

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Board of Directors (the “Board”) of Shandong Chenming Paper Holdings Limited (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2015. This announcement, containing the full text of the 2015 annual report (“Annual Report”) of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The printed version of the Company’s Annual Report will be delivered to the shareholders of the Company on or about 7 April 2016 and available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.chenmingpaper.com for perusal on 31 March 2016.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Group’s financial statements are prepared on a going concern basis.

The financial statements are prepared based on actual transactions and events and in accordance with Accounting Standards for Business Enterprises-Basic Standards promulgated by the Ministry of Finance (Order of Ministry of Finance No. 33, as amended by Order of Ministry of Finance No. 76) and 41 specific accounting standards as promulgated on and amended after 15 February 2006, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter collectively 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.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company discussed with the management of the Company the accounting standards and practices adopted by the Company and discussed and reviewed the annual results, including the review of the financial statements of the Company for the year ended 31 December 2015 prepared in accordance with the ASBEs of China.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB3.00 per 10 shares (tax inclusive) for the year ended 31 December 2015 to its shareholders. Subject to the approval of shareholders at the annual general meeting to be held on 17 May 2016 (the “AGM”), the final dividend will be paid to the shareholders whose names appear on the H Share registrar of the members of the Company on 25 May 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 April 2016 to 17 May 2016 (both days inclusive) for the purpose of determining the right to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, H Share Shareholders should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) for registration not later than 4:30 p.m. on 15 April 2016.

Besides, the register of members of the Company will also be closed from 21 May 2016 to 25 May 2016 (both days inclusive) for the purpose of determining the entitlement to the proposed final dividend in respect of the year ended 31 December 2015 (subject to the approval of shareholders at the AGM). In order to be qualified for the proposed final dividend, H Share Shareholders should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with Company’s H share registrar, Computershare Hong Kong Investor Services Limited for registration not later than 4:30 p.m. on 20 May 2016.

By Order of the Board
Shandong Chenming Paper Holdings Limited
Chen Hongguo
Chairman

Shandong, the PRC, 30 March 2016

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*

I Important Notice, Table of Contents and Definitions

The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) and the directors (the “Directors”), supervisors (the “Supervisors”) and senior management (the “Senior Management”) of the Company hereby warrant the truthfulness, accuracy and completeness of the contents of the annual report, guarantee that there are no false representations, misleading statements or material omissions contained in this Report, and are jointly and severally responsible for the liabilities of the Company.

Chen Hongguo, head of the Company, Dong Lianming, head in charge of accounting and Li Dong, head of the accounting department (Accounting Officer), declare that they warrant the truthfulness, accuracy and completeness of the financial statements in the annual report.

All Directors were present in person at the Board meeting to consider and approve this Report.

The Company is exposed to various risk factors such as macro-economic fluctuation, adjustment of state policy, intensified competition in the industry, as well as change in exchange rate. Investor should be aware of investment risks. For further details, please refer to the risk factors likely to be faced and the measures to be taken to address them as set out in the outlook on the future development of the Company in Management Discussion and Analysis.

The proposed profit distribution plan of the Company was considered and passed by the Board: based on the number of the shares as at the dividend distribution registration date, a dividend of RMB3 (tax inclusive) per 10 shares was to be paid and no bonus shares (tax inclusive) were to be delivered to all shareholders without increase of share capital from reserves.

I Important Notice, Table of Contents and Definitions

Table of contents

I	Important Notice, Table of Contents and Definitions.....	1
II	Company Profile and Key Financial Indicators	4
III	Chairman’s Report	9
IV	Business Overview	11
V	Management Discussion and Analysis	16
VI	Directors’ Report.....	39
VII	Material Matters	46
VIII	Changes in Share Capital and Shareholders	73
IX	Preference Shares.....	78
X	Directors, Supervisors, Senior Management and Staff.....	79
XI	Corporate Governance.....	89
XII	Financial Report	109
XIII	Documents Available for Inspection	252

