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)

2015 Interim Report Summary

1. IMPORTANT NOTICE

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.

Company profile

Stock abbreviation	晨鳴紙業	Stock Code	000488
Stock abbreviation	晨鳴B	Stock Code	200488
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock Code	1812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Contact persons and contact methods	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
Name	Wang Chunfang	Xiao Peng	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	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	9,718,697,677.76	9,082,020,579.01	7.01%
Net profit attributable to shareholders of the Company (RMB)	276,388,070.51	242,461,095.02	13.99%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	174,462,219.94	57,813,473.27	201.77%
Net cash flows from operating activities (RMB)	-2,222,755,634.73	1,285,696,261.13	-272.88%
Basic earnings per share (RMB per share)	0.14	0.12	16.67%
Diluted earnings per share (RMB per share)	0.14	0.12	16.67%
Rate of return on net assets on weighted average basis	1.97%	1.72%	0.25%
	As at the end of the reporting period	**As at the end of the prior year**	**Increase/decrease as at the end of the reporting period as compared to the end of the prior year**
Total assets (RMB)	63,749,809,197.37	56,822,026,545.21	12.19%
Net assets attributable to shareholders of the Company (RMB)	13,938,653,299.56	13,917,343,301.15	0.15%

(2) **Table setting out shareholding of top ten shareholders of ordinary shares**

Unit: Shares

Total number of shareholders of ordinary shares as at the end of the reporting period	**110,656, of which 82,801 were holders of A shares, 27,342 holders of B shares and 513 holders of H shares**					
Shareholdings of top ten shareholders of ordinary shares						
Name of shareholders	**Nature of shareholders**	**Percentage of shareholding**	**Number of ordinary shares held**	**Number of Restricted ordinary shares held**	**Share pledged or locked-up**	
					Status of shares	**Number**
HKSCC NOMINEES LIMITED	Overseas legal person	18.11%	350,705,450	0		0
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	Pledged	146,500,000
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED — DONG FANG HONG CHINA ADVANTAGE FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	Others	1.19%	23,000,010	0		0
AGRICULTURAL BANK OF CHINA LIMITED — BAOYING TRANSITIONAL MOMENTUM FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	Others	1.08%	20,846,115	0		0
CHINA CONSTRUCTION BANK CORPORATION — ZHONG OU NEW BLUE CHIP FLEXBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	Others	0.89%	17,261,756	0		0
INDUSTRIAL BANK CO., LTD. — ZHONG OU NEW TREND EQUITY SECURITIES INVESTMENT FUND (LOF)	Others	0.79%	15,369,990	0		0
RONGTONG NEW BLUE CHIP SECURITIES INVESTMENT FUND	Others	0.72%	14,000,000	0		0
VALUE PARTNERS CLASSIC FUND	Overseas legal person	0.70%	13,643,695	0		0
JIN Xing	Domestic nature person	0.47%	9,018,200	0		0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0		0
Connected relationship or connected 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 above. They are not persons acting in concert under Administration of Disclosure of Information on the Change of Shareholdings in Listed Companies Procedures. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert and is also not aware that any other shareholders of tradable shares are connected with each others.					

(3) **Table setting out shareholding of top ten shareholders of preference shares**

□ Applicable √ Not applicable

There was no shareholding of shareholder of preference share during the reporting period.

(4) **Change in controlling shareholders or beneficial controllers**

Change in controlling shareholders during the reporting period

□ Applicable √ Not applicable

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

Change in beneficial controllers during the reporting period

□ Applicable √ Not applicable

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2015, there had been downward pressure in China's macro-economy with a slowdown in growth rate. However, there was steady progress in new directions amid the sluggishness and the overall economy was maintained a stable upward trend. The paper making industry remained in the stage of eliminating outdated production capacity and adjusting the product mix, and prices of paper products hovered at a low level facing the imbalanced supply and demand during the first half of the year. However, the supply and demand fundamentals was improving with prices of raw materials stabilising, which, in addition to the more stringent environmental protection policies and moderating outdated capacity elimination and new capacity, will likely bring a turnaround to the performance of the industry on the back of further concentration and new growth points resulting from business transformation in the long run.

In 2015, the Company has been actively adjusting to the "new normal" economic development by accelerating transformation and upgrade and enhancing operation quality. During the reporting period, the Company consistently implemented the working principles of "Team Building, Strict Management, Outstanding Business Performance, Achieving Good Results" with focus on basic and team building and reorganising systems to enhance execution. It elevated its human resources structure and thus its teams through work report and performance assessment. It also strengthened risk control and overseas sales management and reduced outstanding receivables to enhance management over key operations areas.

