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)

2010 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 our 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 the 2010 interim report (the "Report"), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of the Report. The Report has been prepared in both Chinese and English. For any discrepancies, the Chinese version shall prevail. The Report summary is extracted from the full text of the interim report, which is published at the same time on the websites of CNINF (www.cninfo.com.cn) and the Company (www.chenmingpaper.com). Investors should read the full text of the interim report for details.

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

1.3 All Directors were present in the third Board meeting of the sixth session of the Board of the Company at which the Report was reviewed and approved.

* *For identification purposes only*

1.4 The interim financial report of the Company and our subsidiaries (the "Group") for the six months ended 30 June 2010, which was prepared in accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards respectively, was not audited, but reviewed by the audit committee of the Company.

1.5 Chen Hongguo, the person in charge of the Company, Wang Chunfang, the financial controller of the Company and Li Dong, head of the accounting department (the accounting supervisor), declare that they warrant the truthfulness and completeness of the financial statements contained in the interim report.

§2 Company Information

2.1 Basic Information

Stock abbreviation	晨鳴紙業, 晨鳴 B		Chenming Paper (H shares)
Stock code	000488, 200488		1812
Stock exchanges 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, PRC		
Internet 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, PRC	22nd Floor, World Wide House, Central Hong Kong	No. 595 Shengcheng Road, Shouguang City, Shandong Province, PRC
Telephone	(86)-536-2158011, (86)-536-2156488	852-2501 0088	(86)-536-2158011, (86)-536-2156488
Facsimile	(86)-536-2158640	852-2501 0028	(86)-536-2158640
Email address	chenmmingpaper@163.com	kentpoon1009@yahoo.com.hk	chenmmingpaper@163.com

2.2 Major financial data and indicators

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

Unit: RMB

	As at the end of the reporting period	As at the end of last year	Increase/decrease as at the end of the reporting period compared with the end of last year (%)
Total assets	29,031,655,868.91	28,213,084,875.02	2.90%
Equity attributable to equity holders of the Company	12,981,044,645.08	12,991,904,321.68	-0.08%
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)	6.295	6.30	-0.08%
	The 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 operating revenue	8,176,641,676.99	6,675,366,559.73	22.49%
Operating profit	777,353,073.97	175,177,445.44	343.75%
Total profit	838,558,409.76	238,239,642.93	251.98%
Net profit attributable to equity holders of the Company	607,868,970.24	157,487,312.97	285.98%

Net profit after extraordinary gains or losses attributable to equity holders of the Company	571,504,710.16	112,230,568.55	409.22%
Basic earnings per share (RMB/share)	0.29	0.076	281.58%
Diluted earnings per share (RMB/share)	0.29	0.076	281.58%
Return on net assets (%)	4.57%	1.28%	3.29%
Net cash flows from operating activities	1,189,723,076.40	-526,101,807.48	326.14%
Net cash flows per share from operating activities (RMB/share)	0.58	-0.26	323.08%

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

Unit: RMB

Extraordinary gains or losses items	Amounts	Note (if applicable)
Gain or loss on disposal of non-current assets	-1,431,101.96	
Government grants accounted for in profit and loss account of the current period, except for government grants closely related to the corporate business that were given under at a fixed standard amount or quantity as stipulated by the State	49,349,630.83	
Gain or loss on debt restructuring	-545,247.24	
Except for effective hedging business conducted over the course of ordinary operation of the Company, gain or loss arising from fair value change in held-for-trading financial assets and held-for-trading financial liabilities, as well as investment gain on disposal of held-for-trading financial assets and held-for-trading financial liabilities and available-for-sale financial assets	-3,130,000.00	
Other non-operating income and expenses other than the above items	4,267,086.28	
Effect of minority interests	-5,771,228.14	
Effect of income tax	-6,374,879.69	
Total	36,364,260.08	—

2.2.3 Major financial data and indicators prepared in accordance with International Financial Reporting Standards

Unit: RMB'000

Items	As at the end of the reporting period	As at the end of last year	Increase/decrease as at the end of the reporting period compared with the end of last year (%)
Total assets	28,947,316	28,126,134	2.92%
Equity attributable to equity holders of the Company	12,674,653	12,672,015	0.02%
Net assets per share (RMB/share)	6.15	6.15	—
	The 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 profit	856,287	255,971	234.53%
Net profit attributable to equity holders of the Company	621,367	170,987	263.40%
Basic earnings per share (RMB)	0.30	0.08	275.00%
Diluted earnings per share (RMB)	N/A	N/A	N/A
Weighted average return on net assets	4.79%	1.43%	Increased by 3.36 percentage points
Net cash flows from operating activities	1,189,723	-526,102	326.14%
Net cash flows per share from operating activities (RMB)	0.58	-0.26	323.08%

2.2.4 Reconciliations of accounts prepared in accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards

Unit: RMB'000

Items	Accounting Standards For Business Enterprises	International Financial Accounting Standards
Net profit	696,079	713,808
Net assets	14,692,282	14,380,664
Reason for difference	In years prior to 2006, according to the principles of the Accounting Standards for Business Enterprises, the Group accounted for special fund for treasury bond received and special accounts payable related to construction of relevant fixed assets into capital reserve. However, according to the International Financial Reporting Standards, the Group accounted for such special fund for treasury bond received and special accounts payable into deferred income and such deferred income were amortized by installments over the useful lives of the fixed assets.	

§3 Changes in Share Capital and Shareholders

3.1 Changes in share capital

√ Applicable ☐ Not applicable

Unit: Shares

	Opening balance		Increase/decrease (+/-) resulting from changes in the reporting period					Closing balance	
	Number of shares	Percentage	New shares	Bonus shares	Capitalisation of reserves	Others	Sub-total	Number of shares	Percentage
I. Restricted shares	303,298,805	14.71%	—	—	—	368,123	368,123	303,666,928	14.73%
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	293,003,657	14.21%	—	—	—	—	—	293,003,657	14.21%
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Of which: Domestic non-state-owned legal person shares	—	—	—	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—	—	—	—
4. Foreign shares	—	—	—	—	—	—	—	—	—
Of which: Foreign legal person shares	—	—	—	—	—	—	—	—	—
Foreign natural person shares	—	—	—	—	—	—	—	—	—
5. Shares held by senior management	10,295,148	0.50%	—	—	—	368,123	368,123	10,663,271	0.52%
II. Non-restricted shares	1,758,747,136	85.29%	—	—	—	-368,123	-368,123	1,758,379,013	85.27%
1. RMB ordinary shares	809,979,651	39.28%	—	—	—	-368,123	-368,123	809,611,528	39.26%
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%
4. Others	—	—	—	—	—	—	—	—	—
III. Total shares	2,062,045,941	100.00%	—	—	—	—	—	2,062,045,941	100.00%

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 157,638, of which 126,799 were holders of A shares, 30,171 were holders of B shares and 668 were holders of H shares.				
Shareholdings of the top ten shareholders					
Name of shareholders	**Type of shareholders**	**Percentage of shareholding**	**Total number of shares held**	**Number of restricted shares held**	**Number of shares pledged or locked-up**
HKSCC NOMINEES LIMITED	Overseas legal person	18.91%	389,895,000	0	0
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	14.21%	293,003,657	293,003,657	0
PLATINUM ASIA FUND	Overseas legal person	2.10%	43,328,636	0	0
CHINA CONSTRUCTION BANK - 鵬華價值優勢股票型證券投資基金	Domestic non-state-owned legal person	1.62%	33,500,000	0	0
MANULIFE GLOBAL FUND	Overseas legal person	0.99%	20,324,321	0	0
HTHK-MANULIFE CHINA VALUE FUND	Overseas legal person	0.96%	19,807,483	0	0
BILL & MELINDA GATES FOUNDATION TRUST	Domestic non-state-owned legal person	0.95%	19,495,444	0	0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Overseas legal person	0.88%	18,138,126	0	0
BANK OF CHINA - 易方達深證100交易型開放式指數證券投資基金	Domestic non-state-owned legal person	0.77%	15,932,254	0	0
INDUSTRIAL AND COMMERCIAL BANK OF CHINA - 諾安股票證券投資基金	Domestic non-state-owned legal person	0.74%	15,259,170	0	0

Shareholding of the top ten shareholders of non-restricted shares		
Name of shareholders	**Number of non-restricted shares held**	**Classes of shares**
HKSCC NOMINEES LIMITED	389,895,000	Overseas listed foreign shares
PLATINUM ASIA FUND	43,328,636	Domestic listed foreign shares
CHINA CONSTRUCTION BANK - 鵬華價值優勢股票型證券投資基金	33,500,000	RMB ordinary shares
MANULIFE GLOBAL FUND	20,324,321	Domestic listed foreign shares
HTHK-MANULIFE CHINA VALUE FUND	19,807,483	Domestic listed foreign shares
BILL & MELINDA GATES FOUNDATION TRUST	19,495,444	RMB ordinary shares
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	18,138,126	Domestic listed foreign shares
BANK OF CHINA - 易方達深證100交易型開放式指數證券投資基金	15,932,254	RMB ordinary shares
INDUSTRIAL AND COMMERCIAL BANK OF CHINA - 諾安股票證券投資基金	15,259,170	RMB ordinary shares
DRAGON BILLION CHINA MASTER FUND	13,853,877	Domestic listed foreign shares
Connected relationship or concert-party relationship Holdings 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. Save for the above, the Company is not aware of any other shareholders of outstanding shares as aforesaid are connected with each other.	