I Important Notice, Table of Contents and Definitions

Definitions

Item		Definition
Company, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Shouguang Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
Haiming Mining	means	Haicheng Haiming Mining Company Limited
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun	means	Shouguang Meilun Paper Co., Ltd.
Chenming Sales Company	means	Shandong Chenming Paper Sales Company Limited
Chenming Power	means	Shandong Chenming Power Supply Holdings Co., Ltd.
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Financial Leasing Company	means	Shandong Chenming Financial Leasing Co., Ltd.
reporting period	means	The period from 1 January 2015 to 31 December 2015

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業, 晨鳴B	Stock Code	000488, 200488
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock Code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		
Registered address	No. 595 Shengcheng Road, Shouguang City, Shandong Province		
Postal code of registered address	262700		
Office address	No. 2199 Nongsheng East Road, Shouguang City, Shandong Province		
Postal code of office address	262705		
Website of the Company	http://www.chenmingpaper.com		
Email address	chenmmingpaper@163.com		

II. Contact persons and contact methods

	Secretary to the Board	Securities Affairs Representative	Hong Kong Company Secretary
Name	Wang Chunfang	Xiao Peng	Poon Shiu Cheong
Correspondence Address	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	No. 2199 East Nongsheng Road, Shouguang City, Shandong Province	22nd Floor, World Wide House, Central, Hong Kong
Telephone	(86)-0536-2158008	(86)-0536-2158008	(852)-2501 0088
Facsimile	(86)-0536-2158977	(86)-0536-2158977	(852)-2501 0028
Email address	chenmmingpaper@163.com	chenmmingpaper@163.com	kentpoon_1009@yahoo.com.hk

III. Information disclosure and places for inspection

Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and Hong Kong Commercial Daily
Designated websites for the publication of the Annual Report as approved by CSRC	Domestic: http://www.cninfo.com.cn ; Overseas: http://www.hkex.com.hk
Places for inspection of the Company's Annual Report	Securities and investment management department of the Company

IV. Change in registration

Organisation Code	61358898-6
Change of principal activities since its listing	No
Change of the controlling shareholder	No

II Company Profile and Key Financial Indicators

V. Other relevant information

CPAs engaged by the Company

Name of CPAs	Ruihua Certified Public Accountants (Special General Partnership)
CPAs' Office Address	8-9/F, Block A, Corporation Building, No. 35 Finance Street, Xicheng District, Beijing
Name of the Signing Certified Public Accountants	Wang Yan and Jing Chuanxuan

Sponsors engaged by the Company to continuously perform its supervisory function during the reporting period

☐ Applicable ☒ Not applicable

Financial Advisors engaged by the Company to continuously perform its supervisory function during the reporting period

☐ Applicable ☒ Not applicable

VI. Major accounting data and financial indicators

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

	2015	2014	Increase/decrease for the year as compared to the prior year (%)	2013
Revenue (RMB)	20,241,906,131.81	19,101,677,077.69	5.97%	20,388,890,067.41
Net profit attributable to shareholders of the Company (RMB)	1,021,224,678.04	505,204,384.73	102.14%	710,655,331.72
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	719,891,359.63	130,445,644.83	451.87%	406,170,148.25
Net cash flows from operating activities (RMB)	-9,721,363,524.30	985,399,735.85	-1,086.54%	1,122,616,800.91
Basic earnings per share (RMB per share)	0.50	0.26	92.31%	0.35
Diluted earnings per share (RMB per share)	0.50	0.26	92.31%	0.35
Rate of return on net assets on weighted average basis	6.73%	3.62%	3.11%	5.11%

	As at the end of 2015	As at the end of 2014	Increase/decrease as at the end of the year compared to the end of the prior year (%)	As at the end of 2013
Total assets (RMB)	77,961,699,547.59	56,822,026,545.21	37.20%	47,521,883,569.18
Net assets attributable to shareholders of the Company (RMB)	16,871,494,584.82	13,917,343,301.15	21.23%	14,039,888,226.11

Explanation: Net profit attributable to ordinary shareholders of the Company should exclude the effect of interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments. When calculating financial indicators such as earnings per share and rate of return on net assets on weighted average basis, the interests incurred but not declared for perpetual bonds from the value date up to 31 December 2015 (amounted to RMB61,506,739.43) are deducted. For details, please refer to Note XVII. 2 of section XII of this report.

