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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)

2013 Interim Report Summary

1. IMPORTANT NOTICE

(1) This interim report summary is extracted from the text of the interim report. For details, investors should carefully read the text of the interim report published, at the same time, on the designated websites such as the website of CNINFO or Shenzhen Stock Exchange as approved by China Securities Regulatory Commission or the website of the Stock Exchange of Hong Kong Limited.

(2) Company profile

A share stock abbreviation	晨鳴紙業	Stock code	000488
B share stock abbreviation	晨鳴B	Stock code	200488
H share stock abbreviation	晨鳴紙業	Stock code	1812
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange and Stock Exchange of Hong Kong		
Contact persons and contact methods	Secretary to the Board	Securities affairs representative	Company secretary in Hong Kong
Name	Wang Chunfang	Fan Yingjie	Poon Shiu Cheong
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2. MAJOR FINANCIAL DATA AND CHANGE OF SHAREHOLDERS

(1) Major financial data

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

☐ Yes √ No

	The reporting period	Corresponding period of prior year	Increase/decrease for the reporting period compared to the corresponding period of prior year (%)
Revenue (RMB)	10,027,901,358.43	9,964,451,535.04	0.64%
Net profit attributable to shareholders of the Company (RMB)	333,409,511.73	94,244,962.85	253.77%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	134,539,548.74	-103,989,811.77	229.38%
Net cash flows from operating activities (RMB)	906,935,242.95	661,084,701.87	37.19%
Basic earnings per share (RMB per share)	0.16	0.05	220.00%
Diluted earnings per share (RMB per share)	0.16	0.05	220.00%
Rate of return on net assets on weighted average basis (%)	2.40	0.70	1.70%
	As at the end of the reporting period	**As at the end of the corresponding period of prior year**	**Increase/decrease as at the end of the reporting period compared to the end of the prior year (%)**
Total assets (RMB)	47,511,262,149.79	47,725,421,927.39	-0.45%
Net assets attributable to shareholders of the Company (RMB)	13,685,701,295.53	13,759,496,179.85	-0.54%

(2) Table setting out shareholding of top ten shareholders

Total number of shareholders at the end of the reporting period			Total number of shareholders was 145,394, of which 116,069 were holders of A shares, 28,748 holders of B shares and 577 holders of H shares.			
Shareholding of top ten shareholders						
Names of shareholders	**Nature of shareholders**	**Percentage of shareholding (%)**	**Number of shares held**	**Number of restricted shares held**	**Share pledged or locked-up**	
					Status of shares	**Number**
HKSCC NOMINEES LIMITED	Overseas legal person	18.90%	389,775,500	0		0
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	10.01%	206,403,657	0		0
Agreed repurchase earmarked account at GF SECURITIES CO., LTD.	Domestic non-state-owned legal person	4.20%	86,600,000	0		0
PLATINUM ASIA FUND	Overseas legal person	1.57%	32,341,052	0		0
BILL & MELINDA GATES FOUNDATION TRUST	Overseas legal person	1.34%	27,724,435	0		0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.58%	12,036,985	0		0
GE ASSET MANAGEMENT FUNDS PLC — GEAM CHINA A SHARE FUND	Overseas legal person	0.52%	10,806,649	0		0
BANK OF COMMUNICATIONS - HUAAN BAOLI ALLOCATION FUND	Domestic non-state-owned legal person	0.48%	10,000,000	0		0
Jin Xing	Domestic natural person	0.38%	7,910,700	0		0
Chen Hongguo	Domestic natural person	0.31%	6,334,527	4,750,895		0
Connected relationship or connect-party relationship among the above shareholders			Shouguang Chenming Holdings Company Limited, a state-owned legal person shareholder, is not connected with any of the shareholders in the above. It is not a person acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware of any other shareholders of tradable shares are persons acting in concert and is also not aware of any other shareholders of tradable shares are connected with each others.			

(3) Change of controlling shareholders or beneficial owners

Change of controlling shareholders during the reporting period

□ Applicable ✓ Not Applicable

Change of beneficial owners during the reporting period

□ Applicable ✓ Not Applicable

3. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Overview

Since the beginning of 2013, the growth rate of the downstream demand of the domestic paper making industry was still at a low level. The weak domestic demand persisted with the overall profitability in the paper making industry hovered around at a low level. The previous round of intensive expansion in the paper making industry was basically completed. Papermaking enterprises were unlikely to expand in the near future due to the sentiment in the industry. In addition, some the small and medium-sized enterprises left the market as a result of elimination of outdated production capacity and stricter environmental protection policy. This partly lowered the pressure of the new production capacity on the supply in the industry. A higher concentration ratio was secured due to the slowdown in the growth of the supply of the paper making industry and the elimination of outdated production capacity, which was conducive to a proactive increase in price proposed by enterprises. Meanwhile, the continuation on appreciation of RMB and the increased downward pressure on raw material prices relieved the pressure on the operating costs of enterprises. As compared to the corresponding period of prior year, the profitability of our major operations improved during the reporting period. The profit margin of our paper products was higher as compared to the corresponding period of prior year.

During the reporting period, the Company strived to establish itself as an international leading papermaking enterprise which operated in an environmental friendly and sustainable manner. We focused on our development and were driven by innovative ideas. We invested in the household paper project of Wuhan Chenming and magnesite mining project, entered into contract for the waterfront regulation works BT project in Zhanjiang City and were engaged in Wuhan Chenming cultural paper machine upgrade project which accelerated the structural adjustment of the Company and facilitated the transformation and upgrade of the Company. We put more efforts to conduct technology research, optimised the combination of production, learning, research and utilisation in both channel and system, and achieved better results in surface enhancement technology and finished paper ash content technology. Meanwhile, we complied with environmental protection policies, applied new technology and skills, promoted the recycle economy, enhanced comprehensive utilisation of resources and improved energy saving and emission reduction.

