billion for the purpose of its culture paper project and consideration of approximately RMB1.5 billion for the purpose of the Zhanjiang pulp project, respectively.

On 6 August 2009, Shouguang Meilun Paper Co., Ltd., a subsidiary of the Company, entered into purchase contracts with independent third parties to purchase various equipment and parts at an aggregrate consideration of approximately RMB2 billion for the purpose of its coated paper project.

(b) Pursuant to the extraordinary general meeting of the Company held on 27 July 2009, a resolution on the construction of a high-end low weight coated paper project with an annual production capacity of 800,000 tonnes in Shouguang City was passed. The total investment amount for this project will be approximately RMB5.2 billion.

In the same meeting, a resolution on the construction of a high-end white coated linerboard project with an annual production of 600,000 tonnes in Shouguang City was passed. The total investment amount for this project will be approximately RMB2.6 billion.

Another resolution on the construction of the project of Chenming International Logistics Centre and the ancillary railway special line in Shouguang City was passed in the meeting. The total investment amount for this project will be approximately RMB2 billion.

The above projects are subject to approval from the relevant government authorities in the PRC. The project investments will be financed by funds raised by the Group and bank loans.

(c) Pursuant to the notification document from the relevant government authorities in Shandong Province issued on 6 July 2009, the Company has been recognised as one of the advanced techology enterprises in Shandong Province in 2009 for a period of three years. According to the applicable laws and regulations in the PRC, the Company will be entitled to pay the enterprise income tax at a reduced tax rate of 15% for three years after getting the approval from the relevant tax authority. As of the date of this report, the Company is in the progress of application to the tax authority.

§8 Purchase, sale or redemption of listed securities of the Company

During the reporting period, the Group did not purchase, sell or redeem any issued and outstanding listed securities of the Company.

§9 Code on Corporate Governance Practices

During the reporting period, the Group was in full compliance with the principles and code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

§10 Audit committee

The audit committee of the Company discussed with the management of the Company the accounting standards and practices adopted by the Company and discussed and reviewed this report, including the review of the financial statements of the Company for the six months ended 30 June 2009 prepared in accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards respectively.

By order of the Board
Chen Hongguo
Chairman

27 August 2009

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng, Mr. Hou Huancai, Mr. Zhou Shaohua, Mr. Geng Guanglin and Mr. Tan Daocheng, the non-executive Directors are Mr. Gan Zhihe, Mr. Zhao Wei and Mr. Cao Chunyu and the independent non-executive Directors are Mr. Diao Yuntao, Mr. Wang Zhihua, Ms. Zhou Chengjuan, Ms. Wang Yumei and Mr. Lau Ying Kit.

* *For identification purpose only*