II Company Profile and Key Financial Indicators

VII. Differences in accounting data under domestic and overseas accounting standards

1. Differences between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report

☐ Applicable ☒ Not applicable

There was no difference between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report during the reporting period.

2. Differences between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report

☐ Applicable ☒ Not applicable

There was no difference between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report during the reporting period.

VIII. Key Financial Indicators by Quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Revenue	4,456,654,640.64	5,262,043,037.12	5,176,528,453.85	5,346,680,000.20
Net profit attributable to shareholders of the Company	96,137,359.80	180,250,710.71	284,937,568.33	459,899,039.20
Net profit after extraordinary gains or losses attributable to shareholders of the Company	47,531,100.97	126,931,118.97	209,199,874.65	336,229,265.04
Net cash flows from operating activities	-524,893,745.34	-1,697,861,889.39	-6,401,707,699.70	-1,096,900,189.87

Whether the above indicators or their aggregated amounts have any material difference with the respective amounts as disclosed in the quarterly report or interim report

☐ Yes ☒ No

II Company Profile and Key Financial Indicators

IX. Five-year financial summary under Hong Kong Financial Reporting Standards

Unit: RMB' 0,000

	2015	For the year ended 31 December			
		2014	2013	2012	2011
Revenue	2,024,191	1,910,168	2,038,889	1,976,168	1,774,749
Profit before tax	141,017	56,101	86,629	-1,614	69,899
Tax	43,224	10,770	17,594	-6,283	11,026
Profit for the current period attributable to shareholders of the listed company	102,122	50,520	71,066	22,103	60,827
Minority interests	-4,329	-5,190	-2,030	-17,435	-1,954
Basic earnings per share (RMB/share)	0.50	0.26	0.35	0.11	0.29
Rate of return on net assets on weighted average basis (%)	6.73%	3.62%	5.11%	1.63%	4.50%

Unit: RMB' 0,000

	2015	For the year ended 31 December			
		2014	2013	2012	2011
Total assets	7,796,170	5,682,203	4,752,188	4,772,542	4,563,083
Total liabilities	6,070,277	4,247,396	3,288,353	3,338,000	3,064,305
Minority interests	38,743	43,073	59,847	58,592	145,915
Equity attributable to shareholders of the listed company	1,687,149	1,391,734	1,403,989	1,375,950	1,352,862
Net current assets/(liabilities)	-1,347,029	-452,549	-106,347	24,638	-268,280
Total assets less current liabilities	2,932,756	2,872,637	2,823,321	2,775,419	2,571,188

II Company Profile and Key Financial Indicators

X. Items and amounts of extraordinary gains or losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amounts for 2015	Amounts for 2014	Amounts for 2013	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	18,317,909.85	65,276,190.37	-6,367,477.99	
Government grants (except for the government grants closely related to the normal operation of the company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	244,716,579.78	260,000,612.10	174,947,619.19	
Gain arising from investment costs for acquisition of subsidiaries, associates and joint-ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition			2,408,368.37	
Profit or loss from debt restructuring	32,089,863.80	1,725,797.17	268,577.19	
Gain or loss on external entrusted loans	94,777,777.77	82,833,581.81		
Non-operating gains and losses other than the above items	10,274,311.04	49,781,358.66	299,225,913.46	
Gain or loss from changes in fair value of consumable biological assets subsequently measured at fair value	-19,078,538.02	6,856,815.32	11,221,828.76	
Less: Effect of income tax	76,729,624.38	81,221,136.75	98,299,197.38	
Effect of minority interests (after tax)	3,034,961.43	10,494,478.78	78,920,448.13	
Total	301,333,318.41	374,758,739.90	304,485,183.47	-

Notes for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses defined as its recurring gain or loss items

☐ Applicable ☒ Not applicable

No extraordinary gain or loss items as defined or illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses were defined by the Company as its recurring gain or loss items during the reporting period.