During the reporting period, the Company implemented good progress control over projects. Jiangxi Chenming's 350,000 tonne high end packaging paper project would come into trial operation. These projects coming in stream speeded up the Company's restructuring and transformation. Shouguang Chenming railroad extension formally opened, enabling further reduction of procurement costs by allowing upstream bulk procurement. Zhanjiang Chenming's Biomass vaporisation project, which significantly lowered production costs as well as pollutant emission through the advanced circulating fluidised bed boiler technology, was completed. Those projects under construction, namely Huanggang Chenming's integrated forestry, pulp and paper project, Shouguang's 400,000 tonne chemical pulp project, Haicheng Haiming's magnesite mining project, Guangdong Huirui's Haidong New District Waterfront comprehensive regulation works and property development project of Wan Xing Real Estate in Wuhan, are steadily carried out according to plan and have made substantial progress, further enhancing the overall competitiveness of the Company.

During the reporting period, the Company also diversified into the financial segment. By virtue of strong capital support of the Group, the Financial Leasing Company made good use of the international and market-oriented edge inherent in a listed company and spread its coverage nationwide. It not only achieved higher financing efficiency in internal services, but also had higher profitability in external business and brought a new source of profit growth to the Company. After a capital increase, it is expected that the Financial Leasing Company's performance is definitely worth looking forward to. For the management of the Finance Company, with the approval for operation of the new business, the Finance Company will make progress in external equity investments and quoted securities investments, thus providing new impetus for our growth in earnings.

Based on the above, as the industry is bottoming out with elimination of outdated production capacity and improvement in supply and demand fundamentals, it is expected that the Company will turn around with the industrial recovery. While strengthening its principal businesses, the Company proactively strives to diversify by positioning itself in the financial sector with initial success. The financial segment will become a major driving force for the future results of the Company and further boost the profitability of the Company.

(1) **Year on year changes in major financial information**

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/ decrease	Reason for the change
Revenue	9,718,697,677.76	9,082,020,579.01	7.01%	Sales of paper products increased and the Financial Leasing Company newly established external business.
Operating costs	7,370,384,661.31	7,378,998,628.31	-0.12%	
Selling and distribution expenses	551,073,823.71	524,593,811.50	5.05%	
Administrative expenses	654,253,969.26	500,133,881.63	30.82%	Increase in research and development expenditure due to greater investment in research and development made by the Company.
Finance expenses	745,472,279.11	626,611,788.47	18.97%	Increase in interest expenses.
Income tax expenses	173,411,302.61	34,033,045.12	409.54%	A year-on-year increase in profitability of the Company.
Investments in research and development	278,819,214.56	186,069,011.06	49.85%	The Company made greater investment in research and development so as to increase its competitiveness.
Net cash flows from operating activities	-2,222,755,634.73	1,285,696,261.13	-272.88%	The Financial Leasing Company came into operation with growth in business volume.
Net cash flows from investing activities	-1,201,478,950.29	-1,797,453,118.70	33.16%	Commencement of external entrusted loan operation by the Company in the prior year.
Net cash flows from financing activities	3,152,446,052.60	709,490,179.43	344.33%	Issue of RMB3.6 billion short-term commercial paper.
Net increase in cash and cash equivalents	-250,918,819.93	184,819,902.18	-235.76%	

(2) **Analysis of asset and liability**

Unit: RMB

Item	30 June 2015	31 December 2014	Increase/ decrease	Reason for the change
Other receivables	2,480,908,390.56	1,776,467,886.07	39.65%	Leaseback arrangements and other activities within one year were classified under other receivables by the Financial Leasing Company.
Available-for-sale financial assets	409,000,000.00	73,000,000.00	460.27%	The Company made new equity investments into Shanghai Leadbank Asset Management Co., Ltd. and Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. during the current period.
Long-term payables	5,035,760,955.94	1,420,598,667.99	254.48%	The Financial Leasing Company commenced new business.
Long-term equity investments	83,942,816.67	36,087,848.12	132.61%	The Company made a new equity investment into Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership) during the current period.
Bills payable	2,495,752,255.20	1,598,110,792.85	56.17%	The Company stepped up efforts to settle external payment by bills.
Interest payable	246,392,305.46	150,047,305.50	64.21%	The interests on corporate bonds were not due for payment.
Other payables	1,145,101,448.59	783,790,884.61	46.10%	The Financial Leasing Company commenced operation and received deposits.