3.3 Changes in the Company's 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 by product (prepared in accordance with Accounting Standards for Business Enterprises)

Unit: RMB'0000

Principal operations by industry						
By industry or by product	**Revenue from operations**	**Cost of sales**	**Gross profit margin (%)**	**Year-on-year increase/ decrease in revenue from operations (%)**	**Year-on-year increase/ decrease in cost of sales (%)**	**Year-on-year increase/ decrease in gross profit margin (%)**
Machine-made paper	775,251.90	607,485.00	21.64%	21.64%	12.20%	6.59%
Electricity and steam	17,586.70	14,302.60	18.67%	61.73%	92.65%	-13.05%
Sales of construction materials	17,387.20	14,421.10	17.06%	21.14%	22.90%	-1.19%
Chemical products	3,244.70	2,136.10	34.17%	774.82%	1,049.68%	-15.74%
Others	4,193.70	1,295.20	69.12%	-8.88%	-39.74%	15.81%
Total	817,664.20	639,640.00	21.77%	22.49%	13.63%	6.10%
Principal operations by product						
Light weight coated paper	68,662.00	57,389.90	16.42%	-13.26%	-15.67%	2.39%
Duplex press paper	97,492.70	79,091.80	18.87%	1.48%	-1.35%	2.32%
Writing paper	28,511.90	23,734.20	16.76%	67.62%	61.93%	2.93%
Copperplate paper	208,289.20	156,697.40	24.77%	59.91%	42.78%	9.02%
News press paper	72,850.70	63,052.20	13.45%	-17.41%	-15.49%	-1.97%
Paperboard	40,882.50	35,916.20	12.15%	57.47%	57.17%	0.17%
White paper board	105,403.90	74,677.00	29.15%	15.56%	-6.96%	17.15%

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

Unit: RMB'0000

Geographical segment	Operating revenue	Year-on-year increase/ decrease in revenue from operations (%)
PRC	713,769.80	19.94%
United States	4,363.80	-18.95%
Hong Kong	10,206.50	43.18%
Japan	11,242.20	-38.60%
South Africa	4,404.80	13.82%
Other overseas areas	73,677.10	95.18%
Total	817,664.20	22.49%

5.3 Explanation to material changes in principal operations and their structure

□ Applicable √ Not applicable

5.4 Explanation to material changes in profitability (gross profit margin) of principal operations as compared with the previous year

√ Applicable □ Not applicable

Due to the dissipation of the impact of the financial crisis, the sales prices of products had a significant increase during the period as compared to the same period of last year, thus increasing the gross profit margin for the period as compared to the same period of last year.

5.5 Analysis of reasons for material changes in profit structure as compared with the previous year

√ Applicable □ Not applicable

Due to the dissipation of the impact of the financial crisis, the sales prices of products had a significant increase during the period as compared to the same period of last year, thus increasing the gross profit margin for the period as compared to the same period of last year.

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 2010 Revenue from principal operations	For the six months ended 30 June 2010 As a percentage of revenue from operations (%)	For the six months ended 30 June 2009 Revenue from principal operations	For the six months ended 30 June 2009 As a percentage of revenue from operations (%)
Machine-made paper	7,746,143	95.01	6,366,257	95.84
Construction materials	172,994	2.12	143,530	2.16
Chemicals products	32,447	0.40	3,709	0.06
Electricity and steam	175,788	2.16	108,740	1.64
Others	25,500	0.31	20,655	0.30
Total	8,152,872	100.00	6,642,891	100.00

Unit: RMB'000

Geographical segment	For the six months ended 30 June 2010 Revenue from operations	For the six months ended 30 June 2010 As a percentage of revenue from operations (%)	For the six months ended 30 June 2009 Revenue from operations	For the six months ended 30 June 2009 As a percentage of revenue from operations (%)
PRC	7,113,928	87.26	5,918,486	89.10
United States	43,638	0.54	53,841	0.81
Hong Kong	102,065	1.25	71,282	1.07
Japan	112,422	1.38	183,108	2.76
South Africa	44,048	0.54	38,699	0.58
Other overseas areas	736,771	9.03	377,475	5.68
Total	8,152,872	100.00	6,642,891	100.00

Operating revenue for the reporting period amounted to RMB8,153 million, representing an increase of 22.73% over the amount of RMB6,643 million in the corresponding period of last year;

Operating revenue of machine-made paper amounted to RMB7,746 million, representing an increase of 21.67% over the corresponding period of last year, mainly due to: higher sales prices of the current period over the corresponding period of last year under the impact of the financial crisis.

Operating revenue of electricity and steam amounted to RMB176 million, representing an increase of 61.66% over the corresponding period of last year, mainly due to: higher sales prices of the current period over the corresponding period of last year under the impact of the financial crisis.

Operating revenue of building materials amounted to RMB173 million, representing an increase of 20.53% over the corresponding period of last year, mainly due to: higher sales volume of fiberboard in the current period than the corresponding period of last year because of market conditions and the higher revenue brought about by the newly added Shandong Lin Dun Wood Industry Co., Ltd. in the second half of last year.

Operating revenue of chemical products amounted to RMB30 million, representing an increase of 774.82% over the corresponding period of last year, mainly due to: the significant increase in sales of chemical products by the Company during the current period over the corresponding period of last year under the impact of the financial crisis.

Cost of sales and gross profit

Cost of sales as a percentage of revenue from operations

Unit: RMB'000

By industry or by product	**For the six months ended 30 June 2010**		**For the six months ended 30 June 2009**	
	Cost of sales	**As a percentage of product segment revenue (%)**	**Cost of sales**	**As a percentage of product segment revenue (%)**
Machine-made paper	6,057,446	78.20	5,396,915	84.77
Construction materials	144,211	83.36	117,342	81.75
Chemicals products	21,361	65.83	1,858	50.09
Electricity and steam	143,026	81.36	74,243	68.28
Others	10,773	42.25	6,541	31.67
Total	6,376,817	78.22	5,596,899	84.25

Gross Profit and Gross Profit Margin

By industry or by product	**For the six months ended 30 June 2010**		**For the six months ended 30 June 2009**	
	Gross profit	**Gross profit margin** *(%)*	**Gross profit**	**Gross profit margin** *(%)*
Machine-made paper	1,688,697	21.80	969,342	15.23
Construction materials	28,783	16.64	26,188	18.25
Chemicals products	11,086	34.17	1,851	49.91
Electricity and steam	32,762	18.64	34,497	31.72
Others	14,727	57.75	14,114	68.33
Total	1,776,055	21.78	1,045,992	15.75

Cost of sales of the Company in the first half of 2010 was RMB6,377 million, representing an increase of 13.93% over the corresponding period of last year. Gross profit was RMB1,776 million, representing an increase of 69.8% over the corresponding period of last year mainly due to: the bigger impact of price rise in raw materials on cost of sales than that of the corresponding period of last year. The gross profit margin increased mainly due to: the impact of financial crisis on the gross profit margin for the corresponding period of last year and significantly higher sales price for the reporting period.

Cost of sales of machine-made paper was RMB6,057 million, representing an increase of 12.24% over the corresponding period of last year mainly due to: the raw materials cost being higher than that of the corresponding period of last year under the impact of the financial crisis.

Cost of sales of electricity and steam was RMB143 million, representing a decrease of 92.65% over the corresponding period of last year mainly due to: the raw materials cost being higher than that of the corresponding period of last year under the impact of the financial crisis.

Cost of sales of construction materials was RMB144 million, representing an increase of 22.9% over the corresponding period of last year mainly due to: the sales volume of fiberboard in the current period being higher than that of the corresponding period of last year because of the market conditions.

Cost of sales of chemical products was RMB21 million, representing an increase of 1,049.68% over the corresponding period of last year mainly due to: the sales volume of chemicals products in the current period being higher than that of the corresponding period of last year under the impact of the financial crisis.

Other income

Other income for the first half of 2010 amounted to RMB99 million, representing a decrease of 15.73% over the corresponding period of last year mainly due to the RMB3.03 million gain resultig from the acquisition of an enterprise not under common control during the corresponding period last year.

Distribution expenses

Distribution expenses were RMB442 million for the first half of 2010, representing an increase of 29.88% over the corresponding period of last year mainly because of a rise in fuel prices and transportation cost per tonne kilometre as compared to the corresponding period of last year.

Administrative expenses

Administrative expenses of the Group for the first six months of the year were RMB429 million, representing an increase of 56.94% over the corresponding period of last year mainly due to: the wages for the period being higher than that of the corresponding period of last year under the impact of the financial crisis and higher investments on research and development by the Company and increased management fees.

Other expenses

Other expenses of the Group were RMB24 million for the first six months of 2010, representing a decrease of 69.86% over the same period of last year mainly due to: loss incurred by suspension of production of some production lines under the impact of the financial crisis in the same period of last year.

Gain on change in derivative financial instruments

Gain on change in derivative financial instrument of the Group was -RMB3.13 million, representing a decrease of RMB10.12 million over the corresponding period of last year mainly due to: the expiration of a forward exchange sales contract between the Company and its subsidiary Chenming (HK) Limited and the Shouguang branch and Hong Kong branch of China Construction Bank Corporation during the period. The gain on change in derivative financial instruments arising from the financial asset due in last period has been reversed in the current period, which decreases the gain on change in derivative financial instruments.

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

Gain on change in fair value less estimated sale cost of biological assets of the Group for the first six months of 2010 was RMB11.49 million and was mainly due to change in the fair value of the timber assets of the Group.

Finance costs

Finance costs of the Company for the first six months of 2010 were RMB137 million, representing a decrease of 29.93% over the corresponding period of last year mainly due to: the adoption of active financing methods by the Company such as issuance of medium-term notes, short-term debentures.

Income tax expense

Income tax expense for the first half of 2010 was RMB142 million, representing an increase of 173.34% over the corresponding period of last year mainly due to: significantly larger impacts on profits by factors such as higher sales than that of the corresponding period of last year

Profit attributable to minority interests

Profit attributable to minority interests was RMB92 million for the first six months of 2010, representing an increase of 181.33% over the corresponding period of last year mainly due to: the net profit realised for the period being significantly higher than that of the same period of last year under the impact of the financial crisis.