III Chairman's Report

Dear Shareholders,

I am pleased to present to all shareholders the report of the Company for the financial year ended 31 December 2015. On behalf of the Board, I express my sincere gratitude to all shareholders for their concern and support rendered to Chenming Paper.

On the one hand, the imbalance between the demand and supply in the paper making industry improved to a certain extent last year with protracted low product price due to continued overcapacity of certain products and sluggish market demand. However, in the long run, the results of the Company were likely to turn around due to the improvement of the supply and demand fundamentals in the paper making industry, the stabilisation of the prices of raw materials, and the further concentration of the industry as a result of the more stringent environmental protection policies, elimination of obsolete production capacity and slowdown in new production capacity growth, as well as new growth points resulting from business transformation.

On the other hand, under the slowing macro-economic growth and economic transformation, the financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraced continuously mounting market demand and was stepping into a golden age for its development. This industry is a sunrise one in China, and has bright prospects in China as a result of its growth momentum under the “new normal” of the economy.

Confronted by the continuous economic slowdown and weak industry demand, the Company adopted “Team Building, Strict Management, Outstanding Business Performance, Achieving Good Results” as its policy for 2015 to cope with difficulties and make practical innovations for fulfilling its annual goals. Its development showed favourable signs including stronger efficiency, management, capabilities and growth momentum with significantly higher position in the industry.

The financial segment, which was based primarily on the Financial Leasing Company and the Finance Company, experienced rapid development across businesses after a year of steady operation with ever improving management systems and effective risk preventions. Through the leaseback business of the Financial Leasing Company and the credit business of the Finance Company, the Company found a new profit growth point.

I. Results of Operations

During the reporting period, the Company conducted sales of machine-made paper of 4.15 million tonnes and achieved revenue of RMB20.242 billion, a year-on-year increase of 5.97%. The Company recorded operating costs of RMB14.765 billion, a year-on-year decrease of 3.64%. Total profit and net profit attributable to equity holders of the Company were RMB1,411 million and RMB1,021 million respectively, up by 151.36% and 102.14% from the prior year.

II. Corporate Governance

During the reporting period, the Company regulated its operation under the requirements of Companies Law, Securities Law, Code of Corporate Governance for Listed Companies, Rules Governing Listing of Stocks on Shenzhen Stock Exchange, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the related provisions of the China Securities Regulatory Commission. The Company kept on improving and optimising its legal person governance structure and regulating its operation in practice. The Board considered the state of the Company's corporate governance was substantially in compliance with the requirements and requests of the regulatory documents such as Code of Corporate Governance for Listed Companies.

During the reporting period, the Board strived to regulate the operation of the Company by improving its corporate governance. It improved corporate governance system in a timely manner and formulated and optimised management systems including the amended the Implementing Rules for Audit Committee under the Board and amended Articles of Association in accordance with the regulatory requirements.

Strict enforcement of relevant internal control systems had promoted a regulated operation and healthy development of the Company, protecting the legitimate rights and interests of our investors. The overall state of corporate governance was in compliance with the requirements of the China Securities Regulatory Commission. As the Company's development strives forward, its state of regulated operation and internal control will continue to improve.

III Chairman's Report

III. Dividend Distribution

Consistent with our long-term goal of pursuing the maximisation of corporate values, the Company has always placed much emphasis on the benefits of and returns to our shareholders. In view of the operating results realised in 2015 and after considering the overall financial position and cash flow condition of the Company, the Board of Directors recommended a proposed profit distribution plan for 2015 as follows: Based on the number of shares as at the dividend distribution registration date, a cash dividend of RMB3.00 (tax inclusive) was to be paid to all shareholders for every 10 shares held. Based on the total share capital of 1,936,405,467 shares of the Company as at 31 December 2015, cash dividend for 2015 amounted to RMB580,921,640.10 (tax inclusive), which represented 60.53% of the net profit attributable to ordinary shareholders of the Company as set out in the 2015 consolidated financial statements prepared in accordance with Accounting Standards for Business Enterprises. After such profit distribution, the undistributed profit would be rolled over for distribution in subsequent years. As always, the Company will continue to stay focused on its long-term development and maximise returns for our shareholders by delivering better results.