During the reporting period, the Company enhanced innovative management. We managed our staff through our system and operated in accordance with the standard. We fully utilised the capital market to improve the standard of capital settlement, management, investment and financing of the Group. We enhanced our financial management and lowered the financial costs. We optimised our procurement management and implemented the "purchase on demand" mode. We optimised our internal control procedure, improved our risk prevention system and strengthened procedure supervision and controlled over major risk. The Company developed an innovative staff development programme. Based on the demand for development, the Company put greater efforts on recruiting talents who possessed advance and new technology knowledge, and management talents. The Company endeavoured to develop a high quality team with the same philosophy as the Company and adaptable to the strategic development.

During the reporting period, the Company accelerated the adjustment in product structure, enhanced product quality management, increased the development on high valued-added products, put more efforts in direct sale and expanded overseas sale channels. We convened meeting with contracted distributors during the first half of 2013 which enhanced the recognition of Chenming brand image and influence of the Company.

(2) Analysis of principal operations

During the reporting period, the Company's revenue amounted to RMB10,027.9014 million, up by RMB63.4498 million or 0.64% from the corresponding period of prior year. The operating costs were RMB8,251.3498 million, down by RMB249.1631 million or 2.93% from the corresponding period of prior year. Operating profit and net profit attributable to equity holders of the Company were RMB97.3169 million and RMB333.4095 million respectively, up by 146.64% and 253.77% respectively. During the reporting period, the expenses for the period were RMB1,659.3318 million, up by RMB19.2922 million or 1.18% from the corresponding period of prior year. Investments in research and development amounted to RMB154.0344 million, up by RMB6.2727 million or 4.25% from the corresponding period of prior year. Net cash flows were RMB-744.8025 million, down by 1,017.0503 million or 373.58% from the corresponding period of prior year.

Analysis of asset and liability of the Company during the reporting period

Unit: RMB

Item	2013.6.30	2012.12.31	Increase/decrease (%)	Reason for the change
Prepayments	2,020,732,736.41	1,636,233,924.64	23.50%	Zhanjiang Meilun Paper Pulp Co., Ltd., a subsidiary of the Company, made new prepayments on plant and equipment of RMB194 million and the Company's prepayments on materials increased.
Long-term equity investments	87,902,951.07	356,796,777.78	-75.36%	The Company transferred the equity interest in its subsidiary, Shanghai Runchen Equity Investment Fund Co., Ltd.
Construction in progress	2,757,926,003.96	5,017,604,821.59	-45.04%	The 600,000 tonnes white coated linerboard project of Shouguang Meilun was reclassified as fixed assets in January 2013.
Construction materials	205,573,437.90	75,054,992.09	173.90%	The materials for plant relocation of Jilin Chenming increased.
Bills payable	933,239,044.69	1,285,627,762.07	-27.41%	Bank acceptance bills issued by the Company for payment for goods decreased during the reporting period.
Advance receipts	424,229,542.28	347,835,800.87	21.96%	Greater efforts were made by the Company on customer exploration with an increase in advance receipts.

Item	2013.6.30	2012.12.31	Increase/decrease (%)	Reason for the change
Staff remuneration payables	119,074,985.07	177,847,769.71	-33.05%	Outstanding staff remuneration payment by the Company decreased.
Interest payable	246,955,329.53	133,046,123.31	85.62%	The Company made a withdrawal for the interest incurred from medium-term notes and corporate bonds.
Dividend payable	118,528,318.02		100.00%	The Company made a withdrawal for dividend payable to ordinary shares for 2012.
Other payables	337,264,869.67	435,772,288.98	-22.61%	Security deposit and accrued expenses received by the Company decreased during the reporting period, and disposal of subsidiaries resulted in a change in the scope of consolidation.
Treasury shares	265,363,183.60		100.00%	Upon the repurchase of B shares by the Company, the repurchased shares were reclassified as treasury shares.

Year-on-year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of prior year	Increase/decrease (%)	Reason for the change
Revenue	10,027,901,358.43	9,964,451,535.04	0.64%	
Operating costs	8,251,349,814.35	8,500,512,936.03	-2.93%	Decline in raw material prices.
Selling and distribution expenses	570,398,742.45	535,959,288.53	6.43%	
Administrative expenses	602,523,953.98	562,794,713.60	7.06%	
Finance expenses	486,409,117.79	541,285,654.45	-10.14%	RMB appreciation and increase in foreign exchange gains
Income tax expenses	82,871,206.26	-12,866,933.23	744.06%	Increase in the provision for income tax expenses on Company's profit based on tax laws and regulations after the market recovery.
Investments in research and development	154,034,416.74	147,761,690.01	4.25%	
Net cash flows from operating activities	906,935,242.95	661,084,701.87	37.19%	The Company put greater efforts on recovering receivables. Cash received from goods selling increased. In addition, the Company increased the percentage of payments for good by bills.
Net cash flows from investing activities	-885,800,802.95	-850,464,656.26	4.15%	

	During the reporting period	During the corresponding period of prior year	Increase/decrease (%)	Reason for the change
Net cash flows from financing activities	-772,501,665.99	466,200,304.36	-265.7%	Repurchase of B share and repayment of medium-term notes resulted in significant increase in cash outflow.
Net increase in cash and cash equivalents	-744,802,455.71	272,247,794.49	-373.58%	Primarily affected by net cash flow from financing activities.

(3) Analysis of liquidity, financial resources and capital structure

Indicators of the capital structure and liquidity of the Company

Major indicators	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period compared to the end of the prior year (%)
Gearing ratio	69.94%	69.94%	0%
Current ratio	94.05%	95.29%	-1.24%
Quick ratio	73.32%	73.22%	0.10%
Accounts receivable turnover ratio (including bills receivable)	372.52%	348.97%	23.55%
Accounts receivable turnover ratio	611.90%	614.87%	-2.97%
Inventory turnover ratio	374.82%	314.45%	60.37%

Note: Gearing ratio = Total liabilities/Total assets*100%
Accounts receivable turnover ratio = turnover/weighted average accounts receivable and net bills*100%
Inventory turnover ratio = cost of sales of the products/ weighted average net inventory*100%

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

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

As of 30 June 2013, the total bank borrowings, corporate loans, medium-term notes and privately placed bonds of the Group were RMB18,022 million, RMB6,262 million and RMB2,574 million (As at the end of the prior year: the total bank borrowings, corporate loans, medium-term notes and privately placed bonds of the Group were RMB18,177 million, RMB6,256 million and RMB2,184 million, respectively). As of 30 June 2013, the Group had monetary funds of RMB3,785 million (as at the end of the prior year: RMB4,456 million) in total.