Net profit and net profit margin

Net profit for the first six months of 2010 was RMB621 million (excluding profit attributable to minority interests), representing an increase of 263.4% over the corresponding period of last year. The net profit margin was 7.62% (excluding profit attributable to minority interests), representing an increase of 5.05 percentage points as compared with 2.57% in the corresponding period of last year mainly due to higher profit margin resulting from significantly higher sales price in the current period than that of the period of last year.

Liquidity

In the first half year of 2010, the cash flows from operating activities, the cash flows from investment activities and the cash flows from financing activities of the Group were RMB1,190 million, -RMB1,187 million and -RMB485 million respectively, representing increases of 326.14%, 29.83% and -124.04% over the same period of last year. Among which:

(1) The increase in the cash flows from operating activities was mainly due to: higher revenue resulting from significantly higher sale prices in the current period compared with the same period of last year under the impact of the financial crisis.

(2) The increase in the cash flows from investment activities was mainly due to: (1) the decrease of RMB1,100 million in net cash flows from investment activities resulting from the investments on the Company's projects of copperplate paper of production capacity of 800,000 tonnes, tissue paper of production capacity of 60,000 tonnes, high-end white coated linerboard of

production capacity of 600,000 tonnes and the Zhanjiang pulp project; (2) the increase of RMB1,655 million in cash flows from investment activities over the same period last year resulting from the change in restricted bank deposits such as letter of credit and acceptance deposit;

(3) The decrease in the cash flows from financing activities was mainly due to: higher dividend of the current period than the same period last year as well as less bank borrowings (including medium-term notes) of the period than the same period last year mainly attributable to less discounted notes not yet due of the current period.

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

In the first half year of 2010, there was no significant seasonal effect on the capital requirements of the Company.

Principal sources of funding

In the first half year of 2010, 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 2010, the Group's bank borrowings increased by RMB2,476 million (excluding short-term debentures and medium-term notes), repayment of loans amounted to RMB4,714 million. Such borrowings bore interest rates ranging from 1.29% to 5.35%.

Gearing ratio of the Company

As at 30 June 2010, the gearing ratio of the Group was 34.88%, representing an increase of 0.3% compared with the ratio of 34.58% in 2009, mainly due to the increase of borrowings of the Company during the period.

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

As at 30 June 2010, the secured assets of the Group included the collateral of the fixed assets and land use rights of Jiangxi Chenming Paper Co., Ltd. made under the loan agreement entered into between International Finance Corporation ("IFC"), Deutsche Bank AG ("DEG") and China Construction Bank Nanchang Changbei Branch and 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. As at 30 June 2010, repayment in the amount of USD29,617,647.00 was paid for the above borrowings. As at 30 June 2010, the net book value of the collateral with regard to fixed assets was RMB1,052,966,876.50 and that with regard to the land use rights (intangible assets) was RMB72,249,726.02.

Contingent liabilities of the Company

As at 30 June 2010, there were no contingent liabilities of the Group.

Risk of fluctuations in foreign exchange rate and any relevant hedging

As at 30 June 2010, the exchange gains of the Group was RMB9,320,000, 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 the initial public 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 2010, the Group did not use derivative financial instruments for hedging purposes. However, the Group will continue to monitor the exposure of proceeds from global offering to foreign exchange fluctuations.

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

Due to a turnaround in the market landscape, the Company recorded higher average product price in the first three quarters of 2010 as compared with that of last year, which led to higher gross profit margin of the paper products of the Company and improved results of the Company. It is expected that the Company's accumulated net profit will increase by 50%-100% in January-September 2010 as compared with the corresponding period of last year.

VI. Focus of work for the second half of 2010

In the second half, the Company will be committed to achieving the goals as set at the beginning of the year. With a view to improving economic efficiency, the Company will continue to focus on new project construction, strengthened efforts in market exploration and greater energy saving and emission reduction:

(1) Project construction: To ensure the construction of the Zhanjiang Pulp Project, and the high-end low weight coated paper project and the tissue paper project to be implemented as planned, guarantee the construction quality and progress and be prepared for the staff deployment and training and operation of new production lines;

(2) To accelerate the construction of raw material bases on the basis of the forestry bases in Zhanjiang, Huizhou and Huanggang as the planned objective;

(3) Strengthened efforts in market exploration for greater and further development: To actively implement reasonable marketing measures with a view to optimizing its international marketing network and excel its project sale planning to increase sales channel;

(4) To strengthen internal control and system establishment and improve corporate governance with a view to enhancing its management strength;

(5) To continuously take resources saving and environmental protection as strategic objectives in the course of corporate development with a view to strengthening energy saving and emission reduction for the purpose of sustainable development.

5.7 Particulars of use of proceeds

5.7.1 Use of proceeds

√ Applicable ☐ Not applicable

Unit: RMB'0000

Total proceeds	272,825.00	Total amount of proceeds used during reporting period	74,733.37
Total amount of proceeds involved in change of use during reporting period	0.00		
Cumulative total amount of proceeds involved in change of use	0.00	Cumulative total amount of proceeds used	218,176.74
Proportion of cumulative total amount of proceeds involved in change of use	0.00%		

Investment projects undertaken	**Project change (including partially changed projects) ?**	**Total amount of proceeds undertaken for investment**	**Total investment amount after adjustment**	**Investment amount undertaken as of end of the period (1)**	**Invested amount during the period**	**Cumulative invested amount as of end of the period (2)**	**Difference between cumulative invested amount and undertaken investment amount as of end of the period (3)=(2)-(1)**	**Progress of investment as of end of the period (%) (4)=(2)/(1)**	**Date of project reaching the working condition for its intended use**	**Results realised during the period**	**Achieving its estimated results?**	**Any material change in feasibility of project?**
Zhanjiang pulp project of annual production capacity of 700,000 tonnes	No	248,271.00	248,271.00	218,176.74	74,733.37	218,176.74	0.00	100.00%	30 April 2011	0.00	No	No
Replenishment of working capital	No	24,554.00	24,554.00	24,510.00	0.00	24,510.00	0.00	100.00%	30 April 2011	0.00	No	No
Total	—	272,825.00	272,825.00	242,686.74	74,733.37	242,686.74	0.00	—	—	0.00	—	—

Particulars of and reasons for not meeting schedule or estimated income (by specific projects)	No
Particulars of material change in feasibility of project	No
Particulars of change in place of application of proceeds	No applicable
Particulars of adjustment to way of application of proceeds	No applicable
Particulars of application of proceeds in early stage and replacement of proceeds	No applicable
Particulars of application of idle proceeds for temporary replenishment of working capital	No applicable
Amount of positive balance of proceeds upon commencement of project and its reason	Not applicable
Uses and whereabouts of unused proceeds	The unused portion of the proceeds was deposited at special deposit bank accounts.
Issues and other particulars of use of proceeds and its disclosure	No

5.7.2 Particulars of change in project

☐ Applicable   √ Not applicable

5.8 Intended amendments to operating plans in the second half of the year by the Board

☐ Applicable   √ Not applicable

5.9 Warning of cumulative net profit for the period between the beginning of the year to end of next reporting period being projected to be losses or expected material change as compared to the same period last year and its explanation

√ Applicable   ☐ Not applicable

<table>
<tr><td>Results forecast</td><td colspan="8">Significant growth in the same direction</td></tr>
<tr><td></td><td colspan="3">Beginning of the year to end of next reporting period</td><td>Same period of last year</td><td colspan="4">Change(%)</td></tr>
<tr><td>Projected accumulated net profit (RMB'0000)</td><td>78,484.53</td><td>—</td><td>83,101.27</td><td>46,167.37</td><td>Increase</td><td>70.00%</td><td>—</td><td>80.00%</td></tr>
<tr><td>Earnings per share — basic (RMB/share)</td><td>0.38</td><td>—</td><td>0.40</td><td>0.2239</td><td>Increase</td><td>70.00%</td><td>—</td><td>80.00%</td></tr>
<tr><td>Particulars of results forecast</td><td colspan="8">(1) The Board's explanations to significant changes and material losses and turnaround.
(2) For results forecast that has been audited by certified accountant, the name of the accountants performing the pre-audit and whether there is any disagreement between the company and its certified accountants and particulars of the disagreement should be provided.
(3) Other information. Should there be any uncertainties that will affect the accuracy of the results forecast, the related information should be provided and due analysis of the potential impacts should be carried out.</td></tr>
</table>

5.10 Opinions of the company's board regarding the "modified auditor's report" for the current reporting period issued by the accountants

□ Applicable √ Not applicable

5.11 Particulars provided by the company's board regarding the changes and handling of the matters involved in the "modified auditor's report" for last year issued by the accountants

□ Applicable √ Not applicable

§6 Important matters

6.1 Acquisition and disposal of assets and asset restructuring

6.1.1 Acquisition of assets

□ Applicable √ Not applicable

6.1.2 Disposal of assets

□ Applicable √ Not applicable

6.1.3 Developments of the matter and the impact on the operating results and financial conditions for the reporting period since the publication of the asset restructuring report or announcements of acquisition/disposal of assets