IV. Future Development

Elimination of obsolete production capacity in the paper making industry 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. Raw material prices have been hovering at a low level, easing the pressure of operating costs on paper making enterprises. Eliminating obsolete 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, conducive to a higher concentration ratio to creating a favourable industry lifecycle.

The financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraced continuously mounting market demand and was stepping into a golden age for its development.

Looking forward, the Company will adhere to the principal of achieving growth amid stability, and emphasise on environmental protection, low carbon, recycling and sustainable development. Following the "Made in China 2025 Plan" and the principles of scientific development and quality and efficiency enhancement, it will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the integration between its production and manufacture segment and financial services segment, incorporation of smart technology into its industrial activities, reorganised methodology and restructuring so as to expand and improve itself and strive to become one of the world-class companies with the highest growth rate in the "Thirteenth Five Year Plan" period.

Chen Hongguo
Chairman

30 March 2016

IV Business Overview

I. Principal operations of the Company during the Reporting Period

The Company is a large and integrated modern conglomerate principally engaged in paper making, finance, forestry and real estate businesses while also involved in mining, energy, logistics, construction materials, hotel operation and others. It is also the only listed company with three types of listed shares (i.e. A shares, B shares and H shares) and the first in the paper making industry having a finance company and a financial leasing company integrated with its industrial activities in China.

(I) Paper Making Segment

The Company is a leading player in the paper making industry in China. It has established production bases in Shandong, Guangdong, Hubei, Jiangxi and Jilin with annual pulp and paper production capacity of over 8,500,000 tonnes. It has the largest pulp paper production base in the world and tens of pulp and paper production lines of international advanced standards. The product mix of the Company gradually diversified into five major paper types, namely printing paper, packaging paper, office paper, industrial paper and household paper, as well as the nine major product series which focused on high and middle end products, including high-end cultural paper, coated paper, white paper board, news press paper, light weight coated paper, copy paper, industrial paper, special paper and household paper.

(II) Financial Segment

The Company has established the financial segment which was based on the Shandong Chenming Financial Leasing Co., Ltd., Shandong Chenming Investment Co., Ltd., and Shandong Chenming Group Finance Co., Ltd. Since the establishment of the financial segment, the Company, relying on strong capital strength and talent advantageous of the Chenming Paper Group while giving full play to the advantages of internationalisation and marketised operation mechanisms of a listed company, has been actively seeking the organic combination between industrial capital and financial capital. Externally, it provided financing and value-added service solutions to state-owned enterprises, listed companies, quality private enterprises, new and high-tech enterprise with good growth and government financing platforms. Internally, it adapted to the trend of diverse demand for the domestic financial market and financial services comprehensiveness within the Group, and established a business structure focused on intensive capital management and based on four core areas, namely the traditional commercial banking business, industrial financial services, investment banking business and financial investment business, which constructed a diversified and value-added business development pattern.

The financial segment experienced rapid development across businesses after steady operation for more than a year with ever improving management systems and effective risk preventions. In 2015, the financial segment maintained good development momentum and, through the leaseback business of the Financial Leasing Company and the credit business of the Finance Company, became a new profit growth point of the Company.

IV Business Overview

I. Principal operations of the Company during the Reporting Period *(Cont'd)*

(III) Other business segments

1. Electricity and heat

Based on the operating principle of “energy-saving, serving production and environmental protection”, the Company has established its own power plants in all of its production bases, which mainly provide electricity and gas to each subsidiary with the surplus sold externally to contribute sales revenue. The green, low-carbon and sustainable ecological cycle constructed had substantial economic and social benefits.