To strengthen our financial management, the Group implemented strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition.

As at 30 June 2013, the Group had 13,026 employees. The total staff remuneration for the first half of 2013 amounted to RMB306.1748 million (as at the end of the prior year, the Group had 15,775 employees. The total staff remuneration for 2012 amounted to RMB744.1945 million).

Major investment projects of the Company during the second half of 2013 will include the household paper project of Wuhan Chenming, relocation of Jilin Chenming due to environmental protection reason, the high-end coated white linerboard project of Jiangxi Chenming, magnesite mining and the waterfront regulation works of Guangdong Huirui.

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

As at 30 June 2013, no contingent event was required to be disclosed by the Group.

(4) Development trend in the industry and corporate outlook

The industry to which the Company belongs is the paper making industry, which is a light industry. The sentiment within the industry is closely related to the macroeconomic growth rate. Since the beginning of 2013, the growth rate of the downstream demand of the domestic paper making industry was still at a low level. The weak domestic demand persisted with the overall profitability in the paper making industry hovered around at a low level. However, the development conditions for the paper making industry gradually improved in the long run. The National Development and Reform Commission, Ministry of Industry and Communication and State Forestry Administration jointly issued the Twelfth Five-Year Plan for the Development of the Paper Making Industry, which clearly states the general direction of "controlling total volume, promoting concentration, optimising raw materials and reducing energy consumption and emission", from which the Company is expected to benefit in the long run.

In recent years, the Company is committed to the integrated development of forestry, pulp and paper with a longer industry chain and more comprehensive paper types. During the reporting period, the Company carried out capacity expansion on paper types with better prospects. The Company's direction of development is in line with the requirements of the development plan of the entire paper making industry. Meanwhile, the Company has expanded its industry chain with a more rationalised industry positioning, which further strengthens the Company's competitiveness and development potential. As the economy and industry gradually recover, it is expected that the result of the Company will record stable growth. The Company's future performance is what the market can look forward to.

(5) During the second half of 2013, the Company will primarily engage in the following works which are in line with our strategic objectives:

Adhere to strategy guidelines and make a blueprint for development plan. We focus on project establishment and enhance technology upgrade. For technology upgrade projects, we will make verification and pick up the pace to ensure high quality and good results. We will make more efforts to conduct technology research and optimise the combination of production, learning, research and utilisation in both channel and system. Meanwhile, we will comply with environmental protection policies, apply new technology and skills, promote the recycle economy, enhance comprehensive utilisation of resources and improve energy saving and emission reduction.

Strengthen innovation management and enhance working efficiency. We will introduce advanced management mode. We will optimise purchase management and put the "purchase on demand" mode on trial. A finance company is established to intensify the centralised management of the Group's fund and enhance our financial management. We make full use of the financing platform of the Hong Kong market in order to expand our business scope, lower our financial costs and improve our profitability. Quality is the essence of a corporation. Adhering to the object of improving quality and increasing economic benefits, the Company will strive to realise "all staff, whole process and the entire corporation" quality management and strengthen our quality management. We optimise flow of internal control, and bring risk-prevention management system into perfection, intensify and promote the transformation of internal audit into management audit and risk audit, and perfect corporate legal risk-prevention mechanism, and strengthen process oversights and management and control over significant risks, aiming to enhance the internal control construction.

Adjust product portfolio and explore new markets. The Company will enhance product quality management, increase the development on high value-added products, produce popular products as well as increase the market competitiveness of products. The Company endeavours to produce products at low cost in order to meet client's needs, leverage on its low cost edge and increase the efficiency. The Company will put more efforts in direct marketing and expand its overseas sales channels. The Company will target on major direct clients. Meanwhile, the Company will explore cooperation opportunities with strong major distributors, and increase the overseas market exposure of products via their sales channels. The Company will expand the marketing channels for its brand and organise promotion activities. Hence, the recognition of Chenming brand will increase, which will fully enhance the brand image and influence of the Company.

Strengthen team-building and improve staff quality. Human resources are the "major essential" for corporate development. The Company will develop an innovative staff development programme. The Company will focus on its recruitment and training works. It aims to maintain a fair staff system. The Company will enhance its staff training and conduct a people-oriented way. The Company will also enhance the technical standard of various position, aiming to develop as a learning and knowledgeable enterprise. The Company will establish a good working and living environment, which strengthen staff's loyalty and unity to the Company.

Build up Chenming corporate culture and promote culture promotion and implementation. The Company adheres to the establishment of corporate culture. It strives to "achieve a high degree of integration of corporate governance and corporate culture" as well as ensures proper internal cooperation with all works conducted orderly. The Company will strengthen the establishment of culture system, its promotion and implementation, aiming to make all staff have a deeper understanding on Chenming corporate culture. This can promote incorporation of culture into thought and management and make corporate culture as a direction of all works, which can improve the quality and execution ability of staff. Hence, a brand new Chenming corporate culture is established.

4. EVENTS RELATING TO THE FINANCIAL REPORT

(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

During the reporting period, there were no changes in major accounting policies, accounting estimates and accounting methods of the Company.

(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

During the reporting period, there was no correction of major accounting errors.

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

As compared to last year, during the year (period), three extra companies were consolidated because the Company established three companies through investments during the reporting period, namely Chenming GmbH, Zhanjiang Meilun Paper Pulp Co., Ltd. and Zhanjiang Chenming New-style Wall Materials Co., Ltd., respectively.

In order to push forward with the Company's sales of paper products, further expand the Company's products' share in the European market, and establish a broader and more comprehensive marketing network, the Company decided to set up a sales company in Germany. On 7 January 2013, the Company obtained "Overseas Investment certificate" approved by the Ministry of Commerce, which ratified our establishment of Chenming GmbH with its registered capital of EUR25,000. The Company may make further investments timely based on the operations of the new company. It was included in the scope of consolidated financial statement since March 2013.