□ Applicable √ Not applicable

6.2 Guarantees

√ Applicable ☐ Not applicable

Unit: RMB'0000

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)								
Name of obligor	**Date and number of the related announcement disclosing the guarantee amount**	**Amount of guarantee**	**Guarantee date (agreement date)**	**Guarantee provided**	**Type of guarantee**	**Term**	**Fulfilled or not?**	**Guarantee to related parties or not**
Total amount of external guarantee approved during the reporting period (A1)			0.00	Total amount of external guarantee provided during the reporting period (A2)				0.00
Total amount of external guarantee approved as at the end of the reporting period (A3)			0.00	Total balance of external guarantee provided as at the end of the reporting period (A4)				0.00
Guarantees provided by the Company for subsidiaries								
Name of obligor	**Date and number of the related announcement disclosing the guarantee amount**	**Amount of guarantee**	**Guarantee date (agreement date)**	**Guarantee provided**	**Type of guarantee**	**Term (year)**	**Fulfilled or not?**	**Guarantee to related parties or not**
Zhanjiang Chenming Paper Pulp Co., Ltd.	2006-07-27 (2006-042)	564,020.00	25 March 2008	109,035.00	Credit	15	No	No
Jiangxi Chenming Paper Co., Ltd.	2009-12-16 (2009-034)	45,000.00	10 December 2009	45,000.00	Credit	3	No	No
Jiangxi Chenming Paper Co., Ltd.	2003-03-17 (2003-002)	103,600.00	11 December 2003	5,000.00	Credit	9	No	No
Huanggang Chenming Arboriculture Co., Ltd.	2010-02-25 (2010-003)	16,000.00	20 April 2010	2,000.00	Credit	1	No	No
Wuhan Chenming Hanyang Paper Holdings Co. Ltd.	2009-05-27 (2009-012)	30,000.00	1 September 2009	4,000.00	Credit	1	No	No
Huanggang Chenming Arboriculture Co., Ltd.	2009-05-27 (2009-012)	10,000.00	2 June 2009	5,000.00	Credit	3	No	No
Shouguang Meilun Paper Co., Ltd.	2009-06-09 (2009-015)	8,000.00	1 January 2010	8,000.00	Credit	6	No	No

Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	2009-05-27 (2009-012)	28,000.00	21 September 2009	0.00	Credit	1	No	No
Shouguang Chenming Art Paper Co., Ltd.	2009-05-27 (2009-012)	10,000.00	6 May 2009	0.00	Credit	1	No	No
Jilin Chenming Paper Co., Ltd.	2009-05-27 (2009-012)	70,000.00	19 May 2009	0.00	Credit	1	No	No
Heze Chenming Panels Co., Ltd.	2009-05-27 (2009-012)	10,000.00	—	—	Credit	—	Non-performing	No
Chenming (HK) Limited	2009-05-27 (2009-012)	47,915.00	—	—	Credit	—	Non-performing	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	2010-02-25 (2010-003)	30,000.00	6 April 2010	0.00	Credit	1	No	No
Shouguang Chenming Art Paper Co., Ltd.	2010-02-25 (2010-003)	10,000.00	5 May 2010	0.00	Credit	1	No	No
Jilin Chenming Paper Co., Ltd.	2010-02-25 (2010-003)	30,000.00	18 May 2010	0.00	Credit	1	No	No
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	2010-02-25 (2010-003)	20,000.00	—	—	Credit	—	Contract has not been signed	No
Chenming (HK) Limited	2010-02-25 (2010-003)	102,423.00	—	—	Credit	—	Contract has not been signed	No
Xianning Chenming Arboriculture Co., Ltd.	2010-02-25 (2010-003)	10,000.00	—	—	Credit	—	Contract has not been signed	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)			218,423.00	Total amount of guarantee provided for subsidiaries during the reporting period (B2)				30,629.00
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)			1,144,958.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)				178,035.00
Total amount of guarantee provided by the Company (the sum of the above two main categories)								
Total amount of guarantee approved during the reporting period (A1+B1)			218,423.00	Total amount of guarantee provided during the reporting period (A2+B2)				30,629.00
Total amount of guarantee approved as at the end of the reporting period (A3+B3)			1,144,958.00	Total balance of guarantee provided as at the end of the reporting period (A4+B4)				178,035.00
Total amount of guarantee provided (A4+B4) as a percentage of the net assets of the Company								13.71%

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)	124,035.00
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)	124,035.00
Explanation on possible joint obligation on outstanding guarantees provided	Nil

6.3 Non-operating related creditors' rights and liabilities transactions

☐ Applicable √ Not applicable

6.4 Material litigation and arbitration

☐ Applicable √ Not applicable

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

√ Applicable ☐ Not applicable

1. During the reporting period, the Company did not invest in any securities, and the Company did not hold any equity interests in other listed companies, unlisted financial institutions or prospective listed companies.

2. During the reporting period, except for provision of entrusted loans to subsidiaries of the Company (for details, please refer to Note 8 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.

3. 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 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 2010 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 conformed to the requirements of the normal production and operation and reasonable utilisation of the funds of the Company, its decision-making procedure was legitimate, and did not impair the interests of the Company and other shareholders, especially the interests of medium and minority shareholders.

6.5.1 Securities investment

☐ Applicable ✓ Not applicable

6.5.2 Shareholding in other listed companies

☐ Applicable ✓ Not applicable

6.5.3 Repayment and non-operational use of capital by major shareholder and its subsidiaries

☐ Applicable ✓ Not applicable

6.5.4 Performance of undertakings by the Company, shareholders and beneficial controller

√ Applicable ☐ Not applicable

Undertakings	Covenantors	Subject matters	Performance
Undertakings in respect of the reform of conversion	Shouguang Chenming Holdings Co., Ltd.	The Shares held by it shall not be listed and traded within 48 months from the date of implementation of the reform of conversion.	Strictly adherence
Undertakings contained in acquisition report or report of change in equity	Nil	Nil	Nil
Undertakings on major assets reorganisation	Nil	Nil	Nil
Undertakings on share issue	Nil	Nil	Nil
Other undertakings (including supplementary undertakings)	Nil	Nil	Nil

6.5.5 Proposal of the Board on this profit distribution or transfer of capital reserves into share capital

☐ Applicable √ Not applicable

6.5.6 Other comprehensive income items

Unit: RMB

Items	Amounts for the current period	Amounts for the prior period
1. Gains (losses) from available-for-sale financial assets	—	—
Less: Income tax effect from available-for-sale financial assets	—	—
Transfer to profit or loss of other comprehensive income recognized previously in the current period, net	—	—
Sub-total	—	—
2. Share of the comprehensive income of the investees accounted for using the equity method	—	—
Less: Income tax effect from share of the comprehensive income of the investees accounted for using the equity method	—	—
Transfer to profit or loss of other comprehensive income recognized previously in the current period, net	—	—
Sub-total	—	—
3. Gains or (losses) from cash flow hedging instruments	—	—
Less: Income tax effect from cash flow hedging instruments	—	—
Transfer to profit or loss of other comprehensive income recognized previously in the current period, net	—	—
Adjustment on initial recognition of items transferred to hedged items	—	—
Sub-total	—	—
4. Translation difference of financial statements denominated in foreign currency	-124,067.32	-10,210.57
Less: Transfer to profit or loss on disposal of foreign operations in the period, net	—	—
Sub-total	-124,067.32	-10,210.57
5. Others	—	—
Less: Income tax effect from others recognized in other comprehensive income	—	—
Transfer to profit or loss of others recognized in other comprehensive income previously in the current period, net	—	—
Sub-total	—	—
Total	-124,067.32	-10,210.57

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
2010.1.19	Shouguang, Shandong	On-site research and investigation	CSC Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.1.25	Shouguang, Shandong	On-site research and investigation	GF Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.1.27	Shouguang, Shandong	On-site research and investigation	Penghua Fund, Galaxy Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.2.2	Shouguang, Shandong	On-site research and investigation	Sinolink Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development

Date of reception	Place of reception	Manner of reception	Parties accommodated	Main topics of discussion and information provided
2010.3.3	Shouguang, Shandong	On-site research and investigation	Value Partners Limited	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.3.8	Shouguang, Shandong	On-site research and investigation	Macquarie Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.3.9	Shouguang, Shandong	On-site research and investigation	貝斯因特股份有限公司	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.3.16	Shouguang, Shandong	On-site research and investigation	CITIC Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development

Date of reception	Place of reception	Manner of reception	Parties accommodated	Main topics of discussion and information provided
2010.3.17	Shouguang, Shandong	On-site research and investigation	Daiwa Securities, Japan	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.3.26	Shouguang, Shandong	On-site research and investigation	Industrial Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.3.31	Shouguang, Shandong	On-site research and investigation	Morgan Stanley	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.5.12	Shouguang, Shandong	On-site research and investigation	BOCI Research Limited	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development

Date of reception	Place of reception	Manner of reception	Parties accommodated	Main topics of discussion and information provided
2010.5.18	Shouguang, Shandong	On-site research and investigation	Nomura Securities	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development
2010.6.1	Shouguang, Shandong	On-site research and investigation	Zeal Asset Management Limited	Matters including recent development of the industry and development trend in the future, production and operation of the Company, as well asstrategic development

§7 Financial Report

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
As at 30 June 2010

Unit: RMB

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
CURRENT ASSETS:				
Monetary funds	2,082,976,768.06	1,190,871,289.62	2,892,923,245.93	2,037,930,262.40
Balances with clearing companies	—	—	—	—
Loans to banks and other financial institutions	—	—	—	—
Held-for-trading financial assets	7,900,000.00	—	14,900,000.00	—
Bills receivable	2,062,185,271.00	1,184,326,420.86	2,704,799,074.02	1,915,645,987.88
Accounts receivable	1,809,491,956.21	1,730,911,969.11	1,528,991,497.69	1,387,208,451.92
Prepayments	954,805,038.46	532,966,310.47	1,000,772,875.85	826,816,984.44
Premium receivable	—	—	—	—
Receivables from reinsurers	—	—	—	—
Reinsurance contract reserves receivable	—	—	—	—
Interest receivable	—	—	—	—
Dividend receivable	—	132,003,072.86	—	188,362,997.10
Other receivables	101,213,190.67	3,549,673,808.12	81,210,643.94	2,045,123,389.13
Financial assets purchased under agreements to resell	—	—	—	—
Inventory	3,137,538,934.48	1,418,037,174.32	2,226,579,492.59	901,471,663.46
Entrusted loans due within one year	—	1,822,000,000.00	—	1,688,000,000.00
Other current assets	150,066,661.76	81,565,385.69	90,756,205.60	35,927,902.98
Total current assets	10,306,177,820.64	11,642,355,431.05	10,540,933,035.62	11,026,487,639.31

