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 Annual Report Summary

§1 Important Notice

1.1 The members of the board (the "Board") of directors (the "Directors"), the supervisory committee (the "Supervisory Committee") and the Directors, supervisors (the "Supervisors") and senior management (the "Senior Management") of Shandong Chenming Paper Holdings Limited (the "Company", "us", and "we") hereby warrant that there are no false representations, misleading statements or material omissions contained in this 2010 annual report summary (the "Report"), and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents of the Report.

This report summary is extracted from the full text of the annual report, which is published at the same time on the website of CNINF (www.cninfo.com.cn), the Company (www.chenmingpaper.com) and the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). Investors should read the full text of the annual report for details. The Report has been prepared in both Chinese and English. For any discrepancies, the Chinese version shall prevail.

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

1.3 Except for Ms. Wang Yumei, all Directors were present in the Board meeting for the review and approval of the annual report.

1.4 The financial statements of the Company for 2010 were audited by RSM China Certified Public Accountants and RSM Nelson Wheeler, which issued standard auditors' reports with unqualified opinion.

* *For identification purposes only*

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 financial department, declare that they warrant the truthfulness and completeness of the financial statements in the annual report.

§2 Company Information

2.1 Basic Information

Stock abbreviation	晨鳴紙業	晨鳴B	Chenming Paper
Stock code	000488	200488	1812
Stock exchanges of listed shares	Shenzhen Stock Exchange		The Stock Exchange of Hong Kong Limited
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China		
Postal code of registered address	262700		
Office address	No. 595 Shengcheng Road, Shouguang City, Shandong Province, People's Republic of China		
Postal code of office address	262700		
Global website of the Company	http://www.chenmingpaper.com		
Email address	chenmmingpaper@163.com		

2.2 Contact Persons and Contact Methods

	Secretary to the Board	Company Secretary, Hong Kong	Securities Affairs Representatives
Name	Hao Yun	Poon Shiu Cheong	Fan Yingjie
Correspondence address	No. 595 Shengcheng Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong	No. 595 Shengcheng Road, Shouguang City, Shandong Province
Telephone	0536-2158011	852-25010088	0536-2158011
Facsimile	0536-2158640	852-25010028	0536-2158640
Email address	chenmmingpaper@163.com	kentpoon1009@yahoo.com.hk	chenmmingpaper@163.com

§3 Summary of Financial and Operating Results

3.1 Major financial data prepared in accordance with Accounting Standards for Business Enterprises

Unit: RMB

	2010	2009	Increase/ decrease (%)	2008
Total operating revenue	17,203,123,029.49	14,884,629,349.50	15.58%	15,529,593,435.77
Total profit	1,562,354,564.20	1,172,922,631.23	33.20%	1,555,339,310.69
Net profit attributable to owners of the Company	1,163,341,066.21	835,947,981.16	39.16%	1,075,291,741.53
Net profit after extraordinary gains or losses attributable to owners of the Company	1,034,233,761.46	715,103,042.84	44.63%	854,268,917.39
Net cash flows from operating activities	850,328,927.00	1,639,034,259.99	-48.12%	1,934,140,803.04
	As at 31 December 2010	**As at 31 December 2009**	**Increase/ decrease (%)**	**As at 31 December 2008**
Total assets	35,077,132,129.98	28,213,084,875.02	24.33%	26,299,495,745.01
Equity attributable to owners of the Company	13,535,785,794.54	12,991,904,321.68	4.19%	12,259,078,901.99
Share capital (shares)	2,062,045,941.00	2,062,045,941.00	0.00%	2,062,045,941.00

3.2 Major financial indicators prepared in accordance with Accounting Standards for Business Enterprises

Unit: RMB

	2010	2009	Increase/ decrease (%)	2008
Basic earnings per share (RMB per share)	0.56	0.41	36.59%	0.57
Diluted earnings per share (RMB per share)	0.56	0.41	36.59%	0.57
Basic earnings per share after extraordinary gains or losses (RMB per share)	0.50	0.35	42.86%	0.45
Rate of return on net assets on weighted average basis (%)	8.80%	6.63%	Increased by 2.17 percentage points	10.24%
Rate of return on net assets on weighted average basis after extraordinary gains or losses (%)	7.87%	5.67%	Increased by 2.20 percentage points	8.13%
Net cash flows per share from operating activities (RMB per share)	0.41	0.79	Decreased by 48.10 percentage points	0.94
	As at 31 December 2010	As at 31 December 2009	Increase/ decrease (%)	As at 31 December 2008
Net assets per share attributable to owners of the Company (RMB per share)	6.56	6.30	4.13%	5.95

Extraordinary gains or losses items

√ Applicable □ Not applicable

Unit: RMB

Extraordinary gain or loss items	Amounts	Note (if applicable)
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	1,521,172.98	
Gain or loss on disposal of non-current assets	-5,495,594.30	
Government grants recognised in profit or loss during the current period, except for government grants closely related to the course of ordinary operation of the Company that were given constantly at a fixed standard amount or quantity as stipulated by the State	96,530,256.72	
Gain or loss on debt restructuring	54,841.22	
Other non-operating income and expenses other than the above items	5,913,389.74	
Effect of income tax	-4,961,885.60	
Effect of minority interests	-19,207,126.59	
Other gain or loss items within the definition of extraordinary gain or loss	54,752,250.58	
Total	129,107,304.75	—

3.3 Differences between accounts prepared in accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards

√ Applicable ☐ Not applicable

Unit: RMB

	Net profit attributable to owners of the Company		Net Assets attributable to shareholders equity of the Company	
	Current period	**Prior period**	**Closing balance**	**Opening balance**
Under International Financial Reporting Standards	1,190,339,176.67	862,946,091.62	13,242,894,916.36	12,672,015,333.04
Under Accounting Standards for Business Enterprises	1,163,341,066.21	835,947,981.16	13,535,785,794.54	12,991,904,321.68
Items and total adjustments under International Financial Reporting Standards:				
Special fund for treasury bonds and special payables received	24,031,194.45	24,031,194.45	-278,967,193.37	-302,998,387.82
Exchange gains or losses from special borrowings capitalised	2,966,916.01	2,966,916.01	-13,923,684.81	-16,890,600.82
Total differences	26,998,110.46	26,998,110.46	-292,890,878.18	-319,888,988.64
Explanation on differences	In years prior to 2006, according to the principles of the Accounting Standards for Business Enterprises, the Group will receive special fund for treasury bond received and special accounts payable related to construction of relevant fixed assets which are included in capital reserve. However, according to International Financial Reporting Standards, the Group will account for special fund for treasury bond received and special accounts payable under deferred income and be amortised by instalments over the useful lives of fixed assets. The above differences were all incurred in years prior to 2006. The management believes such differences in accounting principles will gradually be eliminated in future years.			

3.4 Financial highlights prepared in accordance with International Financial Reporting Standards

Unit: RMB milion

Results items	**2010**	**2009**	**2008**	**2007**	**2006**
Revenue	17,099.7	14,815.3	15,430.9	14,878.9	11,714.0
Cost of sales	-13,616.8	-11,998.4	-12,472.9	-11,845.6	-9,461.7
Gross profit	3,482.9	2,816.9	2,958.0	3,033.3	2,252.3
Other income	234.2	306.6	500.5	462.3	315.2
Gain on disposal of subsidiaries	–	–	–	–	35.9
Gain on change in fair value of financial assets held for trading	1.5	8.4	1.7	6.0	–
Gain on change in fair value less costs to sell biological assets	54.8	9.9	0.9	24.4	–
Distribution expenses	-873.8	-774.7	-705.6	-783.3	-677.8
Administrative expenses	-915.3	-637.6	-542.7	-653.2	-557.4
Other expenses	-70.5	-139.6	–	–	–
Impairment loss on property, plant and equipment	-22.5	-4.5	-8.5	–	–
Reversal of allowance for (allowance for) inventories	3.0	22.7	-127.7	-0.9	–
Loss on change in conversion price of convertible loan notes	–	–	–	–	-229.4
Finance costs	-282.7	-384.0	-462.6	-555.7	-512.6
Share of results of associates	-13.9	-15.7	-23.2	-9.5	-0.5
Profit before tax	1,597.8	1,208.4	1,590.8	1,523.4	625.7
Income tax expense	-260.7	-219.0	-295.8	-270.8	-100.7
Profit from discontinued operation for the year	–	–	–	–	36.3
Profit for the year before non-controlling interests	1,337.1	989.4	1,295.0	1,252.6	561.3
Profit attributable to non-controlling interests	146.8	126.4	192.7	258.6	160.7
Profit attributable to owners of the Company	1,190.3	863.0	1,102.3	994.0	400.6
Total assets	35,001.1	28,126.1	26,207.3	21,913.7	20,467.5
Total liabilities	20,034.8	13,718.4	12,550.3	11,733.4	13,011.5
Non-controlling interests	1,723.4	1,735.7	1,744.8	1,809.1	1,703.6
Equity attributable to owners of the Company	13,242.9	12,672.0	11,912.2	8,371.2	5,752.4
Financial indicators	**2010**	**2009**	**2008**	**2007**	**2006**
Basic earnings per share	0.58	0.42	0.58	0.62	0.29
Net assets per share	6.42	6.15	5.78	4.91	4.21
Rate of return on net assets	8.99%	6.81%	9.25%	11.87%	6.96%

§4 Changes in Share Capital and Shareholders

4.1 Changes in share capital

Unit: shares

	Opening balance		Change for the period(+,-)					Closing balance	
	Amounts	Percentage	New shares	Bonus shares	Shares converted from reserve	Others	Sub-total	Amounts	Percentage
I. Restricted shares	303,298,805	14.71%				-286,833	-286,833	303,011,972	14.69%
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: Overseas legal person shares									
Overseas natural person shares									
5. Senior management shares	10,295,148	0.50%				-286,833	-286,833	10,008,315	0.48%
II. Non-restricted shares	1,758,747,136	85.29%				286,833	286,833	1,759,033,969	85.31%
1. RMB ordinary shares (A shares)	809,979,651	39.28%				286,833	286,833	810,266,484	39.30%
2. Domestic listed foreign shares (B shares)	557,497,485	27.04%						557,497,485	27.04%
3. Overseas listed foreign shares (H 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%

Change in restricted shares

Unit: shares

Names of shareholders	Restricted shares at the beginning of the year	Restricted shares released this year	Restricted shares increased this year	Restricted shares at the end of the year	Reasons for restriction	Date of release from restriction
Shouguang Chenming Holdings Company Limited	293,003,657	0	0	293,003,657	Sales restriction due to the reform of conversion	29 March 2010
Shares held by senior management of the Company	10,295,148	731,751	444,918	10,008,315	Lock-up of shares held by senior management of the Company	Released according to relevant rules of Shenzhen Stock Exchange
Total	303,298,805	731,751	444,918	303,011,972	—	—

Note: The restriction period for the 293,003,657 restricted shares of the Company held by Shouguang Chenming Holdings Company Limited, the controlling shareholder of the Company, expired on 29 March 2010. The relevant procedure for the release from sales restriction will be processed upon confirmation from the controlling shareholder regarding such release from sales restriction.

4.2 Top ten shareholders and the top ten shareholders of non-restricted shares

Unit: shares

Total number of shareholders	The total number of shareholders was 168,277, of which, 137,413 were holders of A shares, 30,232 were holders of B shares and 632 were holders of H shares.				
Shareholdings of the top ten shareholders					
Name of shareholders	**Nature 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 non-state-owned legal person (foreign shareholder)	18.91%	389,900,000	0	
Shouguang Chenming Holdings Company Limited	State-owned legal person	14.21%	293,003,657	293,003,657	
PLATINUM ASIA FUND	Overseas legal person	2.15%	44,366,377	0	
BBH BOS S/A FIDELITY FD – CHINA FOCUS FD	Overseas legal person	1.38%	28,500,195	0	
HTHK-MANULIFE CHINA VALUE FUND	Overseas legal person	1.11%	22,892,182	0	
MANULIFE GLOBAL FUND	Overseas legal person	0.99%	20,324,321	0	
BILL & MELINDA GATES FOUNDATION TRUST	Overseas legal person	0.75%	15,407,244	0	
DRAGON BILLION CHINA MASTER FUND	Overseas legal person	0.67%	13,853,877	0	
China Life Insurance Company Limited - Dividend - Individual Dividend - 005L - FH002 Shenzhen	Domestic non-state-owned legal person	0.62%	12,819,945	0	
Bank of China - EFUND SSE100 ETF	Domestic non-state-owned legal person	0.57%	11,723,527	0	

Unit: shares

Shareholding of the top ten shareholders of non-restricted shares		
Name of shareholders	**Number of non-restricted shares held**	**Class of shares**
HKSCC Nominees Limited	389,900,000	H share
PLATINUM ASIA FUND	44,366,377	B share
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	28,500,195	B share
HTHK-MANULIFE CHINA VALUE FUND	22,892,182	B share
MANULIFE GLOBAL FUND	20,324,321	B share
BILL & MELINDA GATES FOUNDATION TRUST	15,407,244	A share
DRAGON BILLION CHINA MASTER FUND	13,853,877	B share
China Life Insurance Company Limited - Dividend - Individual Dividend - 005L - FH002 Shenzhen	12,819,945	A share
Bank of China - EFUND SSE100 ETF	11,723,527	A share
China Everbright Bank Co., Ltd. - 光大保德信量化核心證券投資基金	10,355,145	A share

Connected relationship or concert-party relationship among the above shareholders	Among the top ten shareholders of the Company, Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected withany of the other shareholders. Save for the above, the Company is not aware that any other shareholders of outstanding shares as aforesaid are connected with others.

4.3 Profile of controlling shareholders and beneficial controllers

4.3.1 Change of controlling shareholders and beneficial controllers

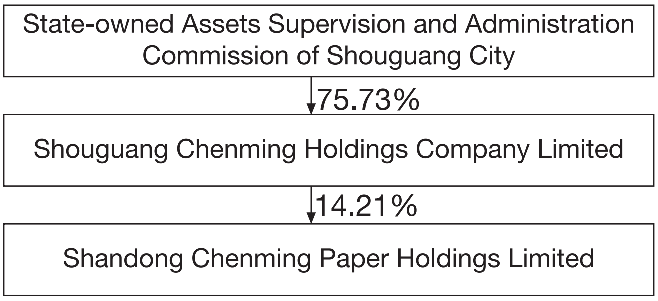
□ Applicable √ Not applicable

4.3.2 Detailed profile of controlling shareholders and beneficial controllers

The controlling shareholder of the Company, Shouguang Chenming Holdings Company Limited (hereinafter referred to as "Chenming Holdings"), was established on 30 December 2005 with registered capital of RMB1.685 billion. Its legal representative is Chen Hongguo and its scope of business is investment in paper-making, electricity, heat and forestry projects. At the end of the reporting period, it held 293,003,657 state-owned legal person shares, representing 14.21% of the total share capital of the Company.

State-owned Assets Supervision and Administration Commission of Shouguang City is the controlling shareholder of Chenming Holdings, holding 75.73% equity interests in Chenming Holdings. Person in charge of the unit is Zhang Yuhua. Scope of business is administration and supervision of state-owned assets, properties and titles belonging to Shouguang City.