In order to make full use of ancillary facilities of public works, realise diversification of the mixture of product of the Company, and further lower the costs and increase the Company's capability to resist risks, the fifth extraordinary meeting of the six session of the Board of Directors approved "Resolution in relation to establishment of Zhanjiang Meilun Paper Pulp Co., Ltd.", with its registered capital amounting to RMB100.00 million and the company was included in the scope of consolidated financial statement since January 2013.

In order to strengthen comprehensive utilisation of resources, actively respond to national policy for resource utilisation we decided to, based on local needs, set up Zhanjiang Chenming New-style Wall Materials Co., Ltd., which was invested by Zhanjiang Chenming, a wholly-owned subsidiary of our Company, with its registered capital amounting to RMB10.00 million. The company was included in the scope of consolidated financial statement since March 2013.

As compared to prior year, during the year (period), five companies were removed from the consolidated financial statement because the Company lost its control over Yanbian Chenming Paper Co., Ltd., Wuhan Chenjian New-style Wall Materials Co., Ltd. and Shanghai Runchen Equity Investment Fund Co., Ltd. due to disposal of equity interest. Therefore, the above three companies ceased to be included in the scope of consolidatied financial statement. The registration of Wuhan Xingzhilian Paper Company Limited and Jilin Chenming Waste Collection Co., Ltd. was cancelled according to actual needs of operations during the period. Therefore, the above two companies ceased to be included in the scope of consolidated financial statement.

On 26 April 2013, the seventeenth meeting of the six session of the Board of Directors of the Company passed "Resolution in relation to disposal of equity interests in Shanghai Runchen". On the same day, the Company entered into an equity transfer agreement with Shanghai Ruibao Environmental Technology Co., Ltd. (hereinafter referred to as Shanghai Runchen) to transfer 98.36% equity interest in Shanghai Runchen Equity Investment Fund Co., Ltd. at a consideration of RMB300.9160 million. The Company lost its control over Shanghai Runchen and Shanghai Runchen ceased to be included in the scope of consolidated financial statement with effect from 26 April 2013.

On 15 May 2013, the Company entered into an equity transfer agreement with Yanbian Shixian Bailu Paper Co., Ltd and Yanbian State-owned Assets Management Co., Ltd. to transfer its 49% and 51% equity interest in Yanbian Chenming Paper Co., Ltd. (hereinafter referred to as Yanbian Chenming), respectively, at a consideration of RMB54.00 million and RMB56.00 million. The Company lost its control over Yanbian Chenming and Yanbian Chenming ceased to be included in the scope of consolidated financial statement with effect from 15 May 2013.

On 31 January 2013, Wuhan Chenming Hanyang Paper Holdings Co., Ltd., a subsidiary of the Company, entered into an equity transfer agreement with Hubei Zhongjian Haohua Environment Protection Co., Ltd. to transfer its 51% equity interest in Wuhan Chenjian New-style Wall Materials Co., Ltd. (hereinafter referred to as Chenjian Company) at a consideration of RMB5.10 million. The Company lost its control over Chenjian Company and Chenjian Company ceased to be included in the scope of consolidated financial statement.

(4) Opinions of the Board of Directors and the Supervisory Committee regarding the "modified auditor's report" for the reporting period issued by the accountants

The interim financial statements of the Company for 2013 were unaudited by the accountants.

(5) Dividend

The Company do not propose distribution of cash dividends and bonus shares and there will be no increase of share capital from reserves for the six months ended 30 June 2013.

5. FINANCIAL STATEMENTS

Consolidated Income Statement

Unit: RMB

Item	Notes	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	2	10,027,901,358.43	9,964,451,535.04
Including: Revenue		10,027,901,358.43	9,964,451,535.04
Interest income			
Earned premium			
Handling charges and commission income			
II. Total operating costs	2	9,944,996,711.69	10,185,836,150.89
Including: Operating costs		8,251,349,814.35	8,500,512,936.03
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		38,967,507.99	31,846,785.11
Sales and distribution expenses		570,398,742.45	535,959,288.53
General and administrative expenses		602,523,953.98	562,794,713.60
Finance expenses		486,409,117.79	541,285,654.45
Loss on impairment of assets		-4,652,424.87	13,436,773.17
Plus: Gain on change in fair value ("-" denotes loss)		9,229,042.51	15,457,198.72
Investment income ("-" denotes loss)		5,183,185.10	-2,716,529.31
Including: Investment income from associates and joint ventures			
Foreign exchange gains ("-" denotes loss)		421,036.92	-2,716,529.31

Item	Notes	Amounts for the reporting period	Amounts for the prior period
III. Operating profit ("-" denotes loss)		97,316,874.35	-208,643,946.44
Plus: Non-operating income		336,305,361.16	223,467,731.90
Less: Non-operating expenses		39,540,627.38	2,305,018.44
Including: Loss on disposal of non-current assets		35,870,782.59	909,346.99
IV. Total profit ("-" denotes total loss)		394,081,608.13	12,518,767.02
Less: Income tax expenses	3	82,871,206.26	-12,866,933.23
V. Net profit ("-" denotes net loss)		311,210,401.87	25,385,700.25
Including: Net profit achieved by the acquisition before business merger			
Net profit attributable to shareholders of the Company		333,409,511.73	94,244,962.85
Minority shareholders interests		-22,199,109.86	-68,859,262.60
VI. Earnings per share:	4	—	—
(I) Basic earnings per share		0.16	0.05
(II) Diluted earnings per share		0.16	0.05
VII. Other comprehensive income		8,108,866.56	-152,386.81
VIII. Total comprehensive income		319,319,268.43	25,233,313.44
Total comprehensive income attributable to shareholders of the Company		341,518,378.29	94,092,576.04
Total comprehensive income attributable to minority shareholders interests		-22,199,109.86	-68,859,262.60