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
NON-CURRENT ASSETS:				
Loans and advances to customers	—	—	—	—
Available-for-sale financial assets	—	—	—	—
Entrusted loans	—	500,000,000.00	—	395,000,000.00
Long-term receivables	—	—	—	—
Long-term equity investments	86,309,182.27	4,096,994,990.15	80,984,687.49	4,091,670,495.37
Investment properties	25,557,340.09	25,557,340.09	26,426,468.11	26,426,468.11
Fixed assets	13,235,502,615.92	5,473,150,396.30	13,529,590,915.63	5,741,048,494.95
Construction in progress	3,229,907,083.26	218,937,781.81	1,997,961,262.18	139,440,285.68
Construction materials	51,003,888.06	8,495,390.04	42,912,962.27	6,592,106.05
Disposal of fixed assets	8,758,079.00	—	—	—
Productive biological assets	—	—	—	—
Oil and gas assets	—	—	—	—
Intangible assets	1,328,345,385.05	357,605,127.40	1,313,428,867.12	349,130,281.02
Development expenditure	—	—	—	—
Goodwill	20,283,787.17	—	20,283,787.17	—
Long-term prepaid expenses	26,469,006.19	—	32,411,932.85	—
Deferred income tax assets	131,699,991.10	76,827,209.22	131,425,981.64	73,479,449.99
Other non-current assets	581,641,690.16	—	496,724,974.94	—
Total non-current assets	18,725,478,048.27	10,757,568,235.01	17,672,151,839.40	10,822,787,581.17
TOTAL ASSETS	29,031,655,868.91	22,399,923,666.06	28,213,084,875.02	21,849,275,220.48

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
CURRENT LIABILITIES:				
Short-term borrowings	1,577,823,931.10	1,031,761,488.03	3,103,153,828.18	2,637,914,967.54
Borrowings from the central bank	—	—	—	—
Customer bank deposits and due to banks and other financial institutions	—	—	—	—
Placements from banks and other financial institutions	—	—	—	—
Held-for-trading financial liabilities	2,580,000.00	2,580,000.00	6,450,000.00	6,450,000.00
Bills payable	349,608,052.57	263,411,052.57	544,532,508.19	456,914,277.59
Accounts payable	2,783,532,440.84	1,873,121,355.14	2,122,860,892.58	1,349,629,055.79
Advance receipts	167,353,774.37	222,565,080.32	233,123,691.11	168,878,896.38
Assets sold under agreements to repurchase	—	—	—	—
Handling charges and commission payable	—	—	—	—
Staff remuneration payables	183,493,227.22	114,303,299.73	245,501,281.04	133,530,934.62
Taxes payable	95,468,160.29	33,975,492.81	137,491,104.68	70,066,082.73
Interest payable	50,104,333.32	50,104,333.32	5,050,000.00	5,050,000.00
Dividend payable	—	—	78,807.70	78,807.71
Other payables	459,241,706.51	299,731,850.90	321,220,579.61	225,959,345.59
Due to reinsurers	—	—	—	—
Insurance contract reserves	—	—	—	—
Customer brokerage deposits	—	—	—	—
Securities underwriting brokerage deposits	—	—	—	—
Non-current liabilities due within one year	498,173,562.18	407,454,000.00	345,353,527.87	252,423,000.00
Other current liabilities	1,515,722,500.00	1,515,722,500.00	—	—
Total current liabilities	7,683,101,688.40	5,814,730,452.82	7,064,816,220.96	5,306,895,367.95
NON-CURRENT LIABILITIES:				
Long-term borrowings	4,222,357,666.73	2,302,390,935.94	5,087,424,182.26	3,418,358,035.94
Bonds payable	—	—	—	—
Long-term payables	—	—	—	—

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Deferred income	136,451,749.82	12,708,763.54	121,890,615.92	11,222,282.74
Special payables	—	—	—	—
Estimated liabilities	—	—	—	—
Deferred income tax liabilities	15,265,236.10	—	12,408,618.13	—
Other non-current liabilities	2,282,197,764.60	2,282,197,764.60	1,189,484,415.60	1,189,484,415.60
Total non-current liabilities	6,656,272,417.25	4,597,297,464.08	6,411,207,831.91	4,619,064,734.28
TOTAL LIABILITIES	14,339,374,105.65	10,412,027,916.90	13,476,024,052.87	9,925,960,102.23
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):				
Paid-up capital(or share capital)	2,062,045,941.00	2,062,045,941.00	2,062,045,941.00	2,062,045,941.00
Capital reserves	6,093,493,004.70	6,184,215,988.77	6,093,483,801.92	6,184,215,988.77
Less: Treasury shares	—	—	—	—
Special reserves	—	—	—	—
Surplus reserves	906,929,047.49	894,739,465.58	906,929,047.49	894,739,465.58
General risk provisions	—	—	—	—
Retained profit	3,917,841,485.49	2,846,894,353.81	3,928,586,297.55	2,782,313,722.90
Foreign currency translation differences	735,166.40	—	859,233.72	—
Total equity attributable to equity holders of the company	12,981,044,645.08	11,987,895,749.16	12,991,904,321.68	11,923,315,118.25
Minority interests	1,711,237,118.18	—	1,745,156,500.47	—
Total owners' equity	14,692,281,763.26	11,987,895,749.16	14,737,060,822.15	11,923,315,118.25
TOTAL LIABILITIES AND OWNERS' EQUITY	29,031,655,868.91	22,399,923,666.06	28,213,084,875.02	21,849,275,220.48

7.2.2 Income statement

Prepared by: Shandong Chenming Paper Holdings Limited
January to June 2010

Unit: RMB

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
I. Total operating revenue	8,176,641,676.99	7,103,442,044.05	6,675,366,559.73	6,181,612,312.77
Including: Operating revenue	8,176,641,676.99	7,103,442,044.05	6,675,366,559.73	6,181,612,312.77
Interest income	—	—	—	—
Earned premium	—	—	—	—
Handling charges and commission income	—	—	—	—
II. Total operating costs	7,411,971,191.83	6,605,747,928.23	6,499,643,053.93	6,075,892,497.26
Including: Operating costs	6,396,400,180.14	6,017,146,134.97	5,629,255,046.18	5,578,614,295.07
Interest expenses	—	—	—	—
Handling charges and commission expenses	—	—	—	—
Surrenders	—	—	—	—
Net claims paid	—	—	—	—
Net change in insurance contract reserves	—	—	—	—
Policyholder dividend expenses	—	—	—	—
Expenses for reinsurance accepted	—	—	—	—
Business taxes and surcharges	10,397,727.74	1,746,468.34	7,109,033.53	154,785.75
Selling and distribution expenses	441,501,879.97	229,508,020.80	339,929,245.25	214,720,116.93
General and administrative expenses	417,135,260.86	210,426,747.56	335,899,354.53	114,469,006.05
Finance expenses	125,739,655.86	111,970,947.81	176,847,315.84	155,142,424.33
Loss on impairment of assets	20,796,487.26	34,949,608.75	10,603,058.60	12,791,869.13

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
Add: Gain on change in fair value ("-" denotes loss)	8,358,094.03	3,870,000.00	8,985,659.76	-5,200,000.00
Investment income ("-" denotes loss)	4,324,494.78	249,697,380.90	-9,531,720.12	36,407,598.41
Including: Investment income from associates and joint ventures	4,324,494.78	4,324,494.78	-9,531,720.12	-9,531,720.12
Foreign exchange gains ("-" denotes loss)	—	—	—	—
III. Operating profit ("-" denotes loss)	777,353,073.97	751,261,496.72	175,177,445.44	136,927,413.92
Add: Non-operating income	67,413,802.58	32,258,682.65	68,384,829.29	32,808,385.47
Less: Non-operating expenses	6,208,466.79	3,993,753.67	5,322,631.80	4,666,580.20
Including: Loss on disposal of non-current assets	3,130,585.22	1,904,148.67	4,653,149.89	4,449,274.39
IV. Total profit ("-" denotes total loss)	838,558,409.76	779,526,425.70	238,239,642.93	165,069,219.19
Less: Income tax expenses	142,479,322.30	96,332,012.49	52,124,816.31	49,719,019.10
V. Net profit ("-" denotes net loss)	696,079,087.46	683,194,413.21	186,114,826.62	115,350,200.09
Net profit attributable to equity holders of the Company	607,868,970.24	683,194,413.21	157,487,312.97	115,350,200.09
Minority interests	88,210,117.22	—	28,627,513.65	—
VI. Earnings per share:				
(I) Basic earnings per share	0.29	0.33	0.076	0.056
(II) Diluted earnings per share	0.29	—	0.076	—
VII. Other comprehensive income	-124,067.32	—	-10,210.57	—
VIII. Total comprehensive income	695,955,020.14	683,194,413.21	186,104,616.05	115,350,200.09
Total comprehensive income attributable to equity holders of the Company	607,744,902.92	683,194,413.21	157,477,102.40	115,350,200.09
Total comprehensive income attributable to minority interests	88,210,117.22	—	28,627,513.65	—