4.3.3 Chart illustrating the relationship between the Company and the beneficial controllers



§5 Directors, Supervisors and Senior Management

5.1 Changes in shareholdings and remuneration of the Directors, Supervisors and senior management

Name	Position	Sex	Age	Commencement of terms in office	Termination of terms in office	Shares held as at the beginning of the year	Shares held as at the end of the year	Reasons for change	Total remuneration received from the Company during the reporting period (RMB '0000 (before tax)	Specify whether or not he/she received any remuneration from any Shareholder of the Company or any other related parties
Chen Hongguo	Chairman	M	46	12 April 2010	12 April 2013	6,334,527	6,334,527	—	498.00	No
Yin Tongyuan	Director	M	53	12 April 2010	12 April 2013	3,231,520	2,423,640	—	298.00	No
Li Feng	Director	M	38	12 April 2010	12 April 2013	471,818	471,818	—	142.75	No
Geng Guanglin	Director	M	37	12 April 2010	12 April 2013	437,433	437,433	—	107.85	No
Tan Daocheng	Director	M	44	12 April 2010	12 April 2013	185,700	185,700	—	108.04	No
Hou Huancai	Director	M	49	12 April 2010	12 April 2013	628,915	628,915	—	115.53	No
Zhou Shaohua	Director	M	49	12 April 2010	12 April 2013	123,007	123,007	—	130.16	No
Cui Youping	Director	M	47	12 April 2010	12 April 2013	0	0	—	5.00	No
Wang Xiaoqun	Director	M	55	12 April 2010	12 April 2013	0	0	—	5.00	No
Wang Fengrong	Director	F	42	12 April 2010	12 April 2013	0	0	—	5.00	No
Zhang Zhiyuan	Independent Director	M	48	12 April 2010	12 April 2013	0	0	—	5.00	No
Wang Aiguo	Independent Director	M	47	12 April 2010	12 April 2013	0	0	—	5.00	No
Zhang Hong	Independent Director	F	46	12 April 2010	12 April 2013	0	0	—	5.00	No
Wang Yumei	Independent Director	F	48	12 April 2010	12 April 2013	0	0	—	5.00	No
Wang Xiangfei	Independent Director	M	60	12 April 2010	12 April 2013	0	0	—	12.50	No
Gao Junjie	Supervisor	M	40	12 April 2010	12 April 2013	39,606	39,606	—	39.59	No
Wang Ju	Supervisor	F	45	12 April 2010	12 April 2013	0	0	—	14.79	No
Yang Hongqin	Supervisor	F	43	12 April 2010	12 April 2013	0	0	—	17.05	No
Yin Qixiang	Supervisor	M	73	12 April 2010	12 April 2013	0	0	—	2.50	No
Guo Guangyao	Supervisor	M	68	12 April 2010	12 April 2013	0	0	—	2.50	No
Wang Baoliang	Deputy general manager	M	37	12 April 2010	12 April 2013	209,200	209,200	—	97.90	No
Li Xueqin	Deputy general manager	F	45	12 April 2010	12 April 2013	429,348	429,348	—	109.96	No
Hao Yun	Deputy general manager	M	48	12 April 2010	12 April 2013	708,441	708,441	—	76.97	No
Wang Zaiguo	Deputy general manager	M	48	12 April 2010	12 April 2013	195,600	146,700	—	103.77	No
Wang Shihong	Deputy general manager	M	47	12 April 2010	12 April 2013	0	0	—	47.76	No
Zhao Liqun	Deputy general manager	M	39	24 August 2010	24 August 2013	0	0	—	91.19	No
Zhang Yanjun	Deputy general manage	M	45	24 August 2010	24 August 2013	102,393	102,393	—	87.55	No
Hu Changqing	Deputy general manager	M	45	12 April 2010	12 April 2013	1,238	1,238	—	166.00	No
Zhang Chunlin	Deputy general manager	M	42	12 April 2010	12 April 2013	245,674	245,674	—	101.85	No
Wang Chunfang	Financial controller	M	35	12 April 2010	12 April 2013	0	0	—	105.58	No
Poon Shiu Cheong	Chief accountant	M	41	12 April 2010	12 April 2013	0	0	—	12.85	No
Total	—	—	—	—	—	13,344,420	12,487,640	—	2,525.64	—

Note: None of the Directors, Supervisors and Senior Management of the Company had received any remuneration from any shareholder of the Company or any other related parties. The remuneration for Poon Shiu Cheong, the company secretary of the Company, was HK$151,200.

Share incentives granted to directors, supervisors and senior management during the reporting period

□ Applicable √ Not applicable

5.2 Attendance of directors in meetings of the Board

Name of director	Position	Number of meetings that required attendance	Number of meetings attended in person	Number of meetings participated by way of conference communication	Number of meetings attended by proxy	Number of meetings absent	Absence in two consecutive meetings
Chen Hongguo	Chairman and general manager	6	6	0	0	0	No
Yin Tongyuan	Vice chairman	6	6	0	0	0	No
Li Feng	Chairman, standing deputy general manager and sales controller	6	6	0	0	0	No
Geng Guanglin	Director and deputy general manager	6	6	0	0	0	No
Tan Daocheng	Director	6	6	0	0	0	No
Hou Huancai	Director	6	6	0	0	0	No
Zhou Shaohua	Director	6	6	0	0	0	No
Cui Youping	Director	6	6	0	0	0	No
Wang Xiaoqun	Director	6	6	0	0	0	No
Wang Fengrong	Director	6	6	0	0	0	No
Zhang Zhiyuan	Independent director	6	6	0	0	0	No
Wang Aiguo	Independent director	6	6	0	0	0	No
Zhang Hong	Independent director	6	5	0	1	0	No
Wang Yumei	Independent director	6	6	0	0	0	No
Wang Xiangfei	Independent director	6	6	0	0	0	No

Explanation on two consecutive absences from meetings of the Board

Meetings of the Board held during the year	6
Of which: number of meetings that required attendance in person	6
Number of meetings held by way of conference communication	0
Number of meetings held by combination of attendance in person and by way of conference communication	0

§6 Directors' Report

Data mentioned in 6.1-6.9 prepared in accordance with Accounting Standards for Business Enterprises

6.1. Management discussion and analysis under Accounting Standards for Business Enterprises

I. Overall operations during the reporting period

In 2010, the Company thoroughly and consistently put its scientific outlook on development into practice through strict management, structure adjustment and effective implementation to achieve the coordination and progress of various tasks. Meanwhile, the Company seized the favourable opportunity concerning The Basic Standard for Enterprise Internal Control and Implementation Guidelines for Enterprise Internal Control (內部控制配套指引) to be first implemented in the companies which had been listed domestically and overseas in 2011 to further optimise its corporate governance, compliant operation and scientific decision, thereby comprehensively enhancing its operation and management.

For management, firstly, the Company strengthened the system setup by establishing the management philosophy of "Managing the staff by regulations and performing the duties in accordance with the standards" to standardise the systems and make the procedures smooth. Secondly, the Company strengthened the control within the Group to make good use of functions of different departments and improve the guidance, supervision and service which were required by subsidiaries, thereby coordinating the pace from the top to bottom of the Company. For production management, the Company strengthened the supervision and guidance as to the production system by organising the professionals to provide technical support to subsidiaries, thereby improving production operation with new breakthroughs in the operation of most pieces of machinery in terms of speed. For purchase management, the Group implemented a model combining centralised purchasing and local and regional purchasing, thereby lowering the purchase cost by the centralised purchasing of raw materials in bulk and the supplies qualified to be purchased overseas and in bulk by the Group. For financial management, the Company expanded its finance channels through issue of medium-term notes and short-term debentures, thereby lowering the finance expenses.

For marketing, firstly, the Company firmly grasped efficiency management by implementing a proactive and flexible pricing policy which adjusted the product prices on a timely basis based on the market rates and its production cost to increase sales in the market. Secondly, the Company strengthened brand building by classifying existing product brands into different classes with repositioning, elaborately promoting the high end products under the brands such as 紫檀 and 雪鯊 and building up the image of high end brands with improvement in quality and service. Thirdly, the Company strengthened team building by adjusting the assessment methods of wages and salaries on a timely basis in the light of the sales focus, thereby stimulating incentives with policies. The significant improvement in the marketing efforts of the Company brought about significant achievements in marketing expansion.

For projects, the Company strengthened the progress of projects and undertook structural adjustment with technological innovation in accordance with the overall requirement of "change in mode and adjustment in structure". Firstly, the Company strengthened the project construction despite the global financial crisis, thus turning challenges into opportunities, and made more investments with a view to long term development. Secondly, the Company enhanced its self-innovation level by regarding self innovation capability upgrade as the important measures to increase its core competitiveness. The Company successfully developed the high end products such as high bulk copperplate paper and finesse copperplate paper and the environmentally-friendly products under the brands such as 天劍 and 雲獅, thereby facilitating the adjustment in product mix and making room for more benefits. Thirdly, the Company developed the raw materials bases to speed up the development of "forestry-pulp-paper integration", thereby optimising the raw materials structure, securing the leapfrogging development of the Company. The Company made scientific investments to speed up the pace of adjustment.

During the reporting period, under the guidance of the Board, the Company commenced its tasks in an orderly manner in accordance with the operating plan scheduled at the beginning of the year. The Company made good use of its advantage of cost control to guarantee revenue maximisation. The management also adjusted the sales strategies in response to the market changes in a timely manner in view of the market volatility to take the lead in seizing the market opportunities, thus achieving continuous improvement in various operating indicators.

1. Overview of production and operation

During the reporting period, the Company completed machine-made paper production of 3.35 million tonnes, representing a growth of 310,000 tonnes or 10.2% as compared to 2009. Revenue realised from principal operations amounted to RMB17,203.123 million, up RMB2,318.4937 million or 15.58% from 2009. Costs of principal operations were RMB13,683.0015 million, up RMB1,625.5856 million or 13.48% from 2009. Realised operating profit and net profit attributable to owners of the Company were RMB1,433.7507 million and RMB1,163.3411 million respectively, up 45.92% and 39.16%.

2. Progress of the Zhanjiang Chenming Pulp Project

(1) As undertaken in the offering prospectus, 91% of the proceeds from H share offering were used in the Zhanjiang Chenming pulp project in Guangdong Province. As at 31 December 2010, approximately RMB2,483 million was injected into the project. All proceeds have been utilised according to the use of proceeds.

(2) As at the end of 2010, the Group had acquired 2.40 million mu of woodlands for raw materials and obtained legal forestry rights certificates for 2.10 million mu of woodlands, among which, the construction area of the woodlands for paper making materials in Zhanjiang and its peripheral regions reached 810,000 mu already.

(3) The land acquisition work of the site for the pulp project had completed, and the land-use fees paid for the site for the pulp project totaled RMB361 million.

(4) The scope of civil engineering work of the pulp project covered civil works for timber storage plant, pulping plant, chemical plant, pulp sheet manufacturing plant, plant for recovery of black liquor, self-owned power plant and ancillary plants, and currently about 80% of total quantity of work was completed.

(5) For procurement of main equipment, in July 2009, Zhanjiang Chenming Paper Pulp Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equipment purchase contract with the suppliers of the an equipments to procure the Zhanjiang Chenming Pulp Project. Details of the transaction were covered in the relevant announcements published in China Securities Journal, Hong Kong Commercial Daily and on the website of CNINF (http://www.cninfo.com.cn) on 7 July 2009, and the website of the Hong Kong Stock Exchange (www.hkex.com.hk) on 6 July 2009. At present, advance payment and progress payment for domestic and overseas equipments totaled RMB2,126 million.

3. Analysis and explanation on major year-on-year changes in composition of assets of the Company during the reporting period

Unit: RMB

	2010		2009		
Items	**Closing balance**	**As a percentage of total assets in 2010**	Closing balance	As a percentage of total assets in 2009	Difference in the percentage of total assets
Bills receivable	2,762,389,909.89	7.88%	2,704,799,074.02	9.59%	-1.71%
Inventories	3,047,078,215.01	8.69%	2,226,579,492.59	7.89%	0.80%
Fixed assets	12,882,358,381.56	36.73%	13,529,590,915.63	47.96%	-11.23%
Construction in progress	7,871,512,563.84	22.44%	1,997,961,262.18	7.08%	15.36%
Consumable biological assets	726,742,568.44	2.07%	496,724,974.94	1.76%	0.31%

Major changes for the following items are detailed as follows:

(1) Bills receivable: Bills receivable of the Company as a percentage of total assets decreased as compared to the prior year mainly due to an increase in bills receivable as a results of a significant rise in sales revenue during the reporting period as compared to the prior year and an rise in total assets as a result of increased investment in construction in progress.

(2) Inventory: The closing balance of the raw materials and the inventories increased as compared with those as at the end of the prior year due to the increased production volume of the Company.

(3) Fixed assets: The net fixed assets decreased mainly due to the depreciation of fixed assets.

(4) Construction in progress: Construction in progress mainly due to the investments in the Zhanjiang pulp project, the 800,000-tonne copperplate paper project, the 60,000-tonne household paper project and other expansion and improvement projects.

(5) Consumable biological assets: Productive biological assets increased mainly due to the purchase and growing of timber assets by the Company and the change in their fair value.

4. Analysis and explanation on major year-on-year changes in profit and loss indicators during the reporting period

Unit: RMB

Item	Accrued during the year	Accrued during the prior year	Increase (+) Decrease (-)
Operating revenue	17,203,123,029.49	14,884,629,349.50	15.58%
Operating costs	13,683,001,460.32	12,057,415,861.42	13.48%
Business taxes and surcharges	30,117,480.19	16,268,806.81	85.12%
Selling and distribution expenses	873,779,193.05	774,685,975.04	12.79%
General and administrative expenses	871,138,204.71	726,351,661.67	19.93%
Finance expenses	233,455,658.10	312,687,004.02	-25.34%
Loss on impairment of assets	110,419,785.04	17,276,975.88	539.12%
Gain on change in fair value	46,302,250.58	18,311,845.48	152.85%
Non-operating expenses	50,814,216.46	11,381,604.06	346.46%

Major changes for the following items are detailed as follows:

(1) Operating revenue increased by 15.58% as compared to the prior year mainly due to a rise in the selling price resulting from the change in market conditions;

(2) Operating costs increased by 13.48% as compared to the prior year mainly due to a rise in raw material price and labour cost during the year;

(3) Business taxes and surcharges increased by 85.12% as compared to the prior year mainly due to the payment of the urban maintenance and construction tax and education surcharges by foreign-invested enterprises beginning from 1 December 2010;

(4) Selling and distribution expenses increased by 12.79% as compared to the prior year mainly due to a rise in the transportation cost and cargo handling charges, as well as a rise in wages and salaries;

(5) General and administrative expenses increased by 19.93% as compared to the prior year mainly due to a rise in the technology development cost as well as a rise in wages and salaries;

(6) Finance expenses decreased by 25.34% as compared to the prior year mainly due to a rise in foreign exchange gain resulting from the appreciation of RMB and a fall in interest payable resulting from the issuance of lower interest bearing short-term debentures;

(7) Loss on impairment of assets increased by 539.12% as compared to the prior year mainly due to an increase of accounts receivable resulting from the increase of sales revenue and the corresponding increase of bad debt provision in accordance with the accounting policy for bad debt provision of the Group, as well as the much more impairment provision for the machinery and equipment related to the suspended production of subsidiaries,Qihe Chenming Panels Co., Ltd. and Heze Chenming Panels Co., Ltd.

(8) Gain on change in fair value increased by 152.85% as compared to the prior year mainly due to change in fair value of timber assets;

(9) Non-operating expenses increased by 346.46% as compared to the prior year mainly due to the loss on disposal of fixed assets during the year.

5. Cash flow generated from operating activities of the Company during the reporting period

Unit: RMB

Items	Amounts for the year	Amounts for the period prior year	Increase (+) Decrease (-)
Net cash flow generated from operating activities	850,328,927.00	1,639,034,259.99	-48.12%
Net cash generated from investment activities	-6,384,678,439.51	-2,134,446,266.63	-199.13%
Net cash flow generated from financing activities	5,031,845,309.63	177,630,846.52	2,732.75%

Note: In the cash flow statements prepared by the Company, receipt of outstanding bank acceptance bills was not reflected as cash inflow in "cash received from sales of goods, rendering of services"; similarly, payments made using outstanding bank acceptance bills were not reflected as cash outflow in "cash paid for goods and services" nor "cash paid to acquire fixed assets, intangible assets and other long-term assets" with respect to bills paid in the course of investment activities.