Consolidated Balance Sheet

Unit: RMB

Item	Notes	Closing balance	Opening balance
CURRENT ASSETS:			
Monetary funds		3,784,625,075.07	4,456,217,362.86
Balances with clearing companies			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Bills receivable		2,026,920,903.56	1,852,478,364.46
Accounts receivable	5	3,479,489,889.32	3,602,955,051.18
Prepayments		2,020,732,736.41	1,636,233,924.64
Premium receivable			
Receivables from reinsurers			
Reinsurance contract reserves receivable			
Interest receivable			
Dividend receivable			
Other receivables	6	1,442,941,265.70	1,284,655,342.63
Financial assets purchased under agreements to resell			
Inventories		4,090,593,802.98	4,412,548,700.68
Non-current assets due within one year			
Other current assets		1,716,259,432.97	1,803,256,307.61
Total current assets		18,561,563,106.01	19,048,345,054.06

Item	Notes	Closing balance	Opening balance
NON-CURRENT ASSETS:			
Entrusted loans and advances to customers			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		87,902,951.07	356,796,777.78
Investment properties		20,342,571.97	21,211,699.99
Fixed assets		22,181,177,678.73	19,751,339,991.06
Construction in progress		2,757,926,003.96	5,017,604,821.59
Construction materials		205,573,437.90	75,054,992.09
Disposal of fixed assets		309,306,361.03	287,309,818.03
Consumable biological assets		1,251,776,376.25	1,169,269,054.15
Oil and gas assets			
Intangible assets		1,487,441,631.52	1,416,497,159.22
Development expenditure			
Goodwill		20,283,787.17	20,283,787.17
Long-term prepaid expenses		200,004,375.47	184,770,685.65
Deferred income tax assets		427,963,868.71	376,938,086.60
Other non-current assets			
Total non-current assets		28,949,699,043.78	28,677,076,873.33
Total assets		47,511,262,149.79	47,725,421,927.39

Item	Notes	Closing balance	Opening balance
CURRENT LIABILITIES:			
Short-term borrowings		13,365,215,062.60	12,876,398,495.16
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			
Bills payable		933,239,044.69	1,285,627,762.07
Accounts payable	7	2,962,663,447.39	3,239,781,724.81
Advance receipts		424,229,542.28	347,835,800.87
Assets sold under agreements to repurchase			
Handling charges and commission payable			
Staff remuneration payables		119,074,985.07	177,847,769.71
Taxes payable	8	88,882,227.52	106,816,413.87
Interest payable		246,955,329.53	133,046,123.31
Dividend payable		118,528,318.02	
Other payables	9	337,264,869.67	435,772,288.98
Due to reinsurers			
Insurance contract reserves			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Non-current liabilities due within one year	10	1,122,233,139.26	1,368,108,800.00
Other current liabilities		18,005,728.56	17,659,498.56
Total current liabilities		19,736,291,694.59	19,988,894,677.34

Item	Notes	Closing balance	Opening balance
NON-CURRENT LIABILITIES:			
Long-term borrowings	11	3,535,153,218.64	3,933,167,835.94
Bonds payable		6,261,678,456.72	6,256,263,237.00
Long-term payables			
Special payables		733,851,240.79	641,526,872.70
Estimated liabilities			
Deferred income tax liabilities			
Other non-current liabilities		2,962,017,952.50	2,560,151,371.36
Total non-current liabilities		13,492,700,868.65	13,391,109,317.00
TOTAL LIABILITIES		33,228,992,563.24	33,380,003,994.34
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):			
Paid-up capital (or share capital)		2,062,045,941.00	2,062,045,941.00
Capital reserves		6,383,471,238.54	6,414,892,999.53
Less: Treasury shares		265,363,183.60	
Special reserves			
Surplus reserves		1,132,116,106.40	1,132,116,106.40
General risk provisions			
Retained profit		4,364,393,121.59	4,149,511,927.88
Foreign currency translation differences		9,038,071.60	929,205.04
Total equity attributable to equity holders of the company		13,685,701,295.53	13,759,496,179.85
Minority shareholders interests		596,568,291.02	585,921,753.20
Total owners' equity (or shareholders' equity)		14,282,269,586.55	14,345,417,933.05
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)		47,511,262,149.79	47,725,421,927.39

6. NOTES TO FINANCIAL STATEMENTS

(1) Basis of Preparation of the Financial Statements

The Company's financial statements have been prepared based on the going concern basis. The financial statements have been prepared based on actual transactions and events, in accordance with the accounting standards for business enterprises promulgated by the Ministry of Finance of PRC in 15 February 2006 and 38 specific accounting standards, the subsequently promulgated application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2010) of China Securities Regulatory Commission.

(2) Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amounts during the period	Amounts during the prior period
Revenue from principal activities	9,829,074,992.64	9,862,709,415.43
Revenue from other activities	198,826,365.79	101,742,119.61
Operating costs	8,251,349,814.35	8,500,512,936.03

(2) Principal activities (by industry)

Unit: RMB

	Amounts during the period		Amounts during the prior period	
Industry name	Operating revenue	Operating costs	Operating revenue	Operating costs
I. Machine-made paper	8,848,173,025.18	7,326,007,309.03	9,216,139,824.70	7,909,765,293.16
II. Electricity and steam	803,178,978.83	667,582,441.74	415,231,784.63	360,583,271.43
III. Construction materials	109,279,405.02	91,159,060.57	163,649,151.64	134,290,206.98
IV. Paper chemicals			40,108,732.97	31,277,925.63
V. Hotel	19,689,151.28	4,853,289.68	24,253,681.15	6,367,047.37
VI.Others	48,754,432.33	39,934,984.09	3,326,240.34	2,293,200.11
Total	9,829,074,992.64	8,129,537,085.11	9,862,709,415.43	8,444,576,944.68

(3) Principal activities (by geographical areas)

Unit: RMB

	Amounts during the period		Amounts during the prior period	
Region	**Operating revenue**	**Operating costs**	**Operating revenue**	**Operating costs**
Mainland China	8,269,892,081.97	6,674,839,221.55	8,429,732,938.38	7,047,508,278.17
Hong Kong	325,828,258.19	231,375,805.11	85,042,051.22	82,802,641.61
U.S.	176,059,601.45	175,946,606.21	74,652,473.46	70,989,361.06
Japan	86,957,710.96	91,020,040.44	99,795,928.67	97,186,265.13
Southeast Asia	188,351,001.08	185,553,307.61	128,741,768.46	125,361,950.58
Middle East	249,421,527.92	244,493,213.57	203,094,484.24	201,948,291.67
Europe	128,149,696.15	128,477,031.97	129,403,908.38	124,403,235.71
South Africa	111,537,253.23	111,419,524.87	123,402,201.61	120,069,947.66
Other countries and regions	292,877,861.69	286,412,333.78	588,843,661.01	574,306,973.09
Total	9,829,074,992.64	8,129,537,085.11	9,862,709,415.43	8,444,576,944.68