2. Hotel

Chenming International Hotel is a luxury business hotel that integrates accommodation, catering, entertainment and conference. The hotel follows the European-style architecture of compounds with a beautiful environment and elegant style. The guest rooms are comfortable and luxurious, the cuisine is distinctive, a comprehensive set of recreational and leisure facilities are at service and business centres with advanced facilities are ready to provide thoughtful and fast services. In addition, the majestic and fully functional hotel meeting centres will help you achieve unexpected success for your commercial activities.

3. Construction materials

Chenming Construction Materials integrates the manufacturing, processing and sales of new-type environmental materials such as planks, cement and aerated concrete brickwork. Leveraging the strong platform and brand influence of the Chenming Group, it has introduced advanced production equipment and established a quality guaranteeing system of high-starting point, high-level and all-roundness with first-class quality products that apply to various buildings.

4. Logistics

With the deepening of “One Belt One Road” strategy of China, the Chenming Group has made huge investment to establish an international logistics centre and auxiliary proprietary railways, which not only provided comprehensive logistic services including container transportation, bonded warehousing, transit and terminal storage, but also realised “one-stop” customs clearance. This helps Chenming Paper and Chinese enterprises fully explore the international market and open a modern logistic “express way”.

5. Mining

Haicheng Haiming Mining Company Limited was established on 6 November 2012. The Phase I project mainly carried out magnesite mining and high purity magnesium grains production. The subsequent project will realise diversification of products including manufacturing of magnesium products including firebrick and magnesium metal, which will fill the blank of relevant industries in China.

IV Business Overview

II. Material Changes of Major Assets

1. Material Changes of Major Assets

Major assets	Description
Equity	The Company made equity investments in Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership) and Shanghai Leadbank Asset Management Co., Ltd. during the reporting period, and corresponding adjustments were made to long-term equity investments under the equity method.
Intangible assets	Land use rights were acquired by the Shouguang Headquarters and Haiming Mining during the year.
Construction in progress	Further investments were made to the 600,000-tonne liquid packaging cardboard project of Zhanjiang Chenming, food packaging paper project of Jiangxi Chenming, forestry pulp integration project of Huanggang Chenming and chemical pulp project of Shouguang Meilun during the reporting period.

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III. Analysis of Core Competitiveness

The Company is a leading player in the paper making industry of China. After entrepreneurship and innovation for more than half a century, it has developed into a large and integrated modern conglomerate principally engaged in paper making, finance, forestry and real estate businesses while also involved in mining, energy, logistics, construction materials, hotel operation and others. It is also the only listed company with three types of listed shares (i.e. A shares, B shares and H shares) and the first in the paper making industry having a finance company and a financial leasing company integrated with its industrial activities in China. Compared with other enterprises in the industry, the Company has the following advantages:

1. Scale advantages

After years of development, the Company has achieved annual pulp and paper production capacity of 8.50 million tonnes and is capable to compete with international paper making enterprises in scale. Large-scale centralised production has provided the Company with obvious economic benefits, which are reflected not only in the manufacturing costs of products, but also in its strong market influence in raw material procurement, product pricing and industry policymaking.

2. Product advantages

While the production scale of the Company is expanding rapidly, its product mix also continues to optimise. In recent years, the Company has built production lines for cultural paper such as high-end coated paper, high-end light weight coated paper and high-end white paper board, and achieved higher technological content of products and added values as well as a higher gross profit margin. The product mix of the Company gradually diversified into five major paper types, namely printing paper, packaging paper, office paper, industrial paper and household paper, as well as the nine major product series which focused on high and middle end products, including high-end coated paper, white paper board, coated linerboard, news press paper, light weight coated paper, duplex press paper, light weight paper, electrostatic paper and household paper. Thus, the Company has become the enterprise that offers the widest product range in China's paper making industry. Diversification and gentrification of the product mix has not only greatly enhanced the Company's ability to withstand market risks, but also enabled the Company to maintain a relatively high profitability

IV Business Overview

III. Analysis of Core Competitiveness(Cont'd)

3. Comprehensive cost advantages

The Company has a relative advantage in comprehensive cost, which is mainly reflected in: firstly, the Company has optimised the operation of the production lines through stringent management, which has substantially lowered the waste of resources in evaporating, emitting, dripping or leaking, and the Company's energy consumption per ton of paper was also controlled at a relatively low level; secondly, the Company has established several advanced pulp production lines, thus increasing the supply of major raw materials through the 700,000-tonne pulp project of Zhanjiang Chenming and forestry pulp integration project of Huanggang Chenming; thirdly, the Company has reduced costs through the construction of the captive power plant to ensure energy supply.