(3) **Future development**

The Company is engaged in the paper making industry, which is a light industry. The business sentiments of the industry are highly related to the macroeconomic growth. In recent years, on the one hand, with the impact of macroeconomic slowdown, demand was continuously weak in the paper making industry. On the other hand, new production capacity of the paper making industry had been released together over the past few years, resulting in the transitional overcapacity of some paper types. Due to fierce competition, product prices continued to decline, narrowing profit margins of papermaking enterprises.

In the long run, the development conditions of the paper making industry are gradually improving. Currently, with basically stable production capacity, excess capacity has become the primary problem to be resolved in the industry. As 2015 is the last year of the "Twelfth Five-Year" Plan, elimination of outdated production capacity and increasingly stringent environmental policies are forcing some small and medium-sized enterprises out of the market. To some extent, this eases the pressure of new capacity on the supply of the industry, which is conducive for enterprises to initiate a price rise. For major paper making enterprises, fully utilising advantages of capital, technology and scale to achieve a change in the growth pattern may help them gain new market share. Meanwhile, with the impact of a weak demand, raw material prices have been hovering at a low level, easing the pressure of operating costs on paper making enterprises. Eliminating outdated production capacity will remove obstacles for the industry's development, while replenishment of and substitution of advanced production capacity will bring fresh blood and drive to the industry, conductive to a higher concentration ratio to creating a favourable industry lifecycle.

Faced with increasingly fierce competition in the industry, the Company gains competitive edge by leveraging on our strong corporate strength to improve equipment and technologies, enrich product mix, upgrade product quality, and focus on research and development of high-end products. The adjustment of product mix has injected new driving force for our corporate restructuring and development, while continuous management refinement has opened up our growth bottleneck, releasing vigour to the Company. Our diversified development brings new sources of profit growth to the Company, accelerating the process of the Company to becoming a world-class paper making enterprise. As the industry is bottoming out with elimination of outdated production capacity and improvement in supply and demand fundamentals, and the benefits from the Company's integrated forestry, pulp and paper project begin to be realised, it is expected that the Company will turn around with the industrial recovery. While strengthening its principal businesses, the Company strives to diversify by positioning itself in the financial sector. Initial success has been achieved, which will become a major driving force for the future results of the Company. As the economic situation improves and the industry is gradually recovering, the Company's performance will have a steady growth.

(4) **Operating plan for the second half of 2015**

In 2015, the Company will proactively adapt to the "new normal" of economic development, accelerate transformation and upgrade process, as well as enhance operation efficiency. During the second half of the year, the Company will consistently implement our working direction of "Team Building, Strict Management, Outstanding Business Performance, Achieving Good Results". To achieve our operating goals, the Company will pay special attention to the following aspects:

Basic management and team building. The Company will ensure comprehensive optimisation and implementation on the system establishment and improvement. We will step up efforts in system inspection and appraisal in order to strengthen policy implementation. In addition, the Company will optimise our human resources allocation mechanism through various means such as management work reporting, management assessment, and training and examination, thus making our team building move on to a new stage.

Operating focus and procurement efficiency. The Company will focus on solving major issues on, among other things, efficiency management, risk control, capital utilisation and foreign operations management, aiming to achieve great improvement. Leveraging the commencement of operation of the railroad of Shouguang Chenming, the Company will also enhance the procurement at source of materials in bulk in order to lower procurement costs. With sufficient capital reserved, the Company aims to lower procurement price through advance payment and other means, thereby maximising our return. We will increase trade volume through import and export companies, and establish strategic partnerships with quality customers, thus securing quality supplies. In addition, the Company will enhance logistics management and optimise operating mode, thereby optimising logistics efficiency.

Production management. The Company will strengthen our system optimisation and execution: In respect of trial operation of new systems, the Company will conduct verification and make conclusion. We will identify areas for further improvement under the system and make rectification as soon as possible, and strictly implement such rectification. The Company will also standardise equipment operating parameters: With reference to the operation of similar advanced equipment in local and overseas markets, the Company will conduct comparison and adjustment in order to ensure the best operation of the equipment. The Company will accelerate adjustment on product portfolio: In order to complete the development of new products such as high-bulk white paper board, food paper and liquid packaging paper, the Company will introduce offshore high quality technical talents. In accordance with the human resources allocation standard in leading local enterprises, the Company will continue to work on position establishment and appointment through position consolidation, automation and other measures. The Company will highly focus on our environmental protection, safety and fire prevention works. We will learn from the past experience of overseas leading enterprises or our peers, aiming to reach the highest standard in the industry.