(3) Income tax expenses

Unit: RMB

Item	**Amounts during the period**	**Amounts during the prior period**
Current income tax calculated according to tax laws and relevant rules	151,457,198.79	70,437,525.65
Adjustment to deferred income tax	-68,585,992.53	-83,304,458.88
Total	82,871,206.26	-12,866,933.23

(4) Calculation of basic earnings per share and diluted earnings per share

(1) Net profit for the period attributable to ordinary shareholders for the purpose of calculating earnings per share are as follows:

Item	Amounts during the period	Amounts during the prior period
Net profit for the period attributable to ordinary shareholders	333,409,511.73	94,244,962.85
Of which: net profit attributable to continuing operations	333,409,511.73	94,244,962.85
Net profit attributable to discontinued operations		
Net profit after deducting extraordinary gains and losses attributable to ordinary shareholders of the Company	134,539,548.74	-103,989,811.77
Of which: net profit attributable to continuing operations	134,539,548.74	-103,989,811.77
Net profit attributable to discontinued operations		

(2) For the purpose of calculating earnings per share, the denominator is the weighted average of outstanding ordinary shares. The calculation is as follows:

Item	Amounts during the period	Amounts during the prior period
Number of outstanding ordinary shares as at the beginning of the year	2,062,045,941.00	2,062,045,941.00
Add: number of weighted ordinary shares issued during the year		
Less: number of weighted ordinary shares repurchased during the year	17,687,393.00	
Number of outstanding ordinary shares as at the end of the year	2,044,358,548.00	2,062,045,941.00

(5) Accounts receivable

(1) Disclosure of accounts receivable according to classification

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Accounts receivable that are individually significant and are provided for bad debts on individual basis	48,605,549.72	1.3%	48,605,549.72	100%	48,696,549.72	1.26%	48,696,549.72	100%
Accounts receivable that are provided for bad debts on portfolio basis								
Risk-free portfolio	513,023,073.75	13.78%			358,778,459.12	9.27%		
General portfolio	3,161,916,964.71	84.92%	195,450,149.14	6.18%	3,461,286,305.68	89.47%	217,109,713.62	6.27%
Sub-total for portfolio	3,674,940,038.46	98.7%	195,450,149.14	5.23%	3,820,064,764.80	98.74%	217,109,713.62	5.68%
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis	25,640.70		25,640.70	100%	86,850.13		86,850.13	100%
Total	3,723,571,228.88	—	244,081,339.56	—	3,868,848,164.65	—	265,893,113.47	—

Unit: RMB

Accounts receivable	Book balance	Provision for bad debts	Percentage of provision	Reason
Loans	48,605,549.72	48,605,549.72	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	48,605,549.72	48,605,549.72	—	—

Unit: RMB

Ageing	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year						
Of which:	—	—	—	—	—	—
Within 1 year	3,052,256,941.62	96.53%	152,612,847.09	3,350,375,732.48	96.8%	167,518,786.62
Sub-total of within 1 year	3,052,256,941.62	96.53%	152,612,847.09	3,350,375,732.48	96.8%	167,518,786.62
1 to 2 years	69,220,814.48	2.19%	6,922,081.45	65,152,312.73	1.88%	6,515,231.27
2 to 3 years	5,654,985.01	0.18%	1,130,997.00	3,353,205.93	0.1%	670,641.19
Over 3 years	34,784,223.60	1.1%	34,784,223.60	42,405,054.54	1.22%	42,405,054.54
Total	3,161,916,964.71	—	195,450,149.14	3,461,286,305.68	—	217,109,713.62

Unit: RMB

Accounts receivable	Book balance	Provision for bad debt	Percentage of provision (%)	Reason
Loans	25,640.70	25,640.70	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	25,640.70	25,640.70	—	—

(2) Reversal or recovery of accounts receivable during the reporting period

Unit: RMB

Particulars of accounts receivable	Reason for reversal or recovery	Original basis for bad debt provision	Cumulative bad debt provision prior to reversal or recovery	Amount of reversal or recovery
Loans	Collection of payment for goods	Overdue for over 3 years and estimated the possibility to recover is least	26,468,300.18	26,468,300.18
Total	—	—	26,468,300.18	—

Accounts receivable individually significant or not individually significant but tested for impairment individually and provided for bad debt as at end of the period

Unit: RMB

Accounts receivable	Book balance	Provision bad debt	Percentage of provision	Reason
Loans	48,631,190.42	48,631,190.42	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	48,631,190.42	48,631,190.42	—	—

(3) Particulars of top five accounts receivable

Unit: RMB

Name of entity	Relation with the Company	Amount	Term	As a percentage of the total of accounts receivable (%)
BEIJING ZHONGBANLIAN PRINTING MATERIALS CO., LTD.	Non-related party	70,386,844.77	Within 1 year	1.86%
SHANXI PRINTING MATERIALS COMPANY	Non-related party	40,052,952.98	Within 1 year	1.06%
JIANGSU XINHUABAI PRINTING CO., LTD.	Non-related party	28,109,243.64	Within 1 year	0.74%
YUNNAN PRINTING MATERIALS COMPANY	Non-related party	27,878,691.18	Within 1 year	0.74%
CHANGJIANG (HUBEI) PUBLISH & PRINT MATERIALS CO., LTD.	Non-related party	26,252,972.70	Within 1 year	0.69%
Total	—	192,680,705.27	—	5.09%