4. Advantages in technical equipment

The Company's overall technical equipment has reached the advanced international level. The main production equipment have been imported from internationally renowned manufacturers, including Valmet, Ahlstrom and Metso of Finland, Voith of Germany and TBC of the United States. In particular, Shouguang Meilun's production lines for high-end white coated linerboard project of production capacity of 600,000 tonnes and high-end low weight coated paper project of production capacity of 800,000 tonnes, as well as Zhanjiang Chenming's production line for high-end cultural paper project of production capacity of 650,000 tonnes were leading production lines with greatest production capacity, widest length of paper produced and highest equipment standard among similar production line worldwide. In addition, various technical indicators of products had reached the international leading level.

5. Advantages in research and innovation and new product development

The Company is an important high and new-technology enterprise listed in national torch plan. It established various technology carriers including the national enterprise technology centre and the national post-doctoral working station as well as an international high-quality innovation team, injecting endless vitality to its technology research. It undertook the national "863" plan, national science support plans for the "11th Five Years" and "12th Five Years", and tens of key provincial technological special projects, making outstanding contribution to the scientific progress within the industry. The Company has obtained over 150 national patents, with 7 products selected as national new products and 29 products covering blank areas in China. It also participated in formulating 4 national standards, as well as obtained the honours including "China Patent Shandong Star Enterprise". The Company became the "green engine" to promote transformation and upgrading of the paper making industry and lead China's paper making industry into the direction of the newest and most advanced technology.

6. Funding advantages

The paper making industry is a capital-intensive industry, and funding is one of the most important factors influencing the development of the industry. The Company has high profitability and credit status, and has maintained long-term stable cooperative relations with its bankers, which provide the Company with an unobstructed indirect financing capacity. Since its listing, the Company has maintained good operating results and a sound corporate governance structure. It has conducted several financing activities in domestic and foreign capital markets. As the funds obtained have been applied effectively with good market image, the Company has stronger abilities in direct financing in the capital market.

IV Business Overview

III. Analysis of Core Competitiveness(Cont'd)

7. Advantages in environmental regulation capacity

Over the years, the Company has firmly established “environmental protection first, scale expansion second” as the concept of development. The Company has ensured the enhancement of economic and environmental benefits simultaneously by giving equal importance to environmental protection and production. In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, white water recovery system and black liquor comprehensive utilisation system, as well as the sewage treatment plants, which guarantee that the environmental protection facilities can meet the demand of the rapid expansion of the Company. The environmental emission indicators of the Company are in the top rank among industry peers.

8. Advantages in diversified development

The Company has established a financial segment, which comprises of the Financial Leasing Company, the Finance Company, the Investment Company and the New Third Board Investment Fund. The financial segment maintained a good development momentum, which becomes a new profit growth point through the leaseback business of the Financial Leasing Company and the credit business of the Finance Company. Apart from entering into the financial industry, the Company has also entered into the fields of energy exploration and waterfront regulation works. It proactively facilitates diversified development, thereby further enhancing its competitiveness and strength.

V Management Discussion and Analysis

I. Overview

In 2015, the global economy continued to fluctuate and there had been downward pressure in China's macro-economy with a slowdown in growth rate. The paper making industry remained in the stage of eliminating obsolete production capacity and adjusting the product mix, and prices of paper products hovered at a low level facing the imbalanced supply and demand. However, in the long run, the results of the Company were likely to turn around due to the improvement of the supply and demand fundamentals in the paper making industry, the stabilisation of the prices of raw materials, and the further concentration of the industry as a result of the more stringent environmental protection policies, elimination of obsolete production capacity and slowdown in new production capacity growth, as well as new growth points resulting from business transformation.