Project progress. For projects under construction such as Jiangxi Chenming's 350,000 tonnes high-end packaging paper, the Company will have control at key points to ensure timely commencement of operation. For Huanggang Chenming's integrated forestry, pulp and paper project, the Company will improve its preparation works and it is going to commence construction during the year. The Company will also proactively facilitate Shouguang Chenming's 400,000 tonnes chemical pulp project, aiming to achieve substantive progress in a short period of time.

Financial benefits. The Financial Leasing Company will strictly control its risk exposures, aiming to achieve growth amid stability. The Finance Company will strengthen its management to provide impetus for our results growth. The Company will expand our financing channels through various means including issue of preference shares, thus lowering the finance expenses and improve our liabilities structure.

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

☐ Applicable √ Not applicable

There was no change in accounting policies, accounting estimates and accounting methods of the Company during the reporting period.

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

☐ Applicable √ Not applicable

No retrospective restatement was made to correct major accounting errors during the reporting period.

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

√ Applicable □ Not applicable

During the reporting period, the Company invested and established two companies, namely Jinan Chenming Investment Management Co., Ltd. and Chenming Paper Korea Co., Ltd.

In order to expand the customer base of the Finance Company, fully utilise the investment and financing functions of the Finance Company and enhance its profitability, the Company established a wholly-owned subsidiary, namely Jinan Chenming Investment Management Co., Ltd., in Jinan. The registered capital of Jinan Chenming is RMB100.00 million, and Jinan Chenming has been consolidated into the financial statements of the Company since January 2015.

In order to strengthen the overseas sales of the Company, further increase the market share of the Company's products in Korea and establish a wider and more comprehensive sales network, the Company established a wholly-owned subsidiary, namely Chenming Paper Korea Co., Ltd., in Korea. The registered capital of Chenming Korea is US$1.00 million, and Chenming Korea has been consolidated into the financial statements of the Company since April 2015.

(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**

□ Applicable √ Not applicable

5. DIVIDENDS

The Board does not recommend the distribution of cash dividends or bonus shares for the six months ended 30 June 2015.

6. FINANCIAL STATEMENT

Consolidated Income Statement

Unit: RMB

Item	Notes	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	2	9,718,697,677.76	9,082,020,579.01
Including:Revenue		9,718,697,677.76	9,082,020,579.01
II. Total operating costs	2	9,407,786,957.20	9,082,153,213.06
Including:Operating costs		7,370,384,661.31	7,378,998,628.31
Business taxes and surcharges		51,233,976.66	35,500,467.78
Sales expenses		551,073,823.71	524,593,811.50
Administrative expenses		654,253,969.26	500,133,881.63
Finance expenses		745,472,279.11	626,611,788.47
Loss on impairment of assets		35,368,247.15	16,314,635.37
Plus:Gain on change in fair value ("-" denotes loss)		-2,177,906.88	967,670.22
Investment income ("-" denotes loss)		46,632,746.32	21,218,247.82
Including: Investment income from associates and joint ventures		-2,145,031.45	-1,890,171.00
III. Operating profit ("-" denotes loss)		355,365,560.00	22,053,283.99
Plus:Non-operating income		75,090,038.49	253,711,372.78
Including: Gain on disposal of non-current assets		7,042,678.94	82,529,609.62
Less:Non-operating expenses		3,331,029.84	14,028,105.87
Including: Loss on disposal of non-current assets		2,683,749.34	8,764,674.26
IV. Total profit ("-" denotes total loss)		427,124,568.65	261,736,550.90
Less:Income tax expenses	3	173,411,302.61	34,033,045.12
V. Net profit ("-" denotes net loss)		253,713,266.04	227,703,505.78
Net profit attributable to owners of the Company		276,388,070.51	242,461,095.02
Minority interest		-22,674,804.47	-14,757,589.24
VI. Other comprehensive income after tax, net		16,017,289.88	-2,305,777.92
Other comprehensive income after tax attributable to owners of the Company, net		16,017,289.88	-2,305,777.92
(II) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		16,017,289.88	-2,305,777.92
Translation difference of financial statements denominated in foreign currency		16,017,289.88	-2,305,777.92
VII. Total comprehensive income		269,730,555.92	225,397,727.86
Total comprehensive income attributable to owners of the Company		292,405,360.39	240,155,317.10