7.2.3 Cash flow statements

Prepared by: Shandong Chenming Paper Holdings Limited
January to June 2010

Unit: RMB

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
I. Cash flows from operating activities:				
Cash received from sales of goods and rendering of services	8,396,743,627.10	6,528,632,656.16	5,072,568,207.01	4,131,278,897.79
Net increase in customer bank deposits and due to banks and other financial institutions	—	—	—	—
Net increase in borrowings from the central bank	—	—	—	—
Net increase in placements from other financial institutions	—	—	—	—
Cash received from premiums under original insurance contracts	—	—	—	—
Net cash received from reinsurance business	—	—	—	—
Net increase in deposits from policyholders	—	—	—	—
Net increase from disposal of held-for-trading financial assets	—	—	—	—
Cash received from interest, handling charges and commissions	—	—	—	—
Net increase in placements from banks and other financial institutions	—	—	—	—
Net capital increase of repurchase business	—	—	—	—
Tax rebates received	9,564,967.88	—	7,596,994.38	—
Cash received relating to other operating activities	149,110,831.59	46,562,110.75	101,170,561.40	52,407,526.45
Subtotal of cash inflows from operating activities	8,555,419,426.57	6,575,194,766.91	5,181,335,762.79	4,183,686,424.24
Cash paid for goods and services	5,928,577,889.61	4,554,172,766.62	4,710,646,865.64	4,391,742,107.99

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
Net increase in loans and advances to customers	—	—	—	—
Net increase in deposits with the central bank and other financial institutions	—	—	—	—
Cash paid for claims under original insurance contracts	—	—	—	—
Cash paid for interest, handling charges and commission	—	—	—	—
Cash paid for policyholder dividend	—	—	—	—
Cash paid to and for employees	398,614,872.25	130,147,836.04	253,887,714.94	94,149,841.11
Payments of taxes and surcharges	704,611,703.50	446,152,782.46	343,299,580.44	181,207,781.34
Cash paid relating to other operating activities	333,891,884.81	1,480,177,671.73	399,603,409.25	571,437,104.56
Subtotal of cash outflows from operating activities	7,365,696,350.17	6,610,651,056.85	5,707,437,570.27	5,238,536,835.00
Net cash flows from operating activities	1,189,723,076.40	-35,456,289.94	-526,101,807.48	-1,054,850,410.76
II. Cash flows from investing activities:				
Cash received from investments	—	296,000,000.00	—	580,900,000.00
Cash received from investment income	—	182,607,069.44	—	50,939,318.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20,129,176.66	18,977,755.80	19,421,000.00	19,099,922.08
Net cash received from disposal of subsidiaries and other business units	—	—	—	—
Cash received relating to other investing activities	—	—	47,990,000.00	4,850,000.00
Subtotal of cash inflows from investing activities	20,129,176.66	497,584,825.24	67,411,000.00	655,789,240.61
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	1,521,600,542.26	30,295,440.54	407,727,921.18	21,564,955.31
Cash paid on investments	1,010,000.00	535,000,000.00	6,000,000.00	406,000,000.00

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
Net increase in pledged loans	—	—	—	—
Net cash paid for acquisition of subsidiaries and other business units	—	—	5,706,000.00	—
Cash paid relating to other investing activities	—	—	—	—
Subtotal of cash outflows from investing activities	1,522,610,542.26	565,295,440.54	419,433,921.18	427,564,955.31
Net cash flows from investing activities	-1,502,481,365.60	-67,710,615.30	-352,022,921.18	228,224,285.30
III. Cash flows from financing activities:				
Cash received from capital contribution	—	—	—	—
Including: cash received from minority interest contribution to subsidiaries	—	—	—	—
Cash received from borrowings	2,475,825,316.09	1,447,618,522.84	6,483,130,711.58	5,798,764,711.64
Cash received from bond issue	—	—	—	—
Cash received relating to other financing activities	2,899,268,303.74	2,875,273,211.00	—	—
Subtotal of cash inflows from financing activities	5,375,093,619.83	4,322,891,733.84	6,483,130,711.58	5,798,764,711.64
Cash repayments of amounts borrowed	4,713,400,265.77	4,068,972,362.27	3,546,592,000.00	2,757,800,070.71
Cash paid for dividend and profit distribution or interest payment	831,853,799.22	696,143,228.07	217,493,000.00	160,011,987.42
Including: dividend and profit paid to minority interests by subsidiaries	—	—	—	—
Cash paid relating to other financing activities	—	—	2,040,013,989.64	2,015,594,417.01
Subtotal of cash outflows from financing activities	5,545,254,064.99	4,765,115,590.34	5,804,098,989.64	4,933,406,475.14
Net cash flows from financing activities	-170,160,445.16	-442,223,856.50	679,031,721.94	865,358,236.50

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-11,859,439.78	-10,495,000.04	-1,378,763.33	-70,524.91
V. Net increase in cash and cash equivalents	-494,778,174.14	-555,885,761.78	-200,471,770.05	38,661,586.13
Add: Balance of cash and cash equivalents as at the beginning of the period	2,367,334,202.50	1,586,045,998.83	2,687,579,159.85	2,080,005,634.40
VI. Balance of cash and cash equivalents as at the end of the period	1,872,556,028.36	1,030,160,237.05	2,487,107,389.80	2,118,667,220.53

Default Page Layout

7.2.4 Consolidated statement of changes in owners' equity

Prepared by: Shandong Chenming Paper Holdings Limited January to June 2010 Unit: RMB

	Amounts for the current period													
	Equity attributable to equity holders of the Company										Equity attributable to equit			
Items	Paid-up capital (or share capital)	Capital reserves	Less: Treasury Shares	Special reserves	Surplus reserves	General risk provisions	Retained profit	Others	Minority interests	Total owners' equity	Paid-up capital (or share capital)	Capital reserves	Less: Treasury Shares	Special reserves
I. Balance as at the end of the prior year	2,062,045,941.00	6,093,483,801.92	—	—	906,929,047.49	—	3,928,586,297.55	859,233.72	1,745,156,500.47	14,737,060,822.15	2,062,045,941.00	6,093,483,801.92	—	—
Add: Accounting policy change	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
II. Balance as at the beginning of the year	2,062,045,941.00	6,093,483,801.92	—	—	906,929,047.49	—	3,928,586,297.55	859,233.72	1,745,156,500.47	14,737,060,822.15	2,062,045,941.00	6,093,483,801.92	—	—
III. Changes in the year ("-" denotes decrease)	—	9,202.78	—	—	—	—	-10,744,812.06	-124,067.32	-33,919,382.29	-44,779,058.89	—	—	—	—
(I) Net profit	—	—	—	—	—	—	607,868,970.24	—	88,210,117.22	696,079,087.46	—	—	—	—
(II) Other comprehensive income	—	—	—	—	—	—	—	-124,067.32	—	-124,067.32	—	—	—	—
Sub-total of (I) and (II) above	—	—	—	—	—	—	607,868,970.24	-124,067.32	88,210,117.22	695,955,020.14	—	—	—	—
(III) Capital paid in and reduced by owners	—	9,202.78	—	—	—	—	—	—	—	9,202.78	—	—	—	—
1. Capital paid in by owners	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Amounts of share-based payments recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Others	—	9,202.78	—	—	—	—	—	—	—	9,202.78	—	—	—	—
(IV) Profit distribution	—	—	—	—	—	—	-618,613,782.30	—	-122,110,296.73	-740,724,079.03	—	—	—	—
1. Transfer to surplus reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Transfer to general risk provision	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distribution to owners (shareholders)	—	—	—	—	—	—	-618,613,782.30	—	-122,110,296.73	-740,724,079.03	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(V) Transfer within owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Transfer from capital reserves to capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Transfer from surplus reserves to capital (or share capital)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Transfer from surplus reserves to make up for losses	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(VI) Special reserves	—	—	—	—	—	—	—	—	-19,202.78	-19,202.78	—	—	—	—
1. Appropriated in the period	—	—	—	—	—	—	—	—	-19,202.78	-19,202.78	—	—	—	—
2. Used in the period														
IV. Balance as at the end of the period	2,062,045,941.00	6,093,493,004.70	—	—	906,929,047.49	—	3,917,841,485.49	735,166.40	1,711,237,118.18	14,692,281,763.26	2,062,045,941.00	6,093,483,801.92	—	—

Default Page Layout

7.2.5 Statement of changes in equity of equity holders of the Company

Prepared by: Shandong Chenming Paper Holdings Limited January to June 2010 Unit: RMB

	Amounts for the current period										
Items	Paid-up capital (or share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profit	Total owners' equity	Paid-up capital (or share capital)	Capital reserves	Less: Treasury shares
I. Balance as at the beginning of the prior year	2,062,045,941.00	6,184,215,988.77	–	–	894,739,465.58	–	2,782,313,722.90	11,923,315,118.25	2,062,045,941.00	6,184,215,988.77	–
Add: Accounting policy changes	–	–	–	–	–	–	–	–	–	–	–
Corrections of prior period errors	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–
II. Balance as at the beginning of the year	2,062,045,941.00	6,184,215,988.77	–	–	894,739,465.58	–	2,782,313,722.90	11,923,315,118.25	2,062,045,941.00	6,184,215,988.77	–
III. Changes in the year ("-" denotes decrease)	–	–	–	–	–	–	64,580,630.91	64,580,630.91	–	–	–
(I) Net profit	–	–	–	–	–	–	683,194,413.21	683,194,413.21	–	–	–
(II) Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Sub-total of (I) and (II)	–	–	–	–	–	–	683,194,413.21	683,194,413.21	–	–	–
(III) Capital paid in and reduced by owners	–	–	–	–	–	–	–	–	–	–	–
1. Capital paid in by owners	–	–	–	–	–	–	–	–	–	–	–
2. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–
(IV) Profit distribution	–	–	–	–	–	–	-618,613,782.30	-618,613,782.30	–	–	–
1. Transfer to surplus reserves	–	–	–	–	–	–	–	–	–	–	–
2. Transfer to general risk provision	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to owners (shareholders)	–	–	–	–	–	–	-618,613,782.30	-618,613,782.30	–	–	–
4, Others	–	–	–	–	–	–	–	–	–	–	–
(V) Transfer with owners' equity	–	–	–	–	–	–	–	–	–	–	–
1. Transfer from capital reserves to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–
2. Transfer from surplus reserves to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–
3. Transfer from surplus reserves to make up for losses	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–
(VI) Special reserves	–	–	–	–	–	–	–	–	–	–	–
1. Appropriated in the period	–	–	–	–	–	–	–	–	–	–	–
2. Used in the period	–	–	–	–	–	–	–	–	–	–	–
IV. Balance as at the end of the period	2,062,045,941.00	6,184,215,988.77	–	–	894,739,465.58	–	2,846,894,353.81	11,987,895,749.16	2,062,045,941.00	6,184,215,988.77	–