(6) Other receivables

(1) Disclosure of other receivable according to classification

Unit: RMB

	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
Category	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Other receivable that are individually significant and are provided for bad debts on individual basis	8,918,424.06	0.59%	8,918,424.06	100%	8,918,424.06	0.66%	8,918,424.06	100%
Other receivable that are provided for bad debts on portfolio basis Risk-free portfolio	1,388,523,375.23	92.1%			1,213,593,786.15	89.91%		
General portfolio	96,464,341.15	6.4%	42,046,450.68	43.59%	113,580,888.39	8.41%	42,519,331.91	37.44%
Sub-total for portfolio	1,484,987,716.38	98.5%	42,046,450.68	2.83%	1,327,174,674.54	98.32%	42,519,331.91	3.2%
Other receivable that are individually insignificant but are provided for bad debts on individual basis	13,717,509.43	0.91%	13,717,509.43	100%	13,771,354.38	1.02%	13,771,354.38	100%
Total	1,507,623,649.87	—	64,682,384.17	—	1,349,864,452.98	—	65,209,110.35	—

Description of the classification of other receivables

Among risk-free portfolio, it mainly comprised of

① RMB242 million of equity transfer of the Company due from Henan Jianghe Paper Co., Ltd., RMB588 million of debts of the Company due from Shandong Chenming Paper Group Qihe Paperboard Co., Ltd. Date of payment of such account receivables was determined pursuant to the equity transfer agreement and the contract on assignment of debt. In addition, such contracts allowed us to supervise and inspect on-site operations of Qihe Paperboard. Currently, the Company assigned sent a group to carry out on-site supervision and inspection on a monthly basis, and, as such, there were no risks.

② RMB155 million of Zhanjiang Finance Bureau was due to Zhanjiang Chenming Paper Pulp Co., Ltd. of which RMB40.00 million was the performance guarantee deposits in relation to BT Project and would be refunded within 10 days following completion of construction and inspection of the project according to the contract. There were no risks. For the remaining amounts, namely construction reserve, it would be used to pay third parties or progress payments according to the contract.

③ RMB108 million of Development Area branch of Bureau of Land Resources of Wuhan was due to Wuhan Chenming Hanyang Paper Holdings Co., Ltd. Such amount was the premium for land acquisition and would be refunded after the completion of the auction process or acted as land premium. There were no risks.

Unit: RMB

Other receivables	Book balance	Amount of bad debt	Percentage of provision (%)	Reason
Loans	8,918,424.06	8,918,424.06	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	8,918,424.06	8,918,424.06	—	—

Unit: RMB

Ageing	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Ratio (%)		Amount	Ratio (%)	
Within 1 year						
Of which:						
Within 1 year	33,592,788.12	34.83%	1,679,639.43	52,096,861.35	45.87%	2,604,843.05
Sub-total of within 1 year	33,592,788.12	34.83%	1,679,639.43	52,096,861.35	45.87%	2,604,843.05
1 to 2 years	9,851,467.35	10.21%	985,146.74	13,434,171.09	11.83%	1,343,417.10
2 to 3 years	17,048,026.47	17.67%	3,409,605.30	11,848,480.25	10.43%	2,369,696.05
Over 3 years	35,972,059.21	37.29%	35,972,059.21	36,201,375.70	31.87%	36,201,375.70
Total	96,464,341.15	—	42,046,450.68	113,580,888.39	—	42,519,331.90

Unit: RMB

Particulars of other receivables	Book balance	Provision for bad debts	Provision rate (%)	Reason for provision
Amounts with customers	13,717,509.43	13,717,509.43	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	13,717,509.43	13,717,509.43	—	—

(2) Reversal or recovery of other receivables during the reporting period

Unit: RMB

Particulars of the receivables	Reason for reversal or recovery	Original basis for bad debt provision	Cumulative bad debt provision prior to reversal or recovery	Amount of reversal or recovery
Amounts with customers	Collection of Amounts with customers	Overdue for over 3 years and estimated the possibility to recover is least	1,130,758.26	1,130,758.26
Total	—	—	1,130,758.26	—

Other receivables individually significant or not individually significant but tested for impairment individually and provided for bad debt as at end of the period

Unit: RMB

Particulars of Amount receivables	Book balance	Amount of bad debt	Provision rate (%)	Reason
Loans	22,635,933.49	22,635,933.49	100%	Most of which were payment for goods aged over 3 years and unlikely to be recovered
Total	22,635,933.49	22,635,933.49	—	—

(3) Nature and particulars of the significant other receivables

Unit: RMB

Name of entity	Amount	Nature and particulars of amount	As a percentage of the total of other receivables (%)
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	587,675,845.54	Transaction with customers	38.98%
Henan Jianghe Paper Co., Ltd.	242,253,083.33	Equity transfer	16.07%
Zhanjiang Finance Bureau	154,465,863.35	Construction reserve	10.25%
Development Area branch of Bureau of Land Resources of Wuhan	108,000,000.00	Land premium	7.16%
People's court in Shouguang	9,215,835.75	Litigation fee	0.61%
Total	1,101,610,627.97	—	73.07%

(4) Particulars of top five other receivables

Unit: RMB

Name of entity	Relation with the Company	Amount	Term	As a percentage of the total of other receivable (%)
Shandong Chenming Paper Group Qihe Paperboard Co., Ltd.	Non-related party	587,675,845.54	Within 1 year	38.98%
Henan Jianghe Paper Co., Ltd.	Non-related party	242,253,083.33	Within 1 year	16.07%
Zhanjiang Finance Bureau	Non-related party	154,465,863.35	Within 1 year	10.25%
Development Area Branch of Bureau of Land Resources of Wuhan	Non-related party	108,000,000.00	2-3 years	7.16%
People's Court in Shouguang	Non-related party	9,215,835.75	Within 3 years	0.61%
Total	—	1,101,610,627.97	—	73.07%

(7) Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,641,403,781.25	2,937,983,262.67
1-2 years	194,742,863.12	158,572,722.64
2-3 years	53,418,963.91	49,693,420.80
Over 3 years	73,097,839.11	93,532,318.70
Total	2,962,663,447.39	3,239,781,724.81

(2) Explanation on significant trade payables aged over 1 year

Name of unit	Amount	Reason of being outstanding	Repaid after the reporting date
Artemis Forestry Co., Ltd	21,879,231.84	Temporary outstanding	No
America Chung Nam, Inc.	13,874,111.82	Temporary outstanding	No
Shandong Nge Logistics Co., Ltd.	12,787,406.09	Temporary outstanding	No
MODERN WOOD INVESTMENT LTD	9,165,994.97	Temporary outstanding	No
Henan Kaifeng High Pressure Valve Co., Ltd.	6,246,968.30	Temporary outstanding	No
Total	63,953,713.02	—	—