Item	Notes	Amounts for the reporting period	Amounts for the prior period
Total comprehensive income attributable to minority interest		-22,674,804.47	-14,757,589.24
VIII. Earnings per share:			
(I) Basic earnings per share		0.14	0.12
(II) Diluted earnings per share		0.14	0.12

Consolidated Balance Sheet

Unit: RMB

Item	Notes	Closing balance	Opening balance
CURRENT ASSETS:			
Monetary funds		6,992,524,403.46	5,475,658,186.10
Bills receivable		3,235,015,656.47	3,047,541,556.15
Accounts receivable	4	3,950,725,119.36	3,489,409,369.20
Prepayments		1,586,665,921.49	1,838,017,454.90
Other receivables	5	2,480,908,390.56	1,776,467,886.07
Inventories		5,251,609,376.93	5,420,740,468.60
Non-current assets due within one year		625,936,558.28	865,738,333.65
Other current assets		1,515,951,658.64	1,656,602,232.09
Total current assets		25,639,337,085.19	23,570,175,486.76
NON-CURRENT ASSETS:			
Available-for-sale financial assets		409,000,000.00	73,000,000.00
Long-term receivables		5,035,760,955.94	1,420,598,667.99
Long-term equity investments		83,942,816.67	36,087,848.12
Investment property		16,866,059.89	17,735,187.91
Fixed assets		24,698,413,796.75	24,744,731,705.04
Construction in progress		4,345,421,714.36	3,709,270,828.53
Construction materials		16,661,915.35	22,955,982.38
Intangible assets		1,478,885,698.10	1,319,104,425.04
Goodwill		20,283,787.17	20,283,787.17
Long-term prepaid expenses		170,188,608.23	173,690,747.83
Deferred income tax assets		640,922,517.72	620,267,636.44
Other non-current assets		1,194,124,242.00	1,094,124,242.00
Total non-current assets		38,110,472,112.18	33,251,851,058.45
Total assets		63,749,809,197.37	56,822,026,545.21

Item	Notes	Closing balance	Opening balance
CURRENT LIABILITIES:			
Short-term borrowings		22,353,701,292.50	20,470,296,592.92
Bills payable		2,495,752,255.20	1,598,110,792.85
Accounts payable	6	2,911,506,069.22	3,408,366,113.93
Advance receipts		286,878,004.93	270,056,726.88
Staff remuneration payables		180,874,418.61	153,926,042.30
Taxes payable	7	187,093,051.84	161,100,088.94
Interest payable		246,392,305.46	150,047,305.50
Dividend payable		271,096,765.38	
Other payables	8	1,145,101,448.59	783,790,884.61
Non-current liabilities due within one year	9	1,229,998,100.00	1,099,968,900.00
Other current liabilities		3,632,120,000.00	—
Total current liabilities		34,940,513,711.73	28,095,663,447.93
NON-CURRENT LIABILITIES:			
Long-term borrowings	10	4,467,061,483.45	4,378,290,245.19
Bonds payable		5,781,747,447.67	5,777,131,308.01
Special payables		161,983,516.66	161,983,516.66
Deferred income		1,463,023,929.34	1,476,121,434.78
Other non-current liabilities		2,588,775,681.58	2,584,768,359.64
Total non-current liabilities		14,462,592,058.70	14,378,294,864.28
TOTAL LIABILITIES		49,403,105,770.43	42,473,958,312.21
OWNERS' EQUITY:			
Share capital		1,936,405,467.00	1,936,405,467.00
Capital reserves		6,149,138,276.81	6,149,136,873.41
Other comprehensive income		49,780,458.01	33,763,168.13
Surplus reserves		1,132,116,106.40	1,132,116,106.40
Retained profit		4,671,212,991.34	4,665,921,686.21
Total equity attributable to equity holders of the company		13,938,653,299.56	13,917,343,301.15
Minority interest		408,050,127.38	430,724,931.85
Total owners' equity		14,346,703,426.94	14,348,068,233.00
TOTAL LIABILITIES AND OWNERS' EQUITY		63,749,809,197.37	56,822,026,545.21

7. NOTES TO FINANCIAL STATEMENTS

(1) Basis of Preparation of the Financial Statements

The Group's financial statements are prepared on a going concern basis and based on actual transactions and events, in accordance with the accounting standards for business enterprises promulgated by the Ministry of Finance of PRC ((Order of Ministry of Finance No. 33 Issue and Order of Ministry of Finance No. 76 Amendment) and 41 specific accounting standards as promulgated and amended on and after February 15 2006, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