7.3 Notes to the financial statements

7.3.1 Subject matters of and reasons for changes in accounting policies and accounting estimates or correction of accounting errors and explanation on their effects

□ Applicable √ Not applicable

7.3.2 Reasons for material changes in respect of the scope of consolidation and explanation on their effects

□ Applicable √ Not applicable

7.3.3 The matters involved in the non-standard auditing report issued by the auditors and the related notes

□ Applicable √ Not applicable

7.4 Financial Statements Prepared in Accordance with International Financial Reporting Standards

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	Six months ended 30 June 2010 *RMB'000* *(unaudited)*	2009 *RMB'000* *(unaudited)*
Revenue	1	8,152,872	6,642,891
Cost of sales		(6,376,817)	(5,596,899)
Gross profit		1,776,055	1,045,992
Other income	3	99,084	100,780
Distribution expenses		(441,502)	(339,929)
Administrative expenses		(428,583)	(273,087)
Other expenses		(24,773)	(82,196)
Change in fair value of derivative financial instruments		(3,130)	6,993
Change in fair value less costs to sell of biological assets		11,488	1,993
Share of results of associates		4,325	(9,531)
Finance costs - interest		(136,677)	(195,044)
Profit before tax	4	856,287	255,971
Income tax expense	5	(142,479)	(52,125)
Profit for the period		713,808	203,846
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(124)	(11)
Total comprehensive income for the period		713,684	203,835

	Notes	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		621,367	170,987
Non-controlling interests		92,441	32,859
		713,808	203,846
Total comprehensive income for the period attributable to:			
Owners of the Company		621,243	170,976
Non-controlling interests		92,441	32,859
		713,684	203,835
Earnings per share	7		
— Basic		RMB0.30	RMB0.08
— Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	Notes	At 30 June 2010 RMB'000 (unaudited)	At 31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	16,474,617	15,514,870
Prepaid lease payments	8	1,286,130	1,275,915
Investment properties		25,557	26,427
Interests in associates		61,458	57,133
Available-for-sale investments		24,851	23,851
Goodwill		20,284	20,284
Biological assets		581,642	496,725
Deferred tax assets		131,700	131,426
		18,606,239	17,546,631
Current assets			
Inventories		3,137,539	2,226,579
Trade and other receivables	9	5,050,112	5,380,105
Prepaid lease payments	8	34,899	38,571
Derivative financial instruments		7,900	14,900
Current tax recoverable		27,650	26,425
Restricted bank deposits	10	210,421	525,589
Bank balances and cash		1,872,556	2,367,334
		10,341,077	10,579,503
Current liabilities			
Trade and other payables	11	4,073,504	3,570,370
Borrowings	12	2,075,997	3,448,507
Debentures	13	1,515,723	—
Current tax payable		15,299	39,410
Dividend payable		—	79
Deferred income		20,598	24,349
Derivative financial instruments		2,580	6,450
		7,703,701	7,089,165
Net current assets		2,637,376	3,490,338
Total assets less current liabilities		21,243,615	21,036,969

	Notes	At 30 June 2010 *RMB'000* *(unaudited)*	At 31 December 2009 *RMB'000* *(audited)*
Non-current liabilities			
Borrowings	12	4,222,359	5,087,424
Deferred income		343,129	339,938
Deferred tax liabilities		15,265	12,409
Debentures	13	2,282,198	1,189,484
		6,862,951	6,629,255
NET ASSETS		14,380,664	14,407,714
Capital and reserves			
Share capital	14	2,062,046	2,062,046
Reserves		10,612,607	10,609,969
Equity attributable to owners of the Company		12,674,653	12,672,015
Non-controlling interests		1,706,011	1,735,699
TOTAL EQUITY		14,380,664	14,407,714

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Translation reserve	Retained earnings	Attributable to owners of the Company	Non Controlling Interests	Total equity
	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	2,062,046	5,765,795	825,360	117	880	3,257,994	11,912,192	1,744,777	13,656,969
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 shareholders	—	—	—	—	—	—	—	(13,490)	(13,490)
At 30 June 2009	2,062,046	5,777,811	825,360	117	869	3,313,863	11,980,066	1,764,146	13,744,212
At 1 January 2010	2,062,046	5,783,856	906,812	117	859	3,918,325	12,672,015	1,735,699	14,407,714
Total comprehensive income for the period	—	—	—	—	(124)	621,367	621,243	92,441	713,684
Dividends recognised as distribution	—	—	—	—	—	(618,614)	(618,614)	—	(618,614)
Transfer of reserves (note)	—	9,029	—	—	—	(9,029)	—	—	—
Acquisition of additional interest in a subsidiary	—	9	—	—	—	—	9	(19)	(10)
Distribution made by subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	(122,110)	(122,110)
At 30 June 2010	2,062,046	5,792,894	906,812	117	735	3,912,049	12,674,653	1,706,011	14,380,664

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 statement of financial position and credited to profit or loss 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 STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,189,723	(526,102)
Purchase of property, plant and equipment and lease payments on land use rights	(1,521,601)	(407,728)
Acquisition of additional interests in subsidiary from non-controlling shareholders of subsidiaries	(10)	—
Net cash outflow arising from acquisition of subsidiaries	—	(5,706)
Investment in available-for-sale investments	(1,000)	—
Investment in an associate	—	(6,000)
Decrease /(Increase) in restricted bank deposits	315,168	(1,340,014)
Proceeds on disposal of property, plant and equipment	20,129	19,421
Government grants received	—	47,990
NET CASH USED IN INVESTING ACTIVITIES	(1,187,314)	(1,692,037)
Net proceeds on issuance of debentures	2,584,100	—
Debentures repaid	—	(700,000)
New borrowings raised	2,475,825	6,483,131
Borrowings repaid	(4,713,400)	(3,546,592)
Dividend paid	(618,693)	—
Interest paid	(128,629)	(204,003)
Dividends paid to non-controlling shareholders of subsidiaries	(84,532)	(13,490)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(485,329)	2,019,046
DECREASE IN CASH AND CASH EQUIVALENTS	(482,920)	(199,093)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,367,334	2,687,579
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(11,858)	(1,379)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY	1,872,556	2,487,107
Bank and cash balances	1,872,556	2,487,107

1. REVENUE

	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Sale of paper products	7,746,143	6,366,257
Sale of construction materials	172,994	143,530
Sale of electricity and steam	175,788	108,740
Sale of chemical products	32,447	3,709
Others	25,500	20,655
	8,152,872	6,642,891

2. SEGMENT INFORMATION

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 2010

	Paper product RMB'000 (unaudited)	Construction materials RMB'000 (unaudited)	Electricity and steam RMB'000 (unaudited)	Others RMB'000 (unaudited)	Eliminations RMB'000 (unaudited)	Total RMB'000 (unaudited)
REVENUE						
External sales	7,746,143	172,994	175,788	57,947	—	8,152,872
Inter-segment sales	—	34,214	124,731	4,247	(163,192)	—
Total	7,746,143	207,208	300,519	62,194	(163,192)	8,152,872
Segment results	1,179,153	(10,204)	25,773	5,557	—	1,200,279
Unallocated expenses						(204,185)
Change in fair value of derivative financial instruments						(3,130)
Financial costs - interest						(136,677)
Profit before tax						856,287
Income tax charge						(142,479)
Profit for the period						713,808

Six months ended 30 June 2009

	Paper product	**Construction materials**	**Electricity and steam**	**Other**	**Eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
REVENUE						
External sales	6,366,257	143,530	108,740	24,364	—	6,642,891
Inter-segment sales	—	20,115	105,799	4,149	(130,063)	—
Total	6,366,257	163,645	214,539	28,513	(130,063)	6,642,891
Segment results	538,417	(12,261)	30,437	(14,262)	—	542,331
Unallocated expenses						(98,309)
Change in fair value of derivative financial instruments						6,993
Financial costs - interest						(195,044)
Profit before tax						255,971
Income tax charge						(52,125)
Profit for the period						203,846

3. OTHER INCOME

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Government grants:		
Expansion grants (note a)	49,350	35,377
Value-added tax refund (note b)	9,565	7,597
	58,915	42,974
Interest income	14,026	27,045
Net exchange gain	8,150	257
Net gain from sales of scrap	—	5,828
Discount on acquisition of subsidiaries	—	3,026
Gain from disposal of property, plant and equipment	—	5,771
Others	17,993	15,879
	99,084	100,780

Notes:

(a) Government grants from the local municipal governments were granted to the Group in order to encourage development of the Group's business. According to the relevant government grant documents, the grants are 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.