Explanation on the main reasons leading to the changes:

(1) Net cash flow generated from operating activities decreased by 48.12% compared to the prior year mainly due to an increase in the tax payment for the year of RMB466 million as compared to the prior year and the significant increase in purchase payment resulting from the rise in raw material price for the period.

(2) Net cash flow generated from investment activities decreased by 199.13% compared to the corresponding period of the previous year, mainly due to the increased investments in the copperplate paper project of production capacity of 800,000 tonnes, the household paper project of capacity of 60,000 tonnes and the high-end white coated linerboard project of production capacity of 600,000 tonnes of 壽光美倫紙業有限責任公司(Shouguang Meilun Paper Co., Ltd.), a wholly-owned subsidiary of the Company, the Zhanjiang pulp project and the high-end culture paper project during the reporting period.

(3) Net cash flow generated from financing activities increased by 2,732.75% as compared to the prior year mainly due to project investments, and issue of short-term debentures of RMB3.3 billion and medium-term notes of RMB1.1 billion during the year.

6. Operation and results of major controlling subsidiaries of the Company

Unit: RMB'0000

Name of controlling subsidiary	Nature of activities	Shareholding percentage	Principal products manufactured	Registered capital	Asset size	Net profit
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Papermaking	50.93%	Writing paper, news press paper	21,136.70	247,424.34	3,397.43
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	Papermaking	100.00%	Paperboard, corrugated paper	37,620.00	147,666.19	3,149.78
Shandong Chenming Power Supply Holdings Co., Ltd.	Electricity and steam	86.71%	Generation and sales of electricity and steam	9,955.31	57,886.54	4,053.03
Jilin Chenming Paper Co., Ltd.	Papermaking	100.00%	News press paper, light weight	150,000.00	282,679.48	-6,645.68
Chibi Chenming Paper Co., Ltd.	Papermaking	35.79%	Duplex press paper	17,741.94	49,828.37	2,847.98
Jiangxi Chenming Paper Co., Ltd.	Papermaking	51.00%	Coated paper	USD172,000,000	335,090.62	14,147.47
Yanbian Chenming Paper Co., Ltd.	Pulp	76.73%	Pulp and chemical product	8,163.30	29,072.63	8,211.93

7. **Explanation on single subsidiary with net profit (or investment income) accounting for over 10% of the net profit of the Company**

Unit: RMB'0000

Name of company	Revenue from principal operations	Profit from principal operations	Net profit	Net profit attributable to the Company according to shareholding percentage	As a percentage of net profit of the Company %
Jiangxi Chenming Paper Co., Ltd.	160,241.30	26,853.53	14,147.47	7,215.21	6.2

II. Prospect of the future developments of the Company

1. The development trend of the industry to which the Company belongs and the strategic plans for the Company's future development

The industry to which the Company belongs is the paper making industry, which is a light industry. The paper making industry is an important basic raw materials industry which is closely related to the national economy and social matter development. The paper making industry features capital and skills intensive characteristics with prominent economy of scale. Its growth rate is strongly and positively correlated to that of GDP. In terms of the international and domestic economic development conditions, a multipolar world and economic globalisation are developing in depth. The industrial structure is experiencing a new round of adjustment. Various countries pay attention to real economic growth in general and the scientific technology is going to reap major breakthroughs. The State will continue to implement the proactive fiscal policy and solid monetary policy so the national economy will keep steadily and rapidly developing. The development conditions for the paper making industry are gradually improving. It is expected that production and sales volume of paper products will continue to rise as the industry is at the upturn of cycle. Meanwhile, as a number of projects under construction are near completion, new production capacity released by different production lines will exert pressure on the industry. Also, the implementation of new environmental protection standards is likely to trigger certain small and medium-sized paper making enterprises to withdraw from the market, leading to a concentration of production capacity in large paper making enterprises. With the increased production volume and new production capacity, it is expected that the price of raw materials for paper making will maintain its upward trend.

Based the above viewpoints about the paper making industry, the Company will adhere to its established development strategies to operate in an orderly way, mainly including the following aspects:

(1) Consolidating existing market share while dedicated to the development and production of advanced paper products

The Company will continue to increase its investment in projects and expand the production capacity of advanced paper products; focus on the 800,000-tonne high-end low weight coated paper project, high-end culture paper project of annual production capacity of 450,000 tonnes and 600,000-tonne high-end white coated linerboard project; further improve the Company's production scale and product specifications, thus striving to becoming a frontrunner in the international paper making industry in the future.

(2) Solving the bottleneck of the raw materials which restricts the Company's development and improving its control over product cost

The Company has established the Zhanjiang pulp project and ancillary raw materials bases as its major development targets. The Company also accelerates the construction of the Hubei forestry project base, establishing the production chain of "forestry-pulp-paper integration" in order to eliminate restrictions imposed by upstream resources on the Company and strengthen the sustainable development capabilities of the Company.

(3) Paying close attention to environmental protection construction, and committed to the goal of "energy saving, reduced emission and harmonious development"

As the national environmental protection standards have been raised and increased efforts have been put on the State's environmental protection administration, the Company will strive to develop the recycling economy and encourage waste exchange, reuse and recycle so as to maximise the resources utilization ratio, and will speed up the construction of environmental protection projects at the same time to ensure compliance with the relevant standards regulating waste emission.

(4) Reinforcing technological innovation and talent cultivation

Compared to the international paper making enterprises, there is room for enhancement in the Company's technology and talent pool. The Company will continue its emphasis on internal training and external recruitment to enhance overall staff quality, while pursuing to accelerate the Company's development by strengthening its own innovation capacity.

2. In line with its strategic plans, the work of the Company will focus on the following areas in 2011:

(1) Upgrade corporate management to enhance operation quality

Firstly, the Company will launch the "Year of Management Benefits" campaign, which takes 2011 as the year of management of the Company and formulates specific projects for implementation, thus strengthening the inner self, identifying the potentials and solidifying the management foundation of the Company. Secondly, the Company will implement the management philosophy of "Managing the staff by regulations and performing the duties in accordance with the standards", which optimises various regulations and procedures and enhances the execution of regulations. Thirdly, the Company will upgrade the level of equipment automation and management informationisation to achieve setting up of posts and the number of people to fill the posts in accordance with the standard of the international leading enterprises. Fourthly, the Company will intensify the reform of the remuneration system and optimise the performance assessment mechanism by setting up various paths of promotion and ranks. Fifthly, the Company will strengthen the management's management awareness to raise their capabilities to identify and solve problems.

(2) Speeding up the pace of project construction to sharpen competitive advantage

The year 2011 saw the largest amount of projects under construction in the Company's history, including large scale projects such as the Zhanjiang pulp project (with annual production capacity of 700,000 tonnes pulp and ancillary raw materials), the high-end culture paper project (with annual production capacity of 450,000 tonnes) and the high-end low weight coated paper project (with annual production capacity of 800,000 tonnes). The Company will strictly enhance its project construction accountability and co-ordination capacity to accelerate the project construction to achieve enhanced production and efficiency as soon as possible.

(3) Accelerating domestic and overseas market exploration to facilitate future development

Firstly, the Company will implement proactive and reasonable marketing strategies, which will further expand its market share in the domestic and overseas markets through timely adjustment in the product mix based on the market changes, and innovative marketing efforts and services. Secondly, the Company will strengthen the management of marketing, which will implement a new management model in the sales system first, and adjust the management structure of the products manufacturing companies, strengthen the market segmentation management and increase the training efforts and build up a quality sales team which can weather the difficult challenges based on the advice of the management consulting institutions. Thirdly, the Company will optimise its international marketing network by strengthening the overseas sales efforts, consolidating and increasing the sales in the traditional markets such as the Middle East, Europe and Southeast Asia and concentrating on exploring the emerging markets such as North America and Latin

America, to increase the proportion of exports. Fourthly, the Company will launch its electronic commerce initiative by accelerating the establishment of the virtual terminal market, operating the electronic commerce businesses towards the clients and expanding its sales channels by online marketing.

(4) Strengthen its self-innovation capability

Firstly, the Company will standardise the operation of its technological innovation system to further develop into a national technology centre and a post-doctoral technological research station to upgrade its innovation capability. Secondly, the Company will optimise its innovation incentive mechanism by formulating and implementing policy measures which encourage self-innovation by heavily rewarding the staff who have made contributions, thus building up a strong culture which respects technology and innovation. Thirdly, the Company will speed up the research and development of the key technologies and actively promote the application of new techniques and new technologies, strengthen optimisation of techniques and technologies and facilitate the product upgrade and optimisation. Fourthly, the Company will firmly establish its quality and brands for the high end market and higher product quality, thus achieving products with characteristics and of higher class.

(5) Strengthen the building of a team of talents

Firstly, the Company will optimise its talent recruitment by opening more channels and more modes for recruiting talents. Secondly, the Company will strengthen its talent trainings by organising topical training sessions and overseas training programmes, thus increasing its training efforts. Thirdly, the Company will openly select the talents based on both of integrity and ability of the candidates and openly engage the talents based on their abilities and competence. Fourthly, the Company will optimise the working environment to retain the talents and establish a series of incentive mechanisms to appoint, recruit, remunerate and reward the talents, thus retaining the talents with career, sense of belongings and remuneration and establishing a good working environment in favour of harmonious corporate establishment.

3. The risk factors in the course of realization of the future development strategies and operating targets of the Company

In view of the numerous new projects undertaken by the Company and their substantial scale, the task of ensuring effective human resources allocation and resource utilization, as well as smooth implementation of these projects thus poses great challenges to the Company. As such, the Company has adopted the following measures: i.e. provide clarity on job responsibility and confirm project construction responsibility; upgrade resource allocation by adoption of a project-oriented approach in terms of human resources, funding and resources to create a favourable environment for project construction; and raise service standards by creating a sense of urgency in and enhancing accountability of all business units of the Company, so as to promote service awareness company-wide and create a feeling of working together towards a common goal. All these ultimately aim to ensure the projects progress on schedule.

4. Future capital requirement, sources of funds and their planned use

The demand for capital of the Company is ever increasing as the Company continuously grows with its even bigger operating scale. As the largest paper making company in China and a company listed with three classes of shares, namely A shares, B shares and H shares, the Company has a good reputation in the financial market and extensive financing sources. The Company will adopt the following effective sources of funds based on its growth and future development strategies:

(1) Reinforcement for market sales - the Company will increase its sales revenue and put greater efforts in the recovery of receivables to speed up capital turnover, utilise capital potential and take full advantage of its own funds.

(2) Taking advantage of the credibility and reputation of the Company - the Company will secure bank loans and syndicated loans and strengthen its internal financial control and enhance its capital utilization.

(3) Optimization of financial structure to reduce finance expenses of the Company - the Company respectively issued RMB3.3 billion short-term debentures and RMB1.1 billion medium-term notes in 2010.

6.2 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 (%)
Sales of machine-made paper	1,616,390.91	1,288,689.66	20.27%	14.77%	11.62%	2.25%
Sales of electricity and steam	44,497.30	39,223.54	11.85%	86.26%	172.11%	-27.81%
Sales of construction materials	38,895.78	30,673.02	21.14%	14.37%	14.67%	-0.21%
Sales of chemical products	7,426.92	5,085.91	31.52%	136.60%	238.45%	-20.61%
Hotel business	4,719.77	1,235.24	73.83%	15.32%	5.82%	2.35%
Others	8,381.62	3,392.78	59.52%	-43.91%	-53.86%	8.73%
Total	1,720,312.30	1,368,300.15	20.46%	15.58%	13.48%	1.47%
Principal operations by product						
Light weight coated paper	135,010.86	114,971.18	14.84%	-15.60%	-15.52%	-0.08%
Duplex press paper	196,041.68	162,666.50	17.02%	-6.70%	-5.83%	-0.77%
Writing paper	54,453.01	46,327.82	14.92%	34.59%	33.85%	0.47%
Copperplate paper	421,893.50	323,838.52	23.24%	36.67%	31.79%	2.84%
News press paper	158,476.95	134,498.68	15.13%	-11.07%	-7.22%	-3.52%
Paperboard	74,314.06	65,305.26	12.12%	25.00%	26.60%	-1.11%
White paper board	234,039.58	171,259.01	26.82%	24.52%	12.00%	8.18%

6.3 Principal operations by geographical segment (Prepared in accordance with Accounting Standards for Business Enterprises)

Unit: RMB'0000

Geographical segment	Revenue from operations	Year-on-year increase / decrease in revenue from operations (%)
PRC	1,416,623.32	15.20%
United States	16,776.23	6.77%
Hong Kong	16,088.41	-57.04%
Japan	18,753.77	-39.17%
South Africa	6,750.16	-47.31%
Other overseas areas	141,399.02	72.71%
Total	1,616,390.91	14.77%

6.4 Items measured at fair value

√ Applicable ☐ Not applicable Unit: RMB

Items	Opening balance	Profit or loss from change of fair value	Accumulated change of fair value accounted for equity	Provision of impairment for this period	Closing balance
Financial assets					
of which:1.Financial assets measured at fair value with any change recorded into profit or loss for the period	14,900,000.00	-14,900,000.00	—	—	0.00
of which: Derivative financial assets	—	—	—	—	
2. Available-for-sale financial assets	14,900,000.00	-14,900,000.00	—	—	0.00
Financial liabilities	6,450,000.00	6,450,000.00	—	—	0.00
Investment properties	—	—	—	—	
Productive biological assets	—	—	—	—	
Others	—	—	—	—	
Total	8,450,000.00	-8,450,000.00	—	—	0.00

6.5 Use Table of use of proceeds

√ Applicable ☐ Not applicable

Unit: RMB'0000

Total proceeds	272,825.00
Total amount of proceeds used during the reporting period	129,381.63
Total amount of proceeds involved in change of use during the year	0.00
Cumulative total amount of proceeds involved in change of use	0.00
Cumulative total amount of proceeds used	272,825.00
Proportion of cumulative total amount of proceeds involved in change of use	0.00%

Investment projects undertaken and the use of the excess proceeds	Project change (including partially changed projects) ?	Total amount of proceeds undertaken for investment	Total investment amount after adjustment[(1)]	Invested amount during the year	Cumulative invested amount as of end of the period [(2)]	Progress of investment as of end of the period (%)3=(2)/(1)	Date of project reaching the working condition for its intended use	Results realised during the year	Achieving its estimated results?	Any material change in feasibility of project?
Investment project undertaken										
Zhanjiang pulp project with annual production of 70,000 tonnes	No	248,271.00	248,271.00	129,381.63	248,271.00	100.00%	April 2011	0.00	No	No
Subtotal of the investment projects undertaken	–	248,271.00	248,271.00	129,381.63	248,271.00	–	April 2011	0.00	–	No
Use of the excess proceeds	Nil									
Banking loan repayment (if any)	–	0.00	0.00	0.00	0.00	0.00%	–	–	–	–
Supplementary working capital (if any)	No	24,554.00	24,554.00	0.00	24,554.00	100.00%	–	–	–	No
Subtotal of the use of the excess proceeds	–					–	–	0.00	–	–
Total	–	272,825.00	272,825.00	129,381.63	272,825.00	100.00%	–	0.00	–	–
Particulars of and reasons for not meeting schedule or estimated income (by specific projects)	Nil									
Particulars of material change in feasibility of project	Nil									
Amount and uses of the excess proceeds and the progress of uses	N/A									
Particulars of change in place of application of proceeds	N/A									
Particulars of adjustment to way of application of proceeds	N/A									
Particulars of application of proceeds in early stage and replacement of proceeds	N/A									
Particulars of application of idle proceeds for temporary replenishment of working capital	N/A									
Amount of positive balance of proceeds upon commencement of project and its reason	N/A									
Uses and whereabouts of unused proceeds	Nil									
Issues and other particulars of use of proceeds and its disclosure	Nil									

Change in investment projects funded by proceeds

□ Applicable √ Not applicable

6.6 Projects not funded by proceeds

√Applicable □ Not applicable

Unit: RMB'0000

Project name	Project amounts	Project progress	Project results
High-end low weight coated paper project of annual production capacity of 800,000 tonnes	520,000.00	Civil works were completed and equipment installation was 70% completed	Not completed
High-end culture paper project of annual production capacity of 450,000 tonnes	166,800.00	The main structure of the paper making plant of the project was completed and its masonry structure was 90% completed. For the progress of project installation, the installation of the major equipment in the paper machine workshop was 25% completed.	Not completed
High-end white coated linerboard project of annual production capacity of 600,000 tonnes	260,000.00	The major equipment of the project had been ordered and the pile testing works were 70% completed.	Not completed
Medium-to-High-end household paper project of annual production capacity of 60,000 tonnes	53,900.00	The project successfully commenced production on 16 December 2010 and came into operation.	Nil
Research and development centre project	12,000.00	The main structure of the centre was topped out and the secondary structure was under construction while interior decoration, external greenery decoration and electrical and instrument works had also commenced.	Not completed
Bleached sulfate pulp project of annual production capacity of 700,000 tonnes	940,000.00	Civil works of the project were approximately 80% completed and equipment installation of the project was approximately 70% completed.	Not completed
Total	1,952,700.00	—	—

6.7 Reasons for correction of accounting policies, accounting estimates or material accounting errors of the Company given by the Board and explanation on their effects

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

Based on the total share capital of 2,062,045,941 shares of the Company as at the end of 2010, a cash bonus of RMB3.0 (before tax) per 10 shares is to be paid to all shareholders and the total cash bonus in this distribution is RMB618,613,782.30 (before tax), which accounted for approximately 60.43% of the net profit as set out in the financial statements of the Company for 2010 after deducting appropriation to statutory reserves. The undistributed profit would be rolled over for distribution in subsequent years.