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

The financial statements have been prepared by the Company in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Company as at 30 June 2015 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2015. In addition, the financial statements of the Company also comply with, in all material respects, the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

(2) Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

	Amount for the period		Amount for the prior period	
Item	**Revenue**	**Costs**	**Revenue**	**Costs**
Principal activities	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88
Other activities	180,459,517.72	115,823,710.04	120,399,215.76	57,920,162.43
Total	9,718,697,677.76	7,370,384,661.31	9,082,020,579.01	7,378,998,628.31

(2) Principal activities (by industry)

Unit: RMB

	Amount for the period		Amount for the prior period	
Industry name	**Revenue**	**Operating costs**	**Revenue**	**Operating costs**
I. Machine-made paper	8,868,460,907.69	6,966,238,393.81	8,545,843,565.79	7,004,509,499.62
II. Electricity and steam	180,357,434.35	123,066,649.13	198,681,459.85	144,716,153.44
III.Construction materials	102,073,407.08	83,247,439.35	94,627,856.04	76,921,331.07
IV.Paper chemicals	49,824,616.83	37,848,419.37	42,387,862.87	27,967,694.33
V. Hotel	13,576,184.58	3,305,692.10	14,901,686.03	3,398,372.51
VI.Others	323,945,609.51	40,854,357.51	65,178,932.67	63,565,414.91
Total	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88

(3) Principal activities (by products)

Unit: RMB

	Amount for the period		Amount for the prior period	
Product name	**Revenue**	**Operating costs**	**Revenue**	**Operating costs**
Light weight coated paper	326,115,470.96	279,821,845.40	348,081,994.57	316,335,859.11
Duplex press paper	2,180,961,187.95	1,657,673,349.40	1,441,112,796.55	1,134,551,552.38
Writing paper	107,445,824.99	86,557,656.08	82,378,061.06	62,326,659.34
Coated paper	2,096,633,394.41	1,599,511,246.83	2,185,259,143.15	1,820,063,708.25
Newsprint paper	478,061,938.68	373,295,620.43	519,433,041.74	385,119,601.80
Paperboard	134,207,618.47	133,491,068.66	375,085,910.27	356,635,077.75
White paper board	874,197,258.30	680,079,684.48	940,339,733.70	758,413,648.95
Other machine-made paper	2,670,838,213.93	2,155,807,922.53	2,654,152,884.75	2,171,063,392.04
Electricity and steam	180,357,434.35	123,066,649.13	198,681,459.85	144,716,153.44
Construction materials	102,073,407.08	83,247,439.35	94,627,856.04	76,921,331.07
Paper chemicals	49,824,616.83	37,848,419.37	42,387,862.87	27,967,694.33
Hotel	13,576,184.58	3,305,692.10	14,901,686.03	3,398,372.51
Others	323,945,609.51	40,854,357.51	65,178,932.67	63,565,414.91
Total	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88

(4) Principal activities (by geographical areas)

Unit: RMB

	Amount for the period		Amount for the prior period	
Region	Revenue	Operating costs	Revenue	Operating costs
Mainland China	7,791,146,285.63	5,690,144,127.24	7,170,230,465.09	5,592,480,772.13
Other countries and regions	1,747,091,874.41	1,564,416,824.03	1,791,390,898.16	1,728,597,693.75
Total	9,538,238,160.04	7,254,560,951.27	8,961,621,363.25	7,321,078,465.88

(3) Income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	191,848,281.24	89,458,831.33
Deferred income tax expenses	-18,436,978.63	-55,425,786.21
Total	173,411,302.61	34,033,045.12

(4) Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Percentage	Amount	Percentage	Book value	Amount	Percentage	Amount	Percentage	Book value
Accounts receivable that are individually significant and provided for bad debts separately	41,818,754.94	0.99%	41,818,754.94	100.00%	0.00	48,363,962.78	1.29%	48,363,962.78	100.00%	0.00
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	4,199,971,263.72	99.01%	249,246,144.36	5.93%	3,950,725,119.36	3,705,668,686.18	98.71%	216,259,316.98	5.84%	3,489,409,369.20
Total	4,241,790,018.66	100.00%	291,064,899.30	6.86%	3,950,725,119.36	3,754,032,648.96	100.00%	264,623,279.76	7.05%	3,489,409,369.20