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Gross rental income from investment properties	(665)	(1,242)
Less: Direct operating expenses from investment properties that generated rental income during the period	71	223
Net rental income from investment properties	(594)	(1,019)
Loss on suspension of production (note i)	23,773	82,196
Allowance for bad and doubtful debts	32,283	23,555
Reversal of allowance for inventories (note ii)	(3,027)	(12,952)
Release of lease payment charge	17,499	9,897
Depreciation of property, plant and equipment	561,450	591,219
Depreciation of investment properties	870	869
Loss/(Gain) on disposal of property, plant and equipment	1,431	(5,771)

Note:

(i) As a result of the financial crisis in the second half of 2008, the Group's pulp production and construction materials business has been adversely affected and the Group has temporarily suspensed certain production units during that year to reduce losses. The loss on suspension of production mainly includes depreciation and staff cost. The production line for the pulp has been resumed in 2009. During the period under review, except for the production lines for construction materials of two subsidiaries, Qihe Chenming Panels Co., and Heze Chenming Panels Co., Ltd which are still suspended, the remaining production line for construction materials has been resumed.

(ii) In 2008, the Group had written-down inventories for paper products to net realisable value. Since the selling price of paper products increased during the year 2009 and current period, the write-down of inventories has been reversed during current and prior period.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax	139,897	56,622
Deferred tax charge/(credit)	2,582	(4,497)
	142,479	52,125

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group's Hong Kong subsidiary has sufficient tax losses brought forward to set off against current period's estimated assessable profits.

Tax charge on the Company and its PRC subsidiaries have been calculated at the prevailing PRC Enterprise Income Tax rate, based on existing legislation, interpretation and practices in respect thereof.

6. DIVIDENDS

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Final Dividend declared for:		
- 2008 (RMB0.05 per share)	—	103,102
- 2009 (RMB0.3 per share)	618,614	—
	618,614	103,102

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: 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 approximately RMB621,367,000 (2009: RMB170,987,000) and on the weighted average number of shares of 2,062,046,000 (2009: 2,062,046,000) in issue during the period.

The Group has no potential ordinary shares during each of the six months ended 30 June 2009 and 2010.

8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period, the Group acquired property, plant and equipment amounting to approximately RMB1,556,926,000 (2009: RMB381,386,000) and made prepaid lease payments in relation to land use rights amounting to approximately RMB31,880,000 (2009: RMB26,342,000).

At 30 June 2010, the Group has pledged certain property, plant and equipment and prepaid lease payments on land use rights having carrying amounts of approximately RMB1,052,967,000 (31 December 2009: RMB1,083,390,000) and RMB72,250,000 (31 December 2009: RMB73,051,000) 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. TRADE AND OTHER RECEIVABLES

	At 30 June 2010 *RMB'000* *(unaudited)*	**At 31 December 2009** *RMB'000* *(audited)*
Trade receivables aged:		
0 - 90 days	1,398,561	1,172,891
91 - 180 days	238,037	224,042
181 - 365 days	107,855	37,598
1 - 2 years	17,991	87,634
2 - 3 years	47,048	6,826
Total trade receivables	1,809,492	1,528,991
Bills receivable aged:		
0 - 90 days	1,421,919	1,658,656
91 - 180 days	640,266	1,046,143
Total bills receivable	2,062,185	2,704,799
Other receivables	223,630	145,543
Deposits and prepayment	954,805	1,000,772
	5,050,112	5,380,105

The Group allows an average credit period of 90 days to its trade customers, except for certain customers with credit period more than 90 days.

At 30 June 2010, the Group has discounted bills with recourse with an aggregate amount of RMB1,127,345,000 (2009: RMB2,091,068,000). The Group continues to recognised the full carrying amount of such bills receivable and has recognised the cash received on such discounting as secured borrowings as set out in note 12.

10. 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 RMB210,421,000 (2009: RMB525,589,000) and are therefore classified as current assets. The restricted bank deposits carry fixed interest rate of 1.98% (2009: 1.98%) per annum as at 30 June 2010. The pledged bank deposits will be released upon the settlement of relevant short-term bills issued.

11. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	At 30 June 2010	**At 31 December 2009**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables aged:		
0 - 90 days	2,058,059	1,206,281
91 - 180 days	267,019	574,416
181 - 365 days	220,051	104,682
1 - 2 years	137,622	155,634
2 - 3 years	48,816	52,666
Over 3 years	51,965	29,182
Total trade payables	2,783,532	2,122,861
Bills payable aged:		
0 - 90 days	206,311	428,218
91 - 180 days	143,297	116,314
Total bills payable	349,608	544,532
Other payables	722,906	618,649
Advances received from customers	167,354	233,124
Accrued charges	50,104	51,204
	4,073,504	3,570,370

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.

12. BORROWINGS

During the period, the Group obtained new bank and other loans in the amount of RMB2,475,825,000 and made repayments in the amount of RMB4,713,400,000. The loans bear interest at the range from 1.2% to 5.35% per annum. The proceeds were used to finance the capital expenditure and general working capital of the Group.

13. DEBENTURES

The Company issued a debenture to the independent third party debenture holders with face value of RMB1,500,000,000 on 8 March 2010 which is detailed in the circular [2010] issued by the China Merchant's Banks in 2010. The debenture is unsecured, repayable one year after the issue date and interest bearing at 3.31% per annum.

Pursuant to a "Notice of acceptance of registration" [2009] No. MTN102 issued by the National Association of Financial Market Institutional Investors, the Company issued a debenture to the independent third party debenture holders with face value of RMB1,200,000,000 and 1,100,000,000 on 2 December 2009 and 18 March 2010 respectively. The debenture is unsecured, repayable three years after the issue date and interest bearing at 5.05% and 4.59% respectively per annum.

14. 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 2009	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 a)	—	139	(139)	—	—	—
Transfer of restricted A Shares held by directors, supervisors and senior management to A Shares (note b)	—	(827)	827	—	—	—
At 31 December 2009	2,062,046	303,300	809,979	557,497	391,270	2,062,046
At 1 January 2010	2,062,046	303,300	809,979	557,497	391,270	2,062,046
Transfer of A shares held by directors, supervisors and senior management to restricted A shares (note a)	—	368	(368)	—	—	—
At 30 June 2010	2,062,046	303,668	809,611	557,497	391,270	2,062,046

Note: During the reporting period, the restricted shares held by Senior Management changed by 368,123 shares from 10.295.148 shares to 10,663.271 shares. The reasons for such change were as follows:

(1) During the reporting period, the shares held by three resigned Senior Management members of the Company remained restricted. As a result, 25% of the non-restricted RMB ordinary shares (A share) held by the resigned Senior Management changed to restricted shares and amounted to 182.938 shares;

(2) During the reporting period, the nature of 185,185 shares held by two new Senior changed from non-restricted RMB ordinary shares (A shares) to restricted shares held by Senior Management.

As a result, the restricted shares held by Senior Management increased by a total of 368,123 shares as compared with the end of last year.

15. CAPITAL COMMITMENTS

	At 30 June 2010 *RMB'000* *(unaudited)*	**At 31 December 2009** *RMB'000* *(audited)*
For acquisition of property, plant and equipment		
— Authorised but not contracted for	7,357,830	12,610,839
— Contracted but not provided for	7,733,879	5,553,398
	15,091,709	18,164,237

16. RELATED PARTY AND OTHER TRANSACTIONS

(a) ***The Group has entered into the following significant transactions with its related and other parties during the period:***

	Six months ended 30 June 2010	Six months ended 30 June 2009
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Associates:		
Electricity charges received	4,076	3,896
Miscellaneous service charges received	103	99
Non-controlling shareholders of subsidiaries:		
Sales of finished products	46,692	57,161
Technology consultancy fee paid	802	812
Interest paid	2,031	4,448
Minimum operating lease payment in respect of property, plant and equipment	3,480	3,480

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 and other parties (included in respective item in the statement of financial position)***

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Associates:		
Other receivables	2,093	1,291
Non-controlling shareholders of subsidiaries:		
Trade receivables	—	31,980
Borrowings — secured	162,982	178,442

The amounts due from associates and non-controlling shareholders of subsidiaries are unsecured, and interest-free. The amounts due from associates are repayable and expected to be recovered within one year from the end of the respective reporting periods. Part of the borrowings of RMB36,218,000 from a non-controlling shareholder of a subsidiary are repayable within one year and borrowings of RMB126,764,000 from a non-controlling shareholder 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 "Sate-owned Enterprises"). During the period, the Group had material transactions with some of these Sate-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	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Sales	3,622,975	1,807,550
Purchases	1,403,845	512,720
Construction work expenses paid	436,996	40,020

(ii) *Material balances*

	At 30 June 2010	**At 31 December 2009**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Bank balances and deposits	1,935,302	2,054,053
Trade and other receivables	1,233,043	1,244,943
Trade and other payables	353,236	469,813
Bank borrowings	5,856,610	6,170,348

(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	
	2010	**2009**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Short-term employee benefits		
- Directors	2,072	978
- Other senior management	936	784
Sub-total	3,008	1,762
Post-employment benefits		
- Directors	62	97
- Other senior management	121	161
Sub-total	183	258
Total	3,191	2,020

17. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Company was approved by the Board of Directors on 24 August 2010.

§8 Purchase, sale or redemption of the Company's listed shares

The Company has not purchased, sold or redeemed any of the Company's listed outstanding shares during the reporting period.

§9 Code on Corporate Governance Practice

The Group had compiled throughout the reporting period with all the principals and code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited.

§10 Audit committee

The audit committee of the Company has discussed the accounting standards and practices adopted by the Company with the management and has also discussed and reviewed the Report, which includes the review of the financial statements prepared in accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards respectively for the six months ended 30 June 2010 of the Company.

By order of the Board
Chen Hongguo
Chairman

Shandong, the PRC

24 August 2010

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng, Mr. Geng Guanglin, Mr. Tan Daocheng, Mr. Hou Huancai and Mr. Zhou Shaohua, the non-executive Directors are Mr. Cui Youping, Ms. Wang Fengrong and Mr. Wang Xiaoqun and the independent non-executive Directors are Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Mr. Wang Xiangfei, Ms. Wang Yumei and Ms. Zhang Hong.