(8) Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	6,070,319.82	39,231,100.57
Business tax	2,425,786.60	962,094.33
Enterprise income tax	51,838,806.21	42,565,684.15
Individual income tax	8,597,864.40	170,709.08
Urban maintenance and construction tax	3,487,867.18	2,792,836.34
Land use tax	3,554,528.92	8,114,849.29
Property tax	8,020,850.54	8,224,888.15
Educational surcharges and others	3,557,207.77	2,678,529.97
Stamp duty	1,328,996.08	2,075,721.99
Total	88,882,227.52	106,816,413.87

(9) Other payables

(1) Particulars of other payables

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	200,437,201.41	310,080,861.84
1-2 years	57,317,701.29	58,740,745.82
2-3 years	27,705,444.95	16,748,468.93
Over 3 years	51,804,522.02	50,202,212.39
Total	337,264,869.67	435,772,288.98

(2) Explanation on significant other payables aged over 1 year

Name of unit	Amount	Reason of being outstanding	Repaid after the reporting date
China Development Bank Guangdong branch	6,609,391.81	Temporary outstanding	No
Hangzhou Huadong Steel Structure Manufactory Co., Ltd.	1,195,000.00	Temporary outstanding	No
Asia Paper Markets (SIP) Co., Ltd.	867,050.87	Temporary outstanding	No
Shouguang Construction Co., Ltd, Chenming Branch	840,600.00	Temporary outstanding	No
Far East Cable Co., Ltd.	685,000.00	Temporary outstanding	No
Total	10,197,042.68	—	—

(3) Explanation of the significant other payables

Name of unit	Amount	Nature or details	Repaid after the reporting date
China Development Bank Guangdong branch	6,609,391.81	Prepaid interest	No
Hangzhou Huadong Steel Structure Manufactory Co., Ltd.	1,195,000.00	Amounts with customers	No
Asia Paper Markets (SIP) Co., Ltd.	867,050.87	Amounts with customers	No
Shouguang Construction Co., Ltd, Chenming Branch	840,600.00	Amounts with customers	No
Far East Cable Co., Ltd.	685,000.00	Amounts with customers	No
Total	10,197,042.68	—	—

(10) Non-current liabilities due within one year

(1) Particulars of non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,122,233,139.26	1,368,108,800.00
Total	1,122,233,139.26	1,368,108,800.00

(2) Long-term borrowings due within one year

Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings		125,710,000.00
Secured borrowings	271,882,639.26	290,625,800.00
Guarantee borrowings	534,096,000.00	562,640,000.00
Credit borrowings	316,254,500.00	389,133,000.00
Total	1,122,233,139.26	1,368,108,800.00

(11) Long-term borrowings

(1) Type of Long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings		125,710,000.00
Secured borrowings	3,215,708,821.96	3,389,029,600.00
Guarantee borrowings	615,796,000.00	895,292,000.00
Credit borrowings	825,881,535.94	891,245,035.94
Less: long-term borrowings due within one year	1,122,233,139.26	1,368,108,800.00
Total	3,535,153,218.64	3,933,167,835.94

7. PURCHASE, SALE AND REDEMPTION OF SHARES

Particulars of Repurchase of B shares by the Company

On 12 December 2012, the Company convened the third extraordinary general meeting, domestic listed shares (A shares and B shares) class meeting and overseas listed share (H shares) class meeting, on which resolutions in respect of repurchase of B shares by the Company were approved, respectively. On 26 February 2013, such repurchase of B shares by the Company had obtained the approval of the Shenzhen Stock Exchange and the Company issued announcements such as Repurchase Report, which marked the commencement of repurchase. As of the end of this reporting period, the Company cumulatively repurchased 86,573,974 B shares, representing 4.1985% of the Company's total share capital. The highest repurchase price was HK$4.00 per share, while the lowest price was HK$3.38 per share. The total amount paid amounted to HK$330,911,185.31 (stamp duty and commission inclusive).

Apart from the above repurchase of B shares by the Company, the Company did not purchase, sell or redeem any listed outstanding securities of the Company during the reporting period.

8. CORPORATE GOVERNANCE CODE

The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value. Saved as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the reporting period, in compliance with the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Hong Kong Listing Rules").

The chairman and general manager of the Company is Mr. Chen Hongguo. 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 of A2 - Directors and Chief Executive Office in Corporate Governance Code and Corporate Governance Report under Appendix 14 to Hong Kong Listing Rules. However, the Directors of the Company believe that Mr. Chen Hongguo acting 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.

During the reporting period, the Company held the annual general meeting on 15 May 2013.

In accordance with E1.2 of Corporate Governance Code and Corporate Governance Report under Appendix 14 to Hong Kong Listing Rules, Chairman of the Board shall attend the annual general meeting and invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend.

Ms. Zhang Hong, chairman of the audit committee, Mr. Wang Aiguo, the chairman of the remuneration and assessment committee and Mr. Zhang Zhiyuan, the chairman of the nomination committee, were absent from the annual general meeting due to business commitments. The Company's external auditor also attended the annual general meeting as a scrutineer.

9. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct for Directors' securities transactions. In response to the specific enquiries to all Directors and Supervisors by the Company, all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code during the six month period ended 30 June 2013.

10. AUDIT COMMITTEE

The audit committee of the Company now comprises two independent non-executive Directors and one non-executive Director. The members of the audit committee are Ms. Zhang Hong, Mr. Wang Aiguo and Mr. Cui Youping. The audit committee reviewed the accounting standards and practices adopted by the Group with the management of the Company and discussed and reviewed the interim results and interim report for six months ended 30 June 2013 prepared in accordance with the accounting standards.

By Order of the Board
SHANDONG CHENMING PAPER HOLDINGS LIMITED
CHEN HONGGUO
Chairman

Shandong, the PRC
21 August 2013

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

* *For identification purposes only*