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

Unit: RMB

Receivable (by entity)	Accounts receivable	Closing balance Bad debt provision	Percentage	Reason for provision
FOSHAN SHUNDE XINGCHEN PAPER CO., LTD.	26,754,065.23	26,754,065.23	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
BEIJING HUAXIA CULTURE MEDIA CO., LTD.	11,644,496.00	11,644,496.00	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
JIANGXI LONGMING ENTERPRISE CO., LTD.	1,763,987.74	1,763,987.74	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
NANCHANG XINGBO PAPER CO., LTD.	1,656,205.97	1,656,205.97	100.00%	Most of them are payment for goods overdue for over three years and are unlikely to be recovered.
Total	41,818,754.94	41,818,754.94	—	—

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

Unit: RMB

Ageing	Accounts receivable	Closing balance Bad debt provision	Percentage
Within 1 year	3,770,149,075.16	188,591,311.76	5.00%
1-2 years	89,349,057.87	8,784,329.03	10.00%
2-3 years	44,712,258.88	8,942,451.77	20.00%
Over 3 years	42,928,051.80	42,928,051.80	100.00%
Total	3,947,138,443.71	249,246,144.36	6.31%

(2) Top five accounts receivable accounting to closing balance of debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Term	As a percentage of the total of accounts receivable
SHANXI PRINTING MATERIALS COMPANY	Non-related party	75,777,277.52	Within 1 year	1.79%
ANHUI TIME SOURCE CORPORATION	Related party	56,493,413.75	Within 1 year	1.33%
YUNNAN PRINTING MATERIALS CO., LTD.	Non-related party	47,150,337.49	Within 1 year	1.11%
ZHEJIANG XINHUA PRINTING MATERIALS CO., LTD.	Non-related party	45,196,935.34	Within 1 year	1.07%
SHANGHAI CHANGYI ADHESIVE PRODUCTS CO., LTD.	Non-related party	44,659,694.15	Within 1 year	1.05%
Total	—	269,277,658.25	—	6.35%

(5) Other receivables

(1) Disclosure of other receivables according to category

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Percentage	Amount	Percentage	Book value	Amount	Percentage	Amount	Percentage	Book value
Other receivables that are individually significant and are provided for bad debts separately	8,837,136.79	0.35%	8,837,136.79	100.00%	0.00	8,755,053.51	0.47%	8,755,053.51	100.00%	0.00
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	2,543,590,181.23	99.54%	62,681,790.67	2.46%	2,480,908,390.56	1,830,724,220.90	98.87%	54,256,334.83	2.96%	1,776,467,886.07
Other receivables that are individually insignificant and are provided for bad debts separately	2,942,648.45	0.12%	2,942,648.45	100.00%	0.00	12,150,098.81	0.66%	12,150,098.81	100.00%	0.00
Total	2,555,369,966.47	100.00%	74,461,575.91	2.91%	2,480,908,390.56	1,851,629,373.22	100.00%	75,161,487.15	4.06%	1,776,467,886.07

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

Unit: RMB

	Closing balance		
Other receivables (by entity)	Other receivables	Bad debt provision	Percentage
AHLSTROM FINLAND	2,820,742.72	2,820,742.72	100.00%
QUANHUA PRECISION CORP. LTD.	2,253,993.04	2,253,993.04	100.00%
ELOF HANSSON GROUP OF SWEDEN	1,495,105.87	1,495,105.87	100.00%
QINGDAO SECOND AUTOMOTIVE AND TRANSPORTATION LOGISTICS BRANCH COMPANY	1,137,295.16	1,137,295.16	100.00%
ZIBO KAIHONG ENERGY CO., LTD.	1,130,000.00	1,130,000.00	100.00%
Total	8,837,136.79	8,837,136.79	—

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

Unit: RMB

Ageing	Other receivables	Closing balance Bad debt provision	Percentage
Within 1 year	102,751,347.44	5,784,161.08	5.00%
1-2 years	13,079,241.96	1,307,924.18	10.00%
2-3 years	10,999,780.85	2,199,956.18	20.00%
Over 3 years	53,389,749.23	53,389,749.23	100.00%
Total	180,220,119.49	62,681,790.67	34.78%