The cash bonus of the Company in the last three years

Unit: RMB

Cash bonus year	Amount for profit for cash bonus (tax included)	Net profit attributable to owners of the Company for the cash bonus year	Ratio of cash bonus to net profit attributable to owners of the Company	Distributable profit of the year
2009	618,613,782.30	835,947,981.16	74.00%	754,495,784.20
2008	103,102,297.05	1,075,291,741.53	9.59%	973,557,811.58
2007	273,015,350.56	967,636,172.39	28.21%	886,584,820.49
The accumulated amounts for cash bonus in the last three years as a percentage of distributable profit (%)				114.13%

Profit of the Company during the reporting period for which no cash distribution proposal had been proposed

□ Applicable √ Not applicable

6.10 **Management discussion and analysis under International Financial Reporting Standards**

Revenue from operations

Unit: RMB'000

	2010		2009	
By industry or by product	**Revenue from principal operations**	**As a percentage of revenue from operations (%)**	Revenue from principal	As a percentage of revenue from operations (%)
Machine-made paper	**16,142,812.00**	**94.41**	14,155,084.00	95.54
Electricity and steam	**444,754.00**	**2.60**	237,925.00	1.61
Construction materials	**386,555.00**	**2.26**	337,518.00	2.28
Chemicals products	**74,269.00**	**0.43**	31,390.00	0.21
Others	**51,313.00**	**0.30**	53,336.00	0.36
Total	**17,099,703.00**	**100.00**	14,815,253.00	100.00

Unit: RMB'000

	2010		2009	
Geographical segment	**Revenue from operations**	**As a percentage of revenue from operations (%)**	Revenue from operations	As a percentage of revenue from operations (%)
PRC	**15,102,027.00**	**88.32**	13,028,552.00	87.94
United States	**167,762.00**	**0.98**	157,118.00	1.06
Hong Kong	**160,884.00**	**0.94**	374,478.00	2.53
Japan	**187,538.00**	**1.10**	308,298.00	2.08
South Africa	**67,502.00**	**0.39**	128,115.00	0.86
Other overseas areas	**1,413,990.00**	**8.27**	818,692.00	5.53
Total	**17,099,703.00**	**100.00**	14,815,253.00	100.00

Operating revenue for 2010 amounted to approximately RMB17,100 million, representing an increase of RMB2,284 million or 15.42% as compared with 2009;

Operating revenue of machine-made paper amounted to RMB16,143 million, representing an increase of 14.04% over 2009, 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 RMB445 million, representing an increase of 86.93% over 2009, mainly due to: higher external sales of electricity and steam, the addition of garbage power generation since the second half of 2009 and a rise in electricity prices.

Operating revenue of building materials amounted to RMB387 million, representing an increase of 14.53% over 2009, mainly due to: 山東晨鳴板材有限責任公司(Shandong Chenming Panels Co., Ltd.), a subsidiary of the Company, acquired 67% equity interest in 山東林盾木業股份有限公司(Shandong Lin Dun Wood Industry Co., Ltd.) in July 2009, which was accounted for on a consolidated basis.

Operating revenue of chemical products amounted to RMB74 million, representing an increase of 136.60% over 2009, mainly due to: the significant increase in sales of chemical products by the Company during the current period 2010 over the corresponding period of last year under the impact of the financial crisis.

Cost of sales and gross profit

Unit: RMB'000

	Cost of sales as a percentage of revenue from operations			
	2010		2009	
By industry or by product	**Cost of sales**	**As a percentage of product segment revenue (%)**	Cost of sales	As a percentage of product segment revenue (%)
Machine-made paper	**12,852,087.00**	**79.61%**	11,554,422.00	81.63%
Electricity and steam	**392,235.00**	**88.19%**	144,144.00	60.58%
Construction materials	**306,730.00**	**79.35%**	267,500.00	79.26%
Chemicals products	**50,859.00**	**68.48%**	15,027.00	47.87%
Others	**14,866.00**	**28.97%**	17,299.00	32.43%
Total	**13,616,777.00**	**79.63%**	11,998,392.00	80.99%

	Gross profit and gross profit margin			
	2010		2009	
By industry or by product	**Gross profit**	**Gross profit margin**	Gross profit	Gross profit margin
Machine-made paper	**3,290,725.00**	**20.39%**	2,600,662.00	18.37%
Electricity and steam	**52,519.00**	**11.81%**	93,781.00	39.42%
Construction materials	**79,825.00**	**20.65%**	70,018.00	20.74%
Chemicals products	**23,410.00**	**31.52%**	16,363.00	52.13%
Others	**36,447.00**	**71.03%**	36,037.00	67.57%
Total	**3,482,926.00**	**20.37%**	2,816,861.00	19.01%

Cost of sales of the Company in 2010 was RMB13,617 million, representing an increase of 13.49% over 2009. Gross profit was RMB3,483 million, representing an increase of 23.65% over 2009 mainly due to: the impact of financial crisis on the product sales price for 2009 and significantly higher sales price for 2010, and the rise in product sales price being higher than the price rise in raw material.

Cost of sales of machine-made paper was RMB12,852 million, representing an increase of 11.23% over 2009 mainly due to: the raw materials cost being higher than that of the corresponding period of last year.

Cost of sales of electricity and steam was RMB392 million, representing an increase of 172.11% over 2009 mainly due to: the volume of external sales of electricity and steam increased in the current period, and the raw materials cost being higher than that of the corresponding period of last year.

Cost of sales of construction materials was RMB307 million, representing an increase of 14.67% over 2009 mainly due to: 山東晨鳴板材有限責任公司(Shandong Chenming Panels Co., Ltd.), a subsidiary of the Company , acquired 67% equity interest in 山東林盾木業股份有限公司(Shandong Lin Dun Wood Industry Co., Ltd.) in July 2009, which was accounted for on a consolidated basis.

Cost of sales of chemical products was RMB51 million, representing an increase of 238.45% over 2009 mainly due to: the sales volume of chemicals products in the current period 2009 being higher than that of the corresponding period of last year under the impact of the financial crisis and the raw materials cost being higher than that of the corresponding period of last year.

Other income

Other income for 2010 amounted to RMB234 million, representing a decrease of 23.64% over 2009 mainly due to (1) the government grants recognised in profit or loss and received in the current period being lower than that of the corresponding period of last year, and (2) the interest income being lower than that of the corresponding period of last year.

Distribution expenses

Distribution expenses for 2010 were approximately RMB874 million, representing an increase of approximately 12.79% from 2009 mainly due to the increase of the transportation costs and cargo handling charges, and wages and salaries.

Administrative expenses

Administrative expenses of the Company for 2010 were approximately RMB915 million, representing an increase of approximately 43.56% from 2009 mainly due to the asset impairment losses in the current period being higher than that of the corresponding period of last year resulting from the change in accounts receivable balance and aging, and higher investments on research and development by the Company and increased salaries.

Other expenses

Other expenses of the Company were RMB70 million for 2010, representing a decrease of 49.53% over 2009 mainly due to: suspended production in certain pulp and panel production lines to limit losses under the repercussion of the financial crisis in the first half of 2009.

Gain on change in fair value of derivative financial instruments

Gain on derivative financial instruments was approximately RMB1.521 million in 2010, decreased by approximately RMB6.922 million over 2009 mainly due to: the change in the fair value of the future pooling foreign exchange contracts entered into between the Company and China Construction Bank.

Gain on change in fair value less costs to sell of biological assets

Gain on change in fair value less costs to sell of biological assets of the Company for 2010 was approximately RMB54.752 million, representing an increase of approximately RMB44.883 million over 2009 mainly due to the change in fair value of timber assets of the Company.

Impairment loss on property, plant and equipment

Impairment loss on property, plant and equipment of the Company for 2010 was approximately RMB22.48 million, representing an increase of RMB17.974 million compared with RMB4.506 million in 2009, mainly because: (1) in 2010, the Company made allowance for impairment of RMB22.48 million on the difference between recoverable amount and carrying amount of the machinery and equipment of subsidiaries Qihe Chenming Panels Co., Ltd. and Heze Chenming Panels Co., Ltd., which had suspended production; (2) in 2009, the Company made allowance for impairment of RMB4.51million on the difference between carrying amount and cost value of fixed assets of subsidiaries Heze Chenming Panels Co., Ltd. and Qihe Chenming Panels Co., Ltd.

Reversal of allowance for (allowance for) inventories

Allowance for inventories for 2010 decreased by approximately RMB19.65 million from 2009 mainly due to: reversal of the allowance for inventories of 2008 in view of the rally in product prices in 2009 and the decrease in raw materials price.

Finance costs

Finance costs of the Company for 2010 were approximately RMB283 million, representing a decrease of approximately 26.4% from 2009 mainly due to: the finance costs in the current period being lower than that of the corresponding period of last year resulting from the change in lending rate and the long term and short term borrowings and capitalization of interest; (2) the adoption of financing methods by the Company such as issuance of short-term debentures, medium-term notes.

Share of results of associates

The Group's share of results of associates for 2010 was -RMB13.863 million, representing an increase of 11.64% compared with 2009, mainly due to the decrease in the losses of associates in 2010 when compared to 2009.

Income tax expense

Income tax expense of the Group for 2010 was approximately RMB261 million, representing an increase of approximately 19.03% from 2009 mainly due to: the lower income tax expense resulting from the profit realised in the current period being higher than that of the corresponding period of last year because of the decrease in the gross profit margin of the products and the change in costs and expenses.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for 2010 was approximately RMB147 million, representing an increase of approximately 16.1% from 2009 mainly due to the higher profit attributable to non-controlling interests resulting from the net profit realised in the current period being higher than that of the corresponding period of last year.

Net profit and net profit margin

Net profit of the Group for 2010 was approximately RMB1,190 million (excluding profit attributable to minority interests), representing an increase of approximately 37.94% from 2009. The net profit margin was approximately 6.96%, increased by approximately 1.14 percentage points as compared with 5.82% in the corresponding period of 2009 mainly due to the gross profit margin of pulp being higher than that of the corresponding period of 2009 resulting from the financial crisis.

Liquidity

In 2010, the cash flows from operating activities, the cash flows from investment activities and the cash flows from financing activities of the Company were approximately RMB850 million, -RMB5,956 million and RMB4,603 million respectively, decreased or increased by approximately -48.12%, -138.78%, 756.54% over 2009 respectively. The main reasons were respectively as follows:

1. The decrease in the net cash flows from operating activities was mainly due to tax paid in the current period increased by RMB466 million over last year; good payments paid for purchase of goods increased significantly in the current period due to a rise in raw material prices.

2. The decrease in the net cash flows from investment activities as compared to the corresponding period of last year was mainly due to the increased investments in the 800,000-tonne copperplate paper project, the 60,000-tonne tissue paper project and the 600,000-tonnes high-end white coated linerboard project, and the Zhanjiang pulp project and high-end culture paper project during the reporting period.

3. The increase in the net cash flows from financing activities was mainly due to the issuance of RMB3,300 million short-term debentures and RMB1,100 million middle-term notes as a result of investments in projects.

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

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

5. **Principal sources of funding**

   In 2010, the principal sources of funding of the Company derived from the revenue from production operations, bank loans, issues of long term and medium notes and short-term debentures.

6. **Bank borrowings and interest rate of borrowings of the Company during the reporting period**

   As at 31 December 2010, the Group's bank borrowings increased by approximately RMB6,322 million, repayment of loans amounted to approximately RMB5,105 million. Such borrowings bore interest rates ranging from 1.05% to 5.94%.

7. Gearing ratio of the Company

As at 31 December 2010, the gearing ratio (including minority interests) of the Group was 44.12%, increased by 9.54 percentage points as compared with 34.58% in 2009 mainly due to the larger investments in projects and the increase in borrowings of the Company in the current period.

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

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

As at 31 December 2010, the secured assets of the Group included: International Finance Corporation ("IFC"), Deutsche Bank AG ("DEG") and China Construction Bank Nanchang Changbei Branch entered into a loan agreement with Jiangxi Chenming Paper Co., Ltd, a subsidiary of the Company, pursuant to which, secured loans of USD 40,000,000.00, USD 9,411,765.00 and USD17,500,000.00 were provided to Jiangxi Chenming Paper Co., Ltd respectively. The collateral was the fixed assets and land use rights of Jiangxi Chenming Paper Co., Ltd. As at 31 December 2010, repayment in the amount of USD36,372,549.59 was paid for the above borrowing. As at 31 December 2010, the net value of the collateral with regard to fixed assets was RMB1,022,544,077.50 and that with regard to the land use rights (intangible assets) was RMB71,448,435.14.

9. Contingent liabilities of the Company

As at 31 December 2010, there were no contingent liabilities of the Group.

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

10. Risk of fluctuations in foreign exchange rate and any relevant hedging

As at 31 December 2010, the exchange gains of the Company was RMB41.852 million mainly due to:

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

During the year ended 31 December 2010 under review, the Group had not used any financial assets held for trading denominated in US dollars for hedging purposes. However, the Group will continue to monitor the exposure of proceeds from global offering to foreign exchange fluctuations.

11. Property, plant and equipment

The change in property, plant and equipment for the year ended 31 December 2010 is set out in the Note 4 to the financial statements prepared in accordance with International Financial Reporting Standards in this annual report.

12. Contracts of significance

In the reporting period, the Company and its any subsidiaries did not enter into any contracts of significance with its controlling shareholder or its subsidiaries.

13. Reserve

According to the relevant requirements imposed by the State Ministry of Finance and Articles of Association, the distributable profit shall be based on the lower of the net profit attributable to the equity holders of the Company as calculated in accordance with Accounting Standards for Business Enterprises and that calculated in accordance with International Financial Reporting Standards. The net profit attributable to equity holders of the Company for 2010 according to the Accounting Standards for Business Enterprises was RMB1,163,341,066.21, and net profit attributable to equity holders of the Company for 2010 according the International Financial Reporting Standards was RMB1,190,339,176.67; accordingly, the Company will distribute profit based on the after-tax profit realised according to the Accounting Standards for Business Enterprises for 2010.

7 Material matters

7.1 Assets acquisition

□ Applicable √ Not applicable

7.2 Disposal of assets

□ Applicable √ Not applicable

Effects of matters in 7.1 and 7.2 on the continuity of business and stability of management of the Company.

7.3 Material 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 (year)	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								
Zhanjiang Chenming Paper Pulp Co., Ltd.	2006-07-27(2006-042)	564,020.00	25 March 2008	258,641.00	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	3	No	No
Huanggang Chenming Arboriculture Co., Ltd.	2010-02-25(2010-003)	16,000.00	20 April 2010	2,000.00	Credit	3	No	No
Huanggang Chenming Arboriculture Co., Ltd.	2010-02-25(2010-003)	16,000.00	8 July 2010	3,000.00	Credit	3	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	0.00	Credit	6	Yes	No
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	2009-05-27(2009-012)	28,000.00	21 September 2009	0.00	Credit	1	Yes	No
Shouguang Chenming Art Paper Co., Ltd.	2009-05-27(2009-012)	10,000.00	6 May 2009	0.00	Credit	1	Yes	No
Jilin Chenming Paper Co., Ltd.	2009-05-27(2009-012)	70,000.00	19 May 2009	0.00	Credit	1	Yes	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	2010-02-25(2010-003)	30,000.00	8 March 2010	4,000.00	Credit	1	No	No
Shouguang Meilun Paper Co., Ltd.	2010-08-24(2010-027)	79,473.00	10 September 2010	52,982.00	Credit	5	No	No
Shouguang Meilun Paper Co., Ltd.	2010-10-29(2010-034)	600,000.00	1 November 2010	14,749.00	Credit	0.5	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	16 September 2010	0.00	Credit	1	No	No

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
Chenming (HK) Limited	2010-02-25(2010-003)	102,423.00	25 February 2010	0.00	Credit	1	No	No
Xianning Chenming Arboriculture Co., Ltd.	2010-02-25(2010-003)	10,000.00	25 February 2010	0.00	Credit	1	No	No
Shandong Chenming Paper Sales Company Limited	2010-10-29(2010-034)	200,000.00	29 October 2010	0.00	Credit	—	No	No
Chenming (HK) Limited	2010-10-29(2010-034)	50,000.00	29 October 2010	0.00	Credit	5	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)			1,147,896.00	Total amount of guarantee provided for subsidiaries during the reporting period (B2)				267,136.00
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)			1,959,516.00	Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)				390,372.00
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)			1,147,896.00	Total amount of guarantee provided during the reporting period (A2+B2)				267,136.00
Total amount of guarantee approved as at the end of the reporting period (A3+B3)			1,959,516.00	Total balance of guarantee provided as at the end of the reporting period (A4+B4)				390,372.00
Total amount of guarantee provided (A4+B4) as a percentage of the net assets of the Company				28.84%				
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)				268,641.00				
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)				268,641.00				
Explanation on possible joint obligation on outstanding guarantees provided				Nil				

7.4 Material connected transactions

7.4.1 Connected transactions in the ordinary course of operation

□ Applicable √ Not applicable

7.4.2 Related creditors' rights and liabilities transactions

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

7.5 Entrusted wealth management

□ Applicable √ Not applicable

7.6 Performance of commitments

The following undertakings by the Company, its directors, supervisors and senior management, shareholders interested in 5% or more of the shares of the Company and its beneficial controllers in the reporting period or subsisting to the reporting period

□ Applicable √ Not applicable

7.7 Material litigation and arbitration

□ Applicable √ Not applicable

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

7.8.1 Securities investment

□ Applicable √ Not applicable

7.8.2 Shareholding in other listed companies

□ Applicable √ Not applicable

7.8.3 Shareholding in non-listed financial institutions

□ Applicable √ Not applicable

7.8.4 Purchases and sales in shares of other listed companies

□ Applicable √ Not applicable

7.8.5 Other comprehensive income items (Prepared in accordance with Accounting Standards for Business Enterprises)

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 recognised 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 recognised 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 recognised 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	-855,013.84	-20,264.42
Less: Transfer to profit or loss on disposal of foreign operations in the period, net	—	—
Sub-total	-855,013.84	-20,264.42
5. Others	—	—
Less: Income tax effect from others recognised in other comprehensive income	—	—
Transfer to profit or loss of others recognised in other comprehensive income previously in the current period, net	—	—
Sub-total	—	—
Total	-855,013.84	-20,264.42

§8 Supervisory committee's report

√ Applicable ☐ Not applicable

I. Performance of duties

During the reporting period, all the Supervisors, who were accountable to the shareholders, performed their duties in accordance with Companies Law, the Articles of Association, and Procedural Rules for Supervisory Committee's Meetings, and under the principle of diligence. They monitored whether the business activities were lawfully operated, and supervised the financial management and connected transactions of the Company. During the reporting period, they examined and supervised the subsidiaries and branch companies in terms of accounting, raw materials purchase, sales of goods, and connected transactions to provide strong protection for the lawful operation and healthy development of the Company.

II. Meetings of the Supervisory Committee

1. The thirteenth meeting of the fifth session of the Supervisory Committee was held on 24 February 2010. The resolution in relation to appointment and re-appointment of the Supervisory Committee of the Company was considered approved. The related resolution announcement was published on China Securities Journal, Hong Kong Commercial Daily and the website of CHINF (http://www.cninfo.com.cn) on 25 February 2010 and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 24 February 2010.

2. The fourteenth meeting of the fifth session of the Supervisory Committee was held on 12 April 2010. Resolutions, inter alia, 4 resolutions regarding the report of the Supervisory Committee of the Company for the year of 2009, the financial statements of the Company for the year of 2009, the full text and summary of the 2009 Annual Report and the Self Assessment Report on Internal Control of the Company were considered and passed at the meeting. The related resolution announcement was published on China Securities Journal, Hong Kong Commercial Daily and the website of CHINF (http://www.cninfo.com.cn) on 13 April 2010 and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 12 April 2010.

3. The first meeting of the sixth session of the Supervisory Committee was held on 12 April 2010. The resolution on the election of the chairman of the Supervisory Committee of the Company was considered and passed at the meeting. The related resolution announcement was published on China Securities Journal, Hong Kong Commercial Daily and the website of CHINF (http://www.cninfo.com.cn) on 13 April 2010 and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 12 April 2010.

4. The second meeting of the sixth session of the Supervisory Committee was held on 22 April 2010. The full text and main body of First Quarterly Report 2010 was considered and passed at the meeting. The related resolution announcement was published on China Securities Journal, Hong Kong Commercial Daily and the website of CHINF (http://www.cninfo.com.cn) on 23 April 2010 and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 22 April 2010.

5. The third meeting of the sixth session of the Supervisory Committee was held on 24 August 2010. The full text and summary of the 2010 interim report of the Company and the resolution in relation to provision of guarantee for the loans of Shouguang Meilun Paper Co., Ltd., a wholly-owned subsidiary of the Company, by the Company were considered and passed at the meeting. The related resolution announcement was published on China Securities Journal, Hong Kong Commercial Daily and the website of CHINF (http://www.cninfo.com.cn) on 25 August 2010 and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 24 August 2010.

6. The fourth meeting of the sixth session of the Supervisory Committee was held on 28 October 2010. The full text and main body of Third Quarterly Report 2010 The full text of the 2010 third quarterly report and its original text was considered and passed at the meeting. The related resolution announcement was published on China Securities Journal, Hong Kong Commercial Daily and the website of CHINF (http://www.cninfo.com.cn) on 29 October 2010 and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 28 October 2010.

III. Independent opinion of the Supervisory Committee

1. Operation According to the law

(1) During the reporting period, the Company conducted its businesses according to Companies Law, Securities Law, Articles of Association of the Company and the related national laws and regulations under the direction of "lawfulness, supervision, self-discipline and regulation" applied in a consistent manner. Information disclosures were conducted under the principles of truthfulness, completeness, accuracy, and timeliness. No false or misleading information was released.

(2) The Board undertook all of the rights and responsibilities set out by Companies Law, Securities Law, and Articles of Association of the Company, and fully implemented the resolutions passed by the general meetings and Board meetings. The decision making processes were lawful with timely consideration and approval of the production targets, sustainable development measures, operation according to the law and standardisation operation. A more comprehensive internal control system was established to ensure healthy and continued development of the Company. The management of the Company were able to perform their duties as stipulated in the Articles of Association of the Company and executed the resolutions of the Board. No contravention of laws or regulations or the Articles of Association nor acts detrimental to the interests of the Company were identified.

2. Financial position inspection

The financial statements of the Company were audited by RSM China Certified Public Accountants and RSM Nelson Wheeler, who issued standard auditors' reports with unqualified opinion on them upon auditing. In the opinion of the Supervisory Committee, the auditors' report gave a true and fair view of the financial position and operating results of the Company.

3. Use of proceeds

The actual use of the proceeds from the latest fund raising activity was consistent with their intended use without any changes.

4. Material purchase or sales of assets

The consideration for the material purchase of assets by the Company was fair and reasonable and no insider trades and connected transactions, which were detrimental to the interests of any shareholders or resulted in loss of assets of the Company, were found.

5. Connected transactions

The connected transactions of the Company were entered into at arm's length and were not detrimental to the interests of the Company and the shareholders.

§9 Financial Reporting

9.1 Auditors' opinions

Financial statements	Standard unqualified opinion
Opinion	Standard unqualified opinion
Auditors' report no.	Zhong Rui Yue Hua Shen Zi: [2011] No. 03598
Auditors' report title	Auditors' report
Recipients	Shareholders of Shandong Chenming Paper Holdings Limited
Introduction	We have audited the accompanying financial statements of Shandong Chenming Paper Holdings Limited (the "Company" together with its subsidiaries, the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in owners' equity for 2010 and notes to the financial statements.
Management's responsibility for the financial statements	The Group's management is responsible for preparing the financial statements in accordance with Accounting Standards for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility	Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion	In our opinion, the above financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and fairly present, in all material aspects, the financial position of the Group and the Company as at 31 December 2010 and the operating results and the cash flows for 2010.
Non-standard opinion	Nil
Name of auditors	RSM China Certified Public Accountants
Address of auditors	8-9/F, Block A, Corporate Square, 35 Financial Street, Xicheng District, Beijing
Date of auditors' report	30 March 2011
劉健、王傳順	

Meanwhile, RSM Nelson Wheeler audited and issued standard auditors' reports without qualified opinion on the consolidated balance sheet as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2010 of the Group which were prepared in accordance with International Financial Reporting Standards.

9.2 Financial Statements prepared in accordance with Accounting Standards for Business Enterprises

9.2.1 Balance sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2010
Unit: RMB

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
CURRENT ASSETS:				
Monetary funds	1,951,854,940.72	704,109,173.25	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	—	—	14,900,000.00	—
Bills receivable	2,762,389,909.89	1,527,349,378.06	2,704,799,074.02	1,915,645,987.88
Accounts receivable	2,122,578,824.27	1,621,939,553.18	1,528,991,497.69	1,387,208,451.92
Prepayments	924,354,545.55	919,638,465.71	1,000,772,875.85	826,816,984.44
Premium receivable	—	—	—	—
Receivables from reinsurers	—	—	—	—
Reinsurance contract reserves receivable	—	—	—	—
Interest receivable	—	—	—	—
Dividend receivable	—	25,500,000.00	—	188,362,997.10
Other receivables	117,634,380.52	4,773,074,610.91	81,210,643.94	2,045,123,389.13
Financial assets purchased under agreements to resell	—	—	—	—
Inventory	3,047,078,215.01	798,447,611.57	2,226,579,492.59	901,471,663.46
Entrusted loans due within one year	—	1,799,625,759.18	—	1,688,000,000.00
Non-current assets due within one year	—	—	—	—
Other current assets	658,572,125.34	—	90,756,205.60	35,927,902.98
Total current assets	11,584,462,941.30	12,169,684,551.86	10,540,933,035.62	11,026,487,639.31

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
NON-CURRENT ASSETS:				
Entrusted loans	—	500,000,000.00	—	395,000,000.00
Entrusted loans and advances to customers	—	—	—	—
Available-for-sale financial assets	—	—	—	—
Held-to-maturity investments	—	—	—	—
Long-term receivables	—	—	—	—
Long-term equity investments	67,201,931.89	5,957,887,739.77	80,984,687.49	4,091,670,495.37
Investment properties	24,688,212.07	24,688,212.07	26,426,468.11	26,426,468.11
Fixed assets	12,882,358,381.56	5,162,505,904.23	13,529,590,915.63	5,741,048,494.95
Construction in progress	7,871,512,563.84	377,881,973.00	1,997,961,262.18	139,440,285.68
Construction materials	116,481,086.12	18,789,838.50	42,912,962.27	6,592,106.05
Disposal of fixed assets	—	—	—	—
Productive biological assets	—	—	—	—
Consumable biological assets	726,742,568.44	—	496,724,974.94	—
Oil and gas assets	—	—	—	—
Intangible assets	1,459,453,227.94	329,934,823.01	1,313,428,867.12	349,130,281.02
Development expenditure	—	—	—	—
Goodwill	20,283,787.17	—	20,283,787.17	—
Long-term prepaid expenses	176,436,950.42	—	32,411,932.85	—
Deferred income tax assets	147,510,479.23	60,305,230.74	131,425,981.64	73,479,449.99
Other non-current assets	—	—	—	—
Total non-current assets	23,492,669,188.68	12,431,993,721.32	17,672,151,839.40	10,822,787,581.17
TOTAL ASSETS	35,077,132,129.98	24,601,678,273.18	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	3,594,157,220.47	2,177,183,475.78	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	—	—	6,450,000.00	6,450,000.00
Bills payable	218,757,186.75	124,145,654.66	544,532,508.19	456,914,277.59
Accounts payable	2,708,064,676.44	995,425,830.59	2,122,860,892.58	1,349,629,055.79
Advance receipts	410,243,554.75	284,808,123.90	233,123,691.11	168,878,896.38
Assets sold under agreements to repurchase	—	—	—	—
Handling charges and commission payable	—	—	—	—
Staff remuneration payables	169,426,660.41	106,040,498.15	245,501,281.04	133,530,934.62
Taxes payable	134,029,387.82	36,899,207.08	137,491,104.68	70,066,082.73
Interest payable	—	—	5,050,000.00	5,050,000.00
Dividend payable	—	—	78,807.70	78,807.71
Other payables	582,052,511.43	248,170,250.32	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	1,432,841,463.15	1,360,951,000.00	345,353,527.87	252,423,000.00
Other current liabilities	3,412,493,915.88	3,405,958,538.39	—	—
Total current liabilities	12,662,066,577.10	8,739,582,578.87	7,064,816,220.96	5,306,895,367.95

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
NON-CURRENT LIABILITIES:				
Long-term borrowings	4,725,628,719.05	852,222,735.94	5,087,424,182.26	3,418,358,035.94
Bonds payable	—	—	—	—
Long-term payables	—	—	—	—
Special payables	—	—	—	—
Estimated liabilities	—	—	—	—
Deferred income tax liabilities	1,340,281.66	—	12,408,618.13	—
Other non-current liabilities	2,427,897,545.67	2,309,355,287.42	1,311,375,031.52	1,200,706,698.34
Total non-current liabilities	7,154,866,546.38	3,161,578,023.36	6,411,207,831.91	4,619,064,734.28
TOTAL LIABILITIES	19,816,933,123.48	11,901,160,602.23	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	6,093,493,004.71	6,184,215,988.77	6,093,483,801.92	6,184,215,988.77
Less: Treasury shares	—	—	—	—
Special reserves	—	—	—	—
Surplus reserves	1,046,510,680.99	1,034,321,099.08	906,929,047.49	894,739,465.58
General risk provisions	—	—	—	—
Retained profit	4,333,731,947.96	3,419,934,642.10	3,928,586,297.55	2,782,313,722.90
Foreign currency translation differences	4,219.88	—	859,233.72	—
Total equity attributable to owners of the company	13,535,785,794.54	12,700,517,670.95	12,991,904,321.68	11,923,315,118.25
Non-controlling interests	1,724,413,211.96	—	1,745,156,500.47	—
Total owners' equity	15,260,199,006.50	12,700,517,670.95	14,737,060,822.15	11,923,315,118.25
TOTAL LIABILITIES AND OWNERS' EQUITY	35,077,132,129.98	24,601,678,273.18	28,213,084,875.02	21,849,275,220.48