(2) **Top five other receivables accounting to closing balance of debtors**

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivables
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Borrowings and interests	1,253,967,971.74	Within 1 year and 1-2 years	49.07%
Shandong Jianghe Paper Co. Ltd.	Open credit	293,371,945.91	1-2 years	11.48%
Weifang Water Investment Co., Ltd	1 year financial leasing payment	251,079,773.06	Within 1 year	9.83%
Zibo Evergrande Pan-China Real Estate Co., Ltd.	1 year financial leasing payment	200,000,000.00	Within 1 year	7.83%
Shandong Weineng Green Energy Co., Ltd.	1 year financial leasing payment	100,000,000.00	Within 1 year	3.91%
Total	—	2,098,419,690.71	—	82.12%

(6) **Accounts payable**

(1) **Particulars of accounts payable**

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,345,811,085.05	2,965,990,209.36
1-2 years	341,297,068.70	228,866,967.30
2-3 years	118,166,058.24	112,980,731.55
Over 3 years	106,231,857.23	100,528,205.72
Total	2,911,506,069.22	3,408,366,113.93

(2) **Significant accounts payable for over 1 year**

Unit: RMB

Item	Closing balance	Opening balance
SHANDONG HEXIN CHEMICAL GROUP CO., LTD.	38,832,143.38	Temporarily outstanding
QINGDAO XUHUI HYDROGEN PEROXIDE CO., LTD.	15,511,475.73	Temporarily outstanding
TIANJIN GREEN-ANGEL RENEWABLE RESOURCE RECOVERY CO., LTD.	12,918,968.18	Temporarily outstanding
SHANDONG XINLI POWER CO., LTD.	10,803,703.06	Temporarily outstanding
Total	78,066,290.35	—

(7) **Taxes payable**

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	44,500,489.85	27,861,717.80
Business tax	3,210,165.89	5,993,146.04
Enterprise income tax	115,792,001.91	88,084,906.73
Individual income tax	713,362.03	14,783,877.45
Urban maintenance and construction tax	3,571,908.95	2,479,631.43
Educational surcharges and others	3,667,947.20	2,397,509.16
Land use tax	8,950,192.60	11,103,517.24
Property tax	5,373,963.50	6,146,726.60
Stamp duty	1,313,019.91	2,249,056.49
Total	187,093,051.84	161,100,088.94

(8) Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	776,793,883.38	578,321,880.79
1-2 years	240,965,864.80	149,759,077.76
2-3 years	77,725,163.59	20,710,865.78
Over 3 years	49,616,536.82	34,999,060.28
Total	1,145,101,448.59	783,790,883.61

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for being outstanding or not being carried forward
LIAONING BEIHAI INDUSTRIES GROUP CO., LTD.	33,070,700.00	Debt investments as agreed by shareholders of subsidiaries
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT COMPANY LIMITED	19,831,479.17	Debt investments as agreed by shareholders of subsidiaries
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding
CHINA RAILWAY NO. 10 ENGINEERING GROUP CO., LTD.	3,500,000.00	Temporarily outstanding
Total	65,202,179.17	—

(9) **Non-current liabilities due within one year**

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,229,998,100.00	1,099,968,900.00
Total	1,229,998,100.00	1,099,968,900.00

(10) **Long-term borrowings**

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,655,265,709.91	2,790,688,300.00
Guarantee borrowings	1,181,832,068.00	1,274,978,809.25
Credit borrowings	1,859,961,805.54	1,412,592,035.94
Less: Long-term borrowings due within 1 year	1,229,998,100.00	1,099,968,900.00
Total	4,467,061,483.45	4,378,290,245.19

8. PURCHASE, SALE AND REDEMPTION OF SHARES

The Company did not purchase, sell or redeem any listed outstanding securities of the Company during the reporting period.

9. 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 of Hong Kong Limited (the "Listing Rules").

(1) 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 the 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.

(2) Communication with shareholders

During the reporting period, the Company held the annual general meeting on 15 May 2015.

Ms. Zhang Hong, the chairman of the audit 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 the scrutineer.

10. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors' securities transactions. The Company had made specific enquiry of all Directors and Supervisors and all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code for the six months ended 30 June 2015.

11. AUDIT COMMITTEE

The audit committee 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 Ms. Yang Guihua. The audit committee reviewed the accounting standards and practices adopted by the Group with the management and discussed and reviewed the interim results and interim report of the Company for the six months ended 30 June 2015 prepared in accordance with the accounting standards.

By order of the Board
Shangdong Chenming Paper Holdings Limited
CHEN HONGGUO
Chairman

Shandong, the PRC
27 August 2015

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. Wang Xiaoqun and Ms. Yang Guihua and the independent non-executive Directors are Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing.

* *For identification purposes only*