9.2.2 Income statement

Prepared by: Shandong Chenming Paper Holdings Limited

January to December 2010

Unit: RMB

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
I. Total operating revenue	17,203,123,029.49	13,959,645,213.34	14,884,629,349.50	13,357,978,212.60
Including: Operating revenue	17,203,123,029.49	13,959,645,213.34	14,884,629,349.50	13,357,978,212.60
Interest income	—	—	—	—
Earned premium	—	—	—	—
Handling charges and commission income	—	—	—	—
II. Total operating costs	15,801,911,781.41	12,862,936,084.09	13,904,686,284.84	12,652,042,625.24
Including: Operating costs	13,683,001,460.32	11,757,986,411.67	12,057,415,861.42	11,619,734,565.81
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	30,117,480.19	8,499,517.79	16,268,806.81	452,585.56
Selling and distribution expenses	873,779,193.05	437,724,161.64	774,685,975.04	458,289,660.08
General and administrative expenses	871,138,204.71	435,746,707.79	726,351,661.67	285,897,374.67
Finance expenses	233,455,658.10	208,958,371.56	312,687,004.02	266,064,829.79
Loss on impairment of assets	110,419,785.04	14,020,913.64	17,276,975.88	21,603,609.33

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)	46,302,250.58	6,450,000.00	18,311,845.48	-6,450,000.00
Investment income ("-" denotes loss)	– 13,762,755.60	483,889,430.92	-15,689,081.65	192,819,672.62
Including: Investment income from associates and joint ventures	– 13,863,141.44	-13,863,141.44	-15,689,081.65	-15,689,081.65
Foreign exchange gains ("-" denotes loss)	—	—	—	—
III. Operating profit ("-" denotes loss)	1,433,750,743.06	1,587,048,560.17	982,565,828.49	892,305,259.98
Add: Non-operating income	179,418,037.60	51,522,683.19	201,738,406.80	98,945,831.63
Less: Non-operating expenses	50,814,216.46	37,188,877.94	11,381,604.06	5,194,358.17
Including: Loss on disposal of non-current assets	42,128,862.46	36,786,877.94	10,496,542.97	4,933,009.36
IV. Total profit ("-" denotes total loss)	1,562,354,564.20	1,601,382,365.42	1,172,922,631.23	986,056,733.44
Less: Income tax expenses	260,696,445.13	205,566,030.42	219,011,201.01	171,534,763.87
V. Net profit ("-" denotes net loss)	1,301,658,119.07	1,395,816,335.00	953,911,430.22	814,521,969.57
Net profit attributable to owners of the Company	1,163,341,066.21	1,395,816,335.00	835,947,981.16	814,521,969.57
Non-controlling interests	138,317,052.86	—	117,963,449.06	—
VI. Earnings per share:				
(I) Basic earnings per share	0.56	—	0.41	0.40
(II) Diluted earnings per share	0.56	—	0.41	0.40
VII. Other comprehensive income	– 855,013.84	—	-20,264.42	—
VIII. Total comprehensive income	1,300,803,105.23	1,395,816,335.00	953,891,165.80	814,521,969.57
Total comprehensive income attributable to owners of the Company	1,162,486,052.37	1,395,816,335.00	835,927,716.74	814,521,969.57
Total comprehensive income attributable to non-controlling interests	138,317,052.86	—	117,963,449.06	—

For the business combination under common control for the current period, the acquiree realised net profit of RMB nil before the combination.

9.2.3 Cash flow statement

Prepared by: Shandong Chenming Paper Holdings Limited

January to December 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	16,628,774,985.06	13,164,182,753.49	14,686,482,966.63	11,809,013,520.46
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	35,934,217.79	–	19,523,996.24	–

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
Cash received relating to other operating activities	389,651,056.52	56,990,439.95	272,854,550.68	232,946,975.55
Subtotal of cash inflows from operating activities	17,054,360,259.37	13,221,173,193.44	14,978,861,513.55	12,041,960,496.01
Cash paid for goods and services	13,330,679,721.31	10,928,633,742.88	10,961,732,381.79	9,449,618,442.91
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	858,757,675.05	344,541,075.37	583,867,848.84	231,873,630.40
Payments of taxes and surcharges	1,375,083,198.75	659,896,421.73	909,030,328.05	524,174,298.79
Cash paid relating to other operating activities	639,510,737.26	2,458,298,291.23	885,196,694.88	1,667,936,417.73
Subtotal of cash outflows from operating activities	16,204,031,332.37	14,391,369,531.21	13,339,827,253.56	11,873,602,789.83
Net cash flows from operating activities	850,328,927.00	-1,170,196,337.77	1,639,034,259.99	168,357,706.18
II. Cash flows from investing activities:				
Cash received from investments	1,000,000.00	419,394,240.82	2,000,000.00	1,692,000,000.00
Cash received from investment income	20,000.00	545,267,857.49	—	145,020,754.27
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	87,624,212.19	19,004,765.80	40,417,685.21	27,464,258.74
Net cash received from disposal of subsidiaries and other business units	—	—	—	—

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
Cash received relating to other investing activities	35,337,000.00	14,390,000.00	68,939,100.00	6,123,100.00
Subtotal of cash inflows from investing activities	123,981,212.19	998,056,864.11	111,356,785.21	1,870,608,113.01
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	6,507,649,651.70	190,735,508.66	2,232,671,227.37	258,719,440.41
Cash paid on investments	1,010,000.00	2,591,000,000.00	6,000,000.00	1,853,500,000.00
Net increase in pledged loans	—	—	—	—
Net cash paid for acquisition of subsidiaries and other business units	—	—	7,131,824.47	—
Cash paid relating to other investing activities	—	—	—	—
Subtotal of cash outflows from investing activities	6,508,659,651.70	2,781,735,508.66	2,245,803,051.84	2,112,219,440.41
Net cash flows from investing activities	– 6,384,678,439.51	-1,783,678,644.55	-2,134,446,266.63	-241,611,327.40
III. Cash flows from financing activities:				
Cash received from capital contribution	—	—	—	—
Including: cash received from minority interest contribution to subsidiaries	—	—	—	—
Cash received from borrowings	6,322,265,778.15	3,239,397,401.53	11,232,280,052.31	9,215,114,498.23
Cash received from bond issue	4,376,900,000.00	4,376,900,000.00	1,200,000,000.00	1,200,000,000.00
Cash received relating to other financing activities	428,970,082.51	409,984,697.61	—	—
Subtotal of cash inflows from financing activities	11,128,135,860.66	8,026,282,099.14	12,432,280,052.31	10,415,114,498.23
Cash repayments of amounts borrowed	5,104,910,592.34	5,157,736,193.29	9,275,173,488.99	9,897,261,208.41
Cash paid for dividend and profit distribution or interest payment	991,379,958.69	829,615,829.90	648,925,641.59	476,168,469.39

Items	Amounts for the current period		Amounts for the prior period	
	Consolidated	Parent company	Consolidated	Parent company
Including: dividend and profit paid to minority interests by subsidiaries	147,258,509.55	—	105,780,046.58	—
Cash paid relating to other financing activities	—	—	2,330,550,075.21	460,250,158.46
Subtotal of cash outflows from financing activities	6,096,290,551.03	5,987,352,023.19	12,254,649,205.79	10,833,679,836.26
Net cash flows from financing activities	5,031,845,309.63	2,038,930,075.95	177,630,846.52	-418,565,338.03
IV. Effect of foreign exchange rate changes on cash and cash equivalents	– 9,594,019.82	-8,891,485.17	-2,463,797.23	-2,140,676.32
V. Net increase in cash and cash equivalents	– 512,098,222.70	-923,836,391.54	-320,244,957.35	-493,959,635.57
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	1,855,235,979.80	662,209,607.29	2,367,334,202.50	1,586,045,998.83

9.2.4 Consolidated statement of changes in owners' equity

Prepared by: Shandong Chenming Paper Holdings Limited 2010 Unit: RMB

Amounts for the current period

Items	Equity attributable to equity holders of the Company									
	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
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
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
III. Changes in the year ("-" denotes decrease)	–	9,202.79	–	–	139,581,633.50	–	405,145,650.41	-855,013.84	-20,743,288.51	523,138,184.35
(I) Net profit	–	–	–	–	–	–	1,163,341,066.21	–	138,317,052.86	1,301,658,119.07
(II) Other comprehensive income	–	–	–	–	–	–	–	-855,013.84	–	-855,013.84
Sub-total of (I) and (II) above	–	–	–	–	–	–	1,163,341,066.21	-855,013.84	138,317,052.86	1,300,803,105.23
(III) Capital paid in and reduced by owners	–	9,202.79	–	–	–	–	–	–	-19,202.79	-10,000.00
1. Capital paid in by owners	–	–	–	–	–	–	–	–	–	–
2. Amounts of share-based payments recognised in owners' equity	–	–	–	–	–	–	–	–	–	–
3. Others	–	9,202.79	–	–	–	–	–	–	-19,202.79	-10,000.00
(IV) Profit distribution	–	–	–	–	139,581,633.50	–	-758,195,415.80	–	-159,041,138.58	-777,654,920.88
1. Transfer to surplus reserves	–	–	–	–	139,581,633.50	–	-139,581,633.50	–	–	–
2. Transfer to general risk provision	–	–	–	–	–	–	–	–	–	–
3. Distribution to owners (shareholders)	–	–	–	–	–	–	-618,613,782.30	–	-159,041,138.58	-777,654,920.88
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	–	–	–	–	–	–	–	–	–	–
1. Appropriated in the period	–	–	–	–	–	–	–	–	–	–
2. Used in the period	–	–	–	–	–	–	–	–	–	–
(VII) Others	–	–	–	–	–	–	–	–	–	–
IV. Balance as at the end of the period	2,062,045,941.00	6,093,493,004.71	–	–	1,046,510,680.99	–	4,333,731,947.96	4,219.88	1,724,413,211.96	15,260,199,006.50

Amounts for the prior year

Items	Equity attributable to equity holders of the Company									
	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
I. Balance as at the end of the prior year	2,062,045,941.00	6,093,483,801.92	–	–	825,476,850.53	–	3,277,192,810.40	879,498.14	1,762,695,762.97	14,021,774,664.96
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	–	–	825,476,850.53	–	3,277,192,810.40	879,498.14	1,762,695,762.97	14,021,774,664.96
III. Changes in the year ("-" denotes decrease)	–	–	–	–	81,452,196.96	–	651,393,487.15	-20,264.42	-17,539,262.50	715,286,157.19
(I) Net profit	–	–	–	–	–	–	835,947,981.16	–	117,963,449.06	953,911,430.22
(II) Other comprehensive income	–	–	–	–	–	–	–	-20,264.42	–	-20,264.42
Sub-total of (I) and (II) above	–	–	–	–	–	–	835,947,981.16	-20,264.42	117,963,449.06	953,891,165.80
(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	–	–	–	–	81,452,196.96	–	-184,554,494.01	–	-141,001,534.16	-244,103,831.21
1. Transfer to surplus reserves	–	–	–	–	81,452,196.96	–	-81,452,196.96	–	–	–
2. Transfer to general risk provision	–	–	–	–	–	–	–	–	–	–
3. Distribution to owners (shareholders)	–	–	–	–	–	–	-103,102,297.05	–	-141,001,534.16	-244,103,831.21
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	–	–	–	–	–	–	–	–	–	–
1. Appropriated in the period	–	–	–	–	–	–	–	–	–	–
2. Used in the period	–	–	–	–	–	–	–	–	–	–
(VII) Others	–	–	–	–	–	–	–	–	5,498,822.60	5,498,822.60
IV. Balance as at the end of the period	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

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

Prepared by: Shandong Chenming Paper Holdings Limited 2010 Unit: RMB

	Amounts for the current period								Amounts for the prior year							
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	Special reserves	Surplus reserves	General risk provision	Retained profit	Total owners' equity
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	–	–	813,287,268.62	–	2,152,346,247.34	11,211,895,445.73
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	–	–	813,287,268.62	–	2,152,346,247.34	11,211,895,445.73
III. Changes in the year ("-" denotes decrease)	–	–	–	–	139,581,633.50	–	637,620,919.20	777,202,552.70	–	–	–	–	81,452,196.96	–	629,967,475.56	711,419,672.52
(I) Net profit	–	–	–	–	–	–	1,395,816,335.00	1,395,816,335.00	–	–	–	–	–	–	814,521,969.57	814,521,969.57
(II) Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total of (I) and (II)	–	–	–	–	–	–	1,395,816,335.00	1,395,816,335.00	–	–	–	–	–	–	814,521,969.57	814,521,969.57
(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	–	–	–	–	139,581,633.50	–	-758,195,415.80	-618,613,782.30	–	–	–	–	81,452,196.96	–	-184,554,494.01	-103,102,297.05
1. Transfer to surplus reserves	–	–	–	–	139,581,633.50	–	-139,581,633.50	–	–	–	–	–	81,452,196.96	–	-81,452,196.96	–
2. Transfer to general risk provision	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to owners (shareholders)	–	–	–	–	–	–	-618,613,782.30	-618,613,782.30	–	–	–	–	–	–	-103,102,297.05	-103,102,297.05
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	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(VII)Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance as at the end of the period	2,062,045,941.00	6,184,215,988.77	–	–	1,034,321,099.08	–	3,419,934,642.10	12,700,517,670.95	2,062,045,941.00	6,184,215,988.77	–	–	894,739,465.58	–	2,782,313,722.90	11,923,315,118.25

9.3 As compared with the latest annual report, changes in accounting policies, accounting estimates and auditing methods in details

□ Applicable √ Not applicable

9.4 Material accounting errors and their restatements, reasons and effects

□ Applicable √ Not applicable

9.5 As compared with the latest annual report, changes in the scope of consolidation during the reporting period in details

√ Applicable □ Not applicable

山東晨鳴紙業銷售有限公司(Shandong Chenming Paper Sales Company Limited) was established by the Company on 17 March 2010 by way of capital contribution with a registered capital of RMB100.00 million. It is 100% owned by the Company.

9.6 Financial statements prepared in accordance with International Financial Reporting Standards

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	**2010** *RMB'000*	**2009** *RMB'000*
Revenue	1	17,099,703	14,815,253
Cost of sales		(13,616,777)	(11,998,392)
Gross profit		3,482,926	2,816,861
Other income	2	234,160	306,642
Distribution expenses		(873,779)	(774,686)
Administrative expenses		(915,343)	(637,615)
Other expenses	3	(70,450)	(139,591)
Gain on change in fair value of derivative financial instruments		1,521	8,443
Gain on change in fair value less costs to sell of biological assets		54,752	9,869
Impairment loss on property, plant and equipment	4	(22,480)	(4,506)
Reversal of allowance for inventories		3,027	22,677
Profit from operations		1,894,334	1,608,094
Finance costs	5	(282,657)	(384,023)
Share of results of associates		(13,863)	(15,689)
Profit before tax		1,597,814	1,208,382
Income tax expense	6	(260,696)	(219,011)
Profit for the year	7	1,337,118	989,371
Other comprehensive income for the year, net of tax Exchange differences on translating foreign operations		(855)	(21)
Total comprehensive income for the year		1,336,263	989,350
Profit for the year attributable to:			
Owners of the Company		1,190,339	862,946
Non-controlling interests		146,779	126,425
		1,337,118	989,371
Total comprehensive income for the year attributable to:			
Owners of the Company		1,189,484	862,925
Non-controlling interests		146,779	126,425
		1,336,263	989,350
Earnings per share			
– Basic	8	RMB0.58	RMB0.42

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	**2010**	**2009**
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	4	20,815,777	15,514,870
Prepaid lease payments	9	1,559,033	1,275,915
Investment properties	10	24,688	26,427
Interests in associates	11	43,270	57,133
Available-for-sale investments	12	23,932	23,851
Goodwill	13	20,284	20,284
Biological assets	14	726,743	496,725
Deferred tax assets	15	147,510	131,426
		23,361,237	17,546,631
Current assets			
Inventories	16	3,047,078	2,226,579
Trade and other receivables	17	6,584,712	5,380,105
Prepaid lease payments	9	49,701	38,571
Derivative financial instruments	18	—	14,900
Current tax assets		6,549	26,425
Pledged bank deposits	19	96,619	525,589
Bank and cash balances	19	1,855,236	2,367,334
		11,639,895	10,579,503
Current liabilities			
Trade and other payables	20	4,165,091	3,570,370
Borrowings	21	5,026,999	3,448,507
Debentures	22	3,404,884	—
Income tax payable		63,216	39,410
Dividend payable		—	79
Deferred income	23	26,069	24,349
Derivative financial instruments	18	—	6,450
		12,686,259	7,089,165

	NOTES	2010	2009
		RMB'000	RMB'000
Net current (liabilities)/assets		(1,046,364)	3,490,338
Total assets less current liabilities		22,314,873	21,036,969
Non-current liabilities			
Borrowings	21	4,725,629	5,087,424
Debentures	22	2,285,483	1,189,484
Deferred income	23	336,109	339,938
Deferred tax liabilities	15	1,340	12,409
		7,348,561	6,629,255
NET ASSETS		14,966,312	14,407,714
Capital and reserves			
Share capital	24	2,062,046	2,062,046
Reserves		11,180,848	10,609,969
Equity attributable to owners of the Company		13,242,894	12,672,015
Non-controlling interests		1,723,418	1,735,699
TOTAL EQUITY		14,966,312	14,407,714

Notes:

1. REVENUE

	2010	2009
	RMB'000	*RMB'000*
Sale of paper products	16,142,812	14,155,084
Sale of construction materials	386,555	337,518
Sale of electricity and steam	444,754	237,925
Sale of chemical products	74,269	31,390
Others	51,313	53,336
	17,099,703	14,815,253

2. OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Government grants (note a)	96,530	140,290
Value-added tax refund (note b)	31,601	19,524
Interest income	21,817	85,355
Net exchange gain	41,852	2,037
Net gain from sales of scrap materials	25,459	13,995
Discount on acquisition of subsidiaries	—	10,490
Others	16,901	34,951
	234,160	306,642

Notes:

(a) The Group received government grants from local municipal governments in relation to encouragement of development and advancement of business. According to the relevant government grant documents, the grants are general 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. The Group also received value-added tax refund for waste paper recycling in certain subsidiaries.

3. OTHER EXPENSES

Other expenses mainly includes the loss on suspension of production in certain production units. The loss on suspension of production for the year ended 31 December 2010 amounted to RMB55,219,000 (2009: RMB110,928,000) represents depreciation of suspended production facilities and related staff costs.

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2009	3,340,319	15,656,888	525,290	136,285	238,356	19,897,138
Value-added tax refund (note a)	—	(17,544)	—	—	—	(17,544)
Acquisition of businesses	10,401	11,281	199	5,594	611	28,086
Additions	12,511	63,350	8,882	20,814	2,006,465	2,112,022
Transfers	96,225	410,183	10,407	462	(517,277)	—
Transfers (note b)	—	(96,963)	(60)	—	77,616	(19,407)
Disposals/write offs	(20,084)	(24,229)	(7,804)	(9,450)	—	(61,567)
At 31 December 2009	3,439,372	16,002,966	536,914	153,705	1,805,771	21,938,728
Additions	36,061	86,587	18,023	25,938	6,393,722	6,560,331
Transfers	79,854	349,446	17,074	229	(446,603)	—
Disposals/write off	(34,017)	(152,062)	(11,975)	(8,246)	—	(206,300)
At 31 December 2010	3,521,270	16,286,937	560,036	171,626	7,752,890	28,292,759
Depreciation and impairment						
At 1 January 2009	554,120	4,421,774	224,421	55,348	—	5,255,663
Charge for the year	112,181	1,028,766	55,960	15,521	—	1,212,428
Transfers (note b)	—	(19,398)	(9)	—	—	(19,407)
Disposal/write off	(8,870)	(11,373)	(4,073)	(5,016)	—	(29,332)
Impairment for the year (note c)	—	4,506	—	—	—	4,506
At 31 December 2009	657,431	5,424,275	276,299	65,853	—	6,423,858
Charge for the year	117,502	978,968	45,924	16,638	—	1,159,032
Disposal/write off	(12,750)	(100,182)	(10,255)	(5,201)	—	(128,388)
Impairment for the year (note c)	—	22,480	—	—	—	22,480
At 31 December 2010	762,183	6,325,541	311,968	77,290	—	7,476,982
Carrying amounts						
At 31 December 2010	2,759,087	9,961,396	248,068	94,336	7,752,890	20,815,777
At 31 December 2009	2,781,941	10,578,691	260,615	87,852	1,805,771	15,514,870

Notes:

(a) According to the No. [2006] 111 Regulation in respect of preferential VAT benefit for foreign-investment entities issued by State Administration of Taxation（國稅發[2006]111號《國家稅務總局國家發展和改革委員會關於印發《外商投資項目採購國產設備退稅管理試行辦法》的通知）, the Group received approximately RMB17,544,000 value-added tax refund for purchasing machinery manufactured in the PRC during the year ended 31 December 2009.

(b) During the year ended 31 December 2009, certain paper production lines are transferred to construction in progress for alternation of production purpose, the depreciation of the relevant production lines is suspended since the date of transfer.

(c) During the year ended 31 December 2010, the directors identified that certain production lines of the Group will not be used in future as its product quality is not up to standard, an impairment of approximately RMB22,480,000 (2009: RMB4,506,000) was recognised for two production lines based on recoverable amount determined using replacement cost at discount less estimated costs to sell.

At the end of the reporting period, the Group has pledged plant and machinery and buildings having a carrying amount of approximately RMB1,023 million (2009: RMB1,083 million) to secure the loan facilities granted to the Group by certain banks and IFC.

The Group has certain buildings in the PRC with carrying amounts of approximately RMB257,864,000 (2009: RMB321,504,000), the title certificates of which have not yet been obtained as at 31 December 2010. The directors are of the opinion that the Group is not required to incur additional cost in obtaining the title certificates for these buildings.

5. FINANCE COSTS

	2010	**2009**
	RMB'000	*RMB'000*
Interest on:		
Bank loans		
– wholly repayable within five years	176,321	301,683
– not wholly repayable within five years	30,644	9,286
Debentures		
– wholly repayable within five years	160,434	61,976
Other loans		
– wholly repayable within five years	4,057	30,601
	371,456	403,546
Less: Amount capitalised under construction in progress	(73,445)	(8,583)
Amount capitalised under biological assets	(15,354)	(10,940)
	282,657	384,023

Borrowing costs capitalised during the year arose on the general borrowing pool and specific borrowings. Borrowing costs capitalised for general borrowing pool are calculated by using a capitalisation rate of 4.0% (2009: 6.0%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current tax		
– provision for the year	288,203	224,133
– Over-provision in prior years	(354)	(6,203)
	287,849	217,930
Deferred tax (note 15)	(27,153)	1,081
	260,696	219,011

PRC Enterprise Income Tax of the Group mainly comprises income tax of the Company and its subsidiaries which are calculated at rates applicable to the relevant companies for the year.

Pursuant to the notification document from the relevant government authorities in Shandong Province issued on 6 July 2009, the Company has been recognised as one of the advanced technology enterprises in Shandong Province in 2009 for a period of three years. According to the applicable laws and regulations in the PRC, the Company will be entitled to pay the enterprise income tax at a reduced tax rate of 15% for three years from 2009.

Pursuant to the approval of State Administration of Taxation and according to the related regulations in respect of preferential tax benefit for west development (「西部大開發」) issued by PRC Ministry of Foreign Trade and Economic Cooperation, the applicable income tax rate is 15% from 2001 to 2010 for Hailaer Chenming Paper Co., Ltd. and Yanbian Chenming Paper Co., Ltd., subsidiaries of the Company.

Pursuant to the approval of the local government in 2002 and according to regulations issued by State of Council and State Administration of Taxation, which is applicable to foreign investment enterprise, the applicable income tax rate of Shandong Chenming Xinli Power Co., Ltd., a subsidiary of the Company, was 15% prior to 1 Jannuary 2008. On 26 December 2007, the State Council of the PRC issued Circular of the State Council on the Implementation of Transitional Preferential Policies for the New Law and the applicable tax rate for foreign investment enterprise is gradually phased into the new tax rate of 25% during the five-year transitional period at a tax rate of 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012 respectively. Therefore, the applicable income tax rate for 2010 is 22% (2009: 20%).

Pursuant to the approval of the Wuhan State Tax Bureau, Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a subsidiary of the Company, was changed to a foreign investment enterprise in April 2005, and is exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in the following three years. The year 2005 is the first profit-making year of the subsidiary. On 26 December 2007, the State Council of the PRC issued Circular of the State Council on the Implementation of Transitional Preferential Policies for the New Law and the applicable tax rate for foreign investment enterprise is gradually phased into the new tax rate of 25% during the five-year transitional period. The applicable income tax rates for the subsidiary are 9%, 10%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively. Therefore, the applicable income tax rate for 2010 is 22% (2009: 10%).

Jiangxi Chenming Paper Co., Ltd. ("Jiangxi Chenming") is a foreign investment enterprise established in the PRC. Pursuant to the enterprise income tax laws applicable to foreign investment enterprise, Jiangxi Chenming is exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in the following three years. The year 2010 is the forth profit-making year of Jiangxi Chenming under the PRC income tax rule and accordingly, 50% of the income tax has been exempted for 2010, and the applicable income tax rate is 12.5% (2009: 12.5%).

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of estimated assessable profit for the year.

The reconciliation between the income tax expense and the product of profit before tax multipled by the PRC Enterprise Income Tax rate of the Company is as follow:

	2010	**2009**
	RMB'000	*RMB'000*
Profit before tax	1,597,814	1,208,382
Tax at the applicable income tax rate of 15% (2009: 15%)	239,672	181,257
Effect of tax incentives and exemptions granted to certain subsidiaries	(22,314)	(25,086)
Tax effect of income not taxable	(25,471)	(7,637)
Tax effect of expenses not deductible	21,841	21,482
Tax effect of tax losses not recognised	18,287	16,964
Effect of different tax rates of certain subsidiaries	31,410	36,691
Tax effect of utilisation of tax losses previously not recognised	(1,404)	(8,528)
Over-provision in prior years	(354)	(6,203)
(Increase)/decrease in opening deferred tax assets resulting from a change in applicable tax rate	(1,433)	9,395
Tax effect of deductible temporary differences not recognised	462	676
Income tax expense	260,696	219,011

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2010	2009
	RMB'000	*RMB'000*
Wages and salaries	599,894	446,082
Staff welfare	144,333	120,702
Retirement benefit scheme contribution	98,931	72,376
Total staff costs (including directors' emoluments)	843,158	639,160
Net rental income from investment properties	(835)	(2,038)
Allowance for bad and doubtful debts	90,967	35,448
Auditors' remuneration	2,000	4,896
Cost of inventories recognised in cost of sales	13,601,912	11,981,093
Depreciation of property, plant and equipment	1,159,032	1,212,428
Depreciation of investment properties	1,739	1,738
Impairment loss on property, plant and equipment	22,480	4,506
Loss/(gain) on disposal/write off of property, plant and equipment	5,496	(1,848)
Operating lease payment in respect of land and building	58,058	49,310
Reversal of allowance for inventories	(3,027)	(22,677)
Research and development costs	199,666	205,097

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

Earnings

	2010	**2009**
	RMB'000	*RMB'000*
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	1,190,339	862,946

Number of shares

	2010	**2009**
	'000	*'000*
Number of shares for the purpose of calculating basic earnings per share	2,062,046	2,062,046

The basic earnings per share are computed by dividing the profit for the year attributable to the owners of the Company by the number of shares in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2010.

9. PREPAID LEASE PAYMENTS

	2010	2009
	RMB'000	*RMB'000*
Prepaid lease payments	1,608,734	1,314,486
Analysed for reporting purposes as:		
Non-current portion	1,559,033	1,275,915
Current portion	49,701	38,571
	1,608,734	1,314,486

At the end of the reporting period, the Group has pledged land use rights having carrying value of approximately RMB71,448,000 (2009: RMB73,051,000) to secure the loan facilities granted to the Group.

The Group has certain land use rights with carrying amount of approximately RMB80,539,000 (2009: RMB152,021,000), the land use rights certificates of which have not yet been obtained as at the date of this report. The directors are of the opinion that the Group is not required to incur additional cost in obtaining the land use rights certificates for these land use rights in the PRC.

The lease terms of the land use rights related to factory premises held by the Group are mostly 50 years.

10. INVESTMENT PROPERTIES

	RMB'000
Cost	
At 1 January 2009, 31 December 2009 and 31 December 2010	38,292
Depreciation	
At 1 January 2009	10,127
Charge for the year	1,738
At 31 December 2009	11,865
Charge for the year	1,739
At 31 December 2010	13,604
Carrying amounts	
At 31 December 2010	24,688
At 31 December 2009	26,427

The fair value of the Group's investment properties at 31 December 2010 was RMB39,110,000 (2009: RMB39,140,000). The fair value has been determined by the directors and no valuation has been performed by independent qualified professional valuers. The valuation performed by the directors was arrived at by reference to recent market prices for similar properties in the same locations and conditions.

The above investment properties are situated in the PRC, held under medium-term lease and were leased out to independent third parties since 2007.

11. INTERESTS IN ASSOCIATES

	2010	**2009**
	RMB'000	*RMB'000*
Cost of unlisted investment	106,190	106,190
Share of post-acquisition losses, net of dividend received	(62,380)	(48,517)
	43,810	57,673
Less: Impairment	(540)	(540)
	43,270	57,133

Details of the Group's associates as at the end of the reporting period are as follows:

Name of company	Place of establishment/ operation	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
壽光麗奔制紙有限公司 (Shouguang Liben Paper Making Co., Ltd.)	PRC	26.40%	26.40%	Manufacture of paper
青州市晨鳴變性澱粉有限責任公司 (Qingzhou Chenming Denaturation Amylum Co., Ltd.)	PRC	30.00%	30.00%	Production of denaturated amylum
阿爾諾維根斯晨鳴特種紙有限公司 (Arjo Wiggins Chenming Specialty Paper Co., Ltd.)	PRC	30.00%	30.00%	Manufacture of paper
江西江報傳媒彩印有限公司 (Jiangxi Jiangbao Media Colour Printing Co. Ltd.)	PRC	21.15%	21.15%	Printing

The summarised financial information in respect of the Group's associates is set out below:

	2010 *RMB'000*	2009 *RMB'000*
Total assets	481,685	503,191
Total liabilities	(322,981)	(296,246)
Net assets	158,704	206,945
Group's share of net assets of associates	43,270	57,133
Year ended 31 December		
Total revenue	113,112	127,165
Total loss for the year	(43,371)	(52,502)
Group's share of loss of associates for the year	(13,863)	(15,689)

12. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	RMB'000	*RMB'000*
Unlisted equity securities, at cost	25,850	25,850
Less: Impairment	(1,918)	(1,999)
Carrying value at the end of the reporting period	23,932	23,851

Available-for-sale investments comprise unlisted equity investments in certain companies established in the PRC, in which the Group holds less than 20% of their paid-up capital. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

13. GOODWILL

	Jilin Chenming Paper Co., Limited.	Shandong Chenming Panels Co., Limited	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2009, 31 December 2009 and 31 December 2010	14,314	5,970	20,284
Accumulated impairment losses			
Impairment loss recognised in the year ended 31 December 2009 and balance at 31 December 2009	—	—	—
Impairment loss recognised in the current year	—	—	—
At 31 December 2010	—	—	—
Carrying amount			
At 31 December 2010	14,314	5,970	20,284
At 31 December 2009	14,314	5,970	20,284

The goodwill of the Group arose from the acquisition of the remaining equity interests held by non-controlling shareholders of subsidiaries. Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination.

During the year ended 31 December 2010, the management of the Group assessed the recoverable amounts of goodwill to determine if there was any impairment of goodwill of the CGUs by reference to the CGUs' value in use.

The recoverable amounts of the CGUs are determined based on value in use calculations which uses cash flow projections derived from the financial budgets for the next five years prepared by the management using the discount rate of 8.32% (2009: 5.33%) per annum which reflect the current market assessment of the time value of money and the risks specific to the CGUs and using steady growth rates of 5% (2009: 5%) per annum for the residual period after five years projection. The growth rates do not exceed the average long-term growth rate for the relevant industry.

14. BIOLOGICAL ASSETS

	2010	**2009**
	RMB'000	*RMB'000*
At beginning of the year	496,725	301,213
Plantation expenditure incurred	175,266	185,643
Gain on change in fair value less costs to sell of biological assets	54,752	9,869
At end of the year	726,743	496,725

The biological assets of the Group represent immature trees located in Zhanjiang, Yangjiang, Huizhou, Huanggang, Xianning and Nanchang. The Group manages the establishment, maintenance and harvesting of trees separately in each physical location and all the biological assets of the Group will be used as raw material in production when mature. It is expected that the eucalyptus and pines will mature in year 2011 and year 2020, respectively.

Included in the plantation expenditure incurred for the year ended 31 December 2010 is minimum lease payment in respect of rented lands for plantation amounting to RMB8,950,000 (2009:RMB6,626,000).

The biological assets are stated at their fair values less costs to sell. The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns. The valuation is determined using the discounted value of the expected market price for estimated timber volumes delivered less cost of delivery and maintenance costs up to when the timber becomes usable. The discount rates used are 12.67% for eucalyptuses and 12.16% for pines. Gain on change in fair value less costs to sell of biological assets amounted to RMB54,752,000 (2009: RMB9,869,000) has been recognised and credited to the consolidated statement of comprehensive income for the year ended 31 December 2010.

15. DEFERRED TAXATION

The following are the major deferred tax assets/(liabilities) recognised by the Group.

	Impairment loss on assets	Deferred income	Salaries and wages accruals	Tax losses	Biological assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	73,033	8,522	22,755	11,047	(6,432)	12,559	121,484
Acquisition of subsidiaries	—	—	—	—	—	(1,386)	(1,386)
Credit/(charge) to profit or loss for the year (note 6)							
- orgination and reversal of temporary differences	(15,493)	6,547	8,082	(923)	(2,467)	12,568	8,314
- changes in tax rates	(3,662)	498	(3,668)	—	—	(2,563)	(9,395)
At 31 December 2009	53,878	15,567	27,169	10,124	(8,899)	21,178	119,017
Credit/(charge) to profit or loss for the year (note 6)							
- orgination and reversal of temporary differences	20,617	5,275	(13,584)	(106)	8,899	4,619	25,720
- changes in tax rates	471	225	736	1	—	—	1,433
At 31 December 2010	**74,966**	**21,067**	**14,321**	**10,019**	**—**	**25,797**	**146,170**

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position reporting purposes:

	2010	2009
	RMB'000	*RMB'000*
Deferred tax assets	147,510	131,426
Deferred tax liabilities	(1,340)	(12,409)
	146,170	119,017

At the end of the reporting period, the Group has unused tax losses of RMB333,104,000(2009: RMB249,391,000) available for offset against future profits.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. A deferred tax asset of the Group has been recognised in respect of RMB40,076,000 (2009: RMB40,494,000) of tax losses arising from PRC Enterprise Income Tax.

The Group did not recognise deferred income tax assets in respect of the remaining tax losses amounting to RMB293,028,000 (2009: RMB208,897,000) as the future profit stream of the subsidiaries are uncertain. The tax losses arising from PRC Enterprise Income Tax can be carried forward to offset against future taxable income in year 2011 to 2015.

16. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	1,831,560	1,465,013
Work in progress	118,807	54,431
Finished goods	1,096,711	707,135
	3,047,078	2,226,579

17. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	2,357,934	1,718,798
Less: Impairment	(235,355)	(189,807)
	2,122,579	1,528,991
Other receivables	880,208	209,070
Less: Impairment	(104,820)	(63,527)
	775,388	145,543
Bills receivable	2,762,390	2,704,799
Deposits and prepayments	924,355	1,000,772
Total trade and other receivables	6,584,712	5,380,105

Trade receivables

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. The following is an aged analysis of trade receivables based on invoice date, net of impairment, at the reporting date:

	2010	2009
	RMB'000	*RMB'000*
Under 1 year	2,102,828	1,434,531
1 - 2 years	15,885	87,634
2 - 3 years	3,866	6,826
	2,122,579	1,528,991

Before accepting any new customer, the Group goes through internal credit assessment procedure to assess the potential customer's credit quality and defines credit limits by customer.

Aging of amounts past due but not impaired trade receivables:

	2010	2009
	RMB'000	*RMB'000*
Under 1 year	600,910	243,969
1 - 2 years	15,885	87,634
2 - 3 years	3,866	6,826
	620,661	338,429

The Group has provided full impairment on certain receivables past due over 3 years based on past experience of which receivables that are past due beyond 3 years are generally not recoverable. Other than the recognised impairment losses, no allowance has been made to the remaining past due trade receivables as the Group is satisfied with the subsequent settlement from and the credit quality of these customers and the Group considers that these balances are not impaired.

Movement in the impairment on trade receivables:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	189,807	167,228
Impairment losses recognised on receivables	142,479	55,115
Amounts recovered during the year	(93,443)	(31,819)
Write off	(3,488)	(717)
At 31 December	235,355	189,807

Other receivables

Other receivables are non-trade nature balances due from independent third parties and they are unsecured, interest-free and repayable on demand. In the opinion of the directors, the amounts are recoverable in the next twelve months from the reporting date.

Movement in the impairment on other receivables:

	2010	**2009**
	RMB'000	*RMB'000*
At 1 January	63,527	51,546
Impairment losses recognised on receivables	45,414	26,639
Amounts recovered during the year	(3,483)	(14,487)
Write off	(638)	(171)
At 31 December	104,820	63,527

Bills receivable

At 31 December 2010, the Group has discounted bills with recourse with an aggregate amount of RMB1,583,925,000 (2009: RMB2,091,068,000). The Group continues to recognise the full carrying amount of such bills receivable and has recognised the cash received on such discount as secured bank loans as set out in note 21.

The following is an aged analysis of bills receivable at the report date:

	2010	**2009**
	RMB'000	*RMB'000*
0 - 90 days	1,545,724	1,658,656
91 - 180 days	1,216,666	1,046,143
	2,762,390	2,704,799

18. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts

	2010	**2009**
	RMB'000	*RMB'000*
Assets	—	14,900
Liabilities	—	(6,450)

At 31 December 2009, the Group had certain outstanding forward exchange contracts with financial institutions and the total notional amounts and details of these contracts committed by the Group are as follows:

Notional amount	**Maturity date**	**Exchange rates RMB/USD**	**RMB'000**
Buy US$50,000,000	20 October 2010	6.5780	328,900
Buy US$100,000,000	26 May 2010	6.6990	669,900
Sell US$50,000,000	20 October 2010	6.6440	(332,200)
Sell US$100,000,000	26 May 2010	6.7640	(676,400)

The total fair value of the Group's currency derivatives financial assets and liabilities as at 31 December 2009 were estimated to be approximately RMB14,900,000 and RMB6,450,000 respectively, which were based on fair value provided by counter parties which are financial institutions. The currency derivatives were not designated as cash flow hedges and the change in fair values amounting to RMB1,521,000 (2009: RMB8,443,000) has been credited to the consolidated statement of comprehensive income for the year ended 31 December 2010.

The above forward contracts were required to be settled net in cash on maturity date and were measured at fair value at each reporting date.

19. PLEDGED BANK DEPOSITS/BANK AND CASH BALANCES

Pledged bank deposits are used to secure certain bills facilities granted to the Group by certain banks. The pledged bank deposits carry fixed interest rate of 1.98% (2009: 1.98%) per annum as at 31 December 2010. The pledged bank deposits will be released upon the settlement of relevant bills facilities.

Bank and cash balances held by the Group include bank balances and short-term deposits with an original maturity of three months to six months, which carry interests at market rates which ranging from 0.36% to 1.98% (2009: 0.36% to 1.98%) per annum as at 31 December 2010.

20. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables aged:		
Under 1 year	2,516,619	1,885,379
1 - 2 years	71,824	155,634
2 - 3 years	64,607	52,666
Over 3 years	55,015	29,182
Trade payables	2,708,065	2,122,861
Bills payable aged:		
0 - 90 days	204,757	428,218
91 - 180 days	14,000	116,314
Bills payable	218,757	544,532
Other payables and accrued charges	828,025	669,853
Advances received from customers	410,244	233,124
	4,165,091	3,570,370

The average credit period on purchases of goods is 90 days.

21. BORROWINGS

	2010	2009
	RMB'000	*RMB'000*
Bank loans		
Secured	5,560,131	3,742,349
Unsecured	4,053,945	4,516,320
	9,614,076	8,258,669
Other loans		
Secured, from IFC	138,552	178,442
Unsecured	—	98,820
	138,552	277,262
	9,752,628	8,535,931
Bank and other loans are repayable:		
Within one year	5,026,999	3,448,507
In the second year	1,337,820	1,969,032
In the third to fifth year, inclusive	801,394	2,435,124
More than five years	2,586,415	683,268
	9,752,628	8,535,931
Less: Amount due within one year shown under current liabilities	(5,026,999)	(3,448,507)
Amount due after one year	4,725,629	5,087,424

Details of the terms of the Group's borrowings are set out below:

	Effective interest rate per annum		Carrying amount	
	2010	**2009**	**2010**	**2009**
	%	*%*	*RMB'000*	*RMB'000*
Fixed-rate borrowings	4.21	4.35	2,090,983	2,899,151
Floating-rate borrowings (note)	3.35	3.57	7,661,645	5,636,780
Total borrowings			9,752,628	8,535,931

Note: The interest rates of floating-rate borrowings are linked to the interest rate announced by the People's Bank of China or London Interbank Offered Rate.

22. DEBENTURES

Pursuant to "Notice of acceptance of registration" [2010] No. CP22 issued by the National Association of Financial Market Institutional Investors, the Company issued debentures with face value of RMB1,500,000,000 and RMB 1,800,000,000 to independent third party debenture holders on 8 March 2010 and 8 September 2010 respectively. The debentures are unsecured, repayable one year after respective issue dates and coupon interest bearing at 3.26% and 3.10% per annum respectively. The effective interest rate of the debentures are 3.67% and 3.51% respectively.

Pursuant to "Notice of acceptance of registration" [2009] No. MTN102 issued by the National Association of Financial Market Institutional Investors, the Company issued debentures with face value of RMB1,200,000,000 and RMB1,100,000,000 to independent third party debenture holders on 2 December 2009 and 18 March 2010 respectively. The debentures are unsecured, repayable three years after respective issue dates and coupon interest bearing at 5.05% and 4.59% per annum respectively. The effective interest rate of the debentures are 5.38% and 4.92% respectively.

23. DEFERRED INCOME

	2010	2009
	RMB'000	*RMB'000*
At 1 January	364,287	329,467
Government grants obtained	35,337	68,939
Released to profit or loss	(37,446)	(34,119)
At 31 December	362,178	364,287
Analysed for the reporting purpose as:		
Current portion	26,069	24,349
Non-current portion	336,109	339,938
Total	362,178	364,287

Government grants obtained during the year are in relation to the construction of property, plant and equipment of the Group from the local municipal governments.

The grants are recorded as deferred income in the consolidated statement of financial position and credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

24. 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
Transfer of A shares held by directors, supervisors and senior management to restricted A Shares (note a)	—	445	(445)	—	—	—
Transfer of restricted A Shares held by directors, supervisors and senior management to A Shares (note b)	—	(732)	732	—	—	—
At 31 December 2010	2,062,046	303,013	810,266	557,497	391,270	2,062,046

Notes:

(a) During the years ended 31 December 2009 and 2010, the directors have acquired 139,275 and 444,918 A Shares from the public. As the transfer of entity's shares held by the directors and key management of an entity are restricted under the relevant requirement of the Shenzhen Stock Exchange, these shares were reclassified from A Shares to Restricted A shares accordingly.

(b) Lock-up period for certain restricted A Shares held by certain directors and key management of the Company was expired during the year, 827,596 and 731,751 Restricted A Shares were reclassified from Restricted A Shares to A Shares during 2009 and 2010 respectively.

(c) Except for the difference in reporting obligations as set out in the Articles of Association of the Company, A, B and H Shares rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared or paid.

(d) As at 31 December 2010, the total authorised number of ordinary shares is 2,062,045,941 shares (2009: 2,062,045,941 shares) with a par value of RMB1 per share (2009: RMB1 per share). All issued shares are fully paid.

In order to maintain a strong credit rating and healthy capital ratios, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders and supporting its business through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, debentures in note 22 and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

The management of the Group reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new borrowings, new share issues and the issue of debentures.

10. Purchase, sale and redemption of shares

During the reporting period, the Company and any of its subsidiaries did not purchase, sell or redeem any listed outstanding securities of the Company during the reporting period.

11. In compliance with the Code on Corporate Governance Practices

Mr. Chen Hongguo performs the roles of the chairman and the general Manager for the overall management of the Company. This constitutes a deviation from the principles and code provisions under Appendix 14 to Hong Kong Listing Rules. However, the Directors of the Company believes that Mr. Chen as the chairman and the general manager will enable the Company to more effectively plan and implement the business strategies so that the Group can effectively and rapidly seize business opportunities. As all major decisions will be made after consultation with other members of the Board, the Company believes that the supervision of the Board and independent non-executive directors will strike a sufficient balance of power and authority.

Save as set out above, the Company had fully complied with all the principles and code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the reporting period.

12. Securities transactions by Directors

The Directors of the Company confirmed that the Company had adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made adequate enquiries with all Directors and Supervisors of the Company, the Company was not aware of any information that reasonably suggested that the Directors and Supervisors had not complied with the requirements as stipulated in this code during the reporting period.

13. Sufficiency of Public Float

During the year ended 31 December 2010, the Company had maintained sufficient public float.

14. Pre-emptive rights

In accordance with the Articles of Associations of the Company and the PRC laws, there are no rules requiring the Company to grant existing shareholders pre-emptive rights on newly issued shares of the Company in proportion to their shareholdings.

15. Audit committee

The audit committee of the Company discussed with the management of the Company the accounting standards and practices adopted by the Company and discussed and reviewed the annual results, including the review of the financial statements of the Company for the year ended 31 December 2010 prepared in accordance with Accounting Standards for Business Enterprises and International Financial Reporting Standards respectively.

16. Closure of register of H share shareholders

The register of members of the Company will be temporarily closed from 18 April 2011 to 18 May 2011 (both days inclusive) during which no transfer of H shares of the Company will be registered in order to determine the list of H shares shareholders of the Company for attending the AGM and for the final dividend. The last lodgment for the transfer of the H Shares of the Company should be made on 15 April 2011 at Computershare Hong Kong Investor Services Limited by or before 4:30 p.m. The H shares shareholders or their proxies being registered before close of business on 15 April 2011 are entitled to the final dividend and to attend the AGM by presenting their identity documents. The address of Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

By order of the Board
Chen Hongguo
Chairman

30 March 2011

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.