Under the slowing macro-economic growth and economic transformation, the financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraced continuously mounting market demand and was stepping into a golden age for its development. The financial segment set up by the Company, which was based primarily on the Financial Leasing Company and Finance Company, experienced rapid development across businesses after steady operation for more than a year with ever improving management systems and effective risk preventions. In 2015, the segment maintained good development momentum and, through the leaseback business of the Financial Leasing Company and the credit business of the Finance Company, became a new profit growth point of the Company.

In 2015, the Company had been actively adapting to the "new normal" economic development by accelerating transformation and upgrade and enhancing operation quality. Confronted by the continuous economic slowdown and weak industry demand, the Company adopted "Team Building, Strict Management, Outstanding Business Performance, Achieving Good Results" as its policy to cope with difficulties and make practical innovations for fulfilling its annual goals. Its development was showing favourable signs including stronger efficiency, management, capabilities and growth momentum.

During the reporting period, the Company conducted production and sales of machine-made paper of 4.18 million tonnes and 4.15 million tonnes respectively and achieved revenue of RMB20.242 billion, a year-on-year increase of 5.97%. The Company recorded operating costs of RMB14.765 billion, a year-on-year decrease of 3.64%. Total profit and net profit attributable to equity holders of the Company were respectively RMB1,411 million and RMB1,021 million, up by 151.36% and 102.14% from the prior year.

- (1) Strengthening sub-divided management lifting corporate management to a new level. Firstly, the overall management of the Company was comprehensively enhanced through continuously strengthening primary management and measures to improve systems, inspections and rectifications. Secondly, dynamics for team building were heightened through increased training, position management and introduction of talents, which produced stronger teams, internal energy and thus significant progress in this respect.
- (2) Flexible strategies attaining breakthroughs in marketing. Firstly, team building efforts were revamped. Excellent human resources were actively introduced under a competition mechanism based on merits. The appraisal methodology was optimised to reward the diligent. Regular training for all staff was organised and sales personnel were equipped with better theoretical knowledge and hands-on competence. Secondly, marketing strategies were effective and efficient. The market-based sales work assignment toolkit significantly enhanced performance while the development of major and new customers was strengthened. Thirdly, structural optimisation was actively carried out. High value-added products such as cigarette card, cigarette pack, high-bulk white paper board, rosewood copperplate card, premium electrostatic paper and Biyuntian duplex press paper were prioritised with a view to enlarging market share.

V Management Discussion and Analysis

I. Overview (Cont'd)

- (3) Proprietary innovations to revamp production and operation. Firstly, the operational efficiency was significantly enhanced. The operational parameters and technical standards of machinery were standardised and the appraisal methodology was improved to strengthen real-time control over and adjustment to production lines and enhance efficiency. Secondly, the effect of primary management was taking shape. Standardised management and processes was consistently adhered to while production management systems were improved by adding regular inspection and continuous rectification of issues. A competition mechanism based on merits was put in place to promote and make good use of competent and outstanding staff, which significantly improved the primary management. Thirdly, flexible restructuring produced efficiency. The production of high value-added products such as mid-level aging resistant paper, high-bulk white paper board for export, Biyuntian electrostatic paper, glassine paper and cigarette card was boosted to enlarge market share and gain the initiative in the market as well as increase efficiency. Fourthly, quality management was steadily enhanced. Through the strict implementation of a defective product examination system, wholesale orders for cigarette cards were received and the market recognition of glassine paper and thermal paper was significantly raised.
- (4) Accelerated projects and new blood. During the reporting period, new projects picked up speed. The 300,000-tonne high-end cultural paper project and the biomass vaporisation upgrade project of Zhanjiang Chenming and the 350,000-tonne food packaging paper project of Jiangxi Chenming had commenced operation upon completion and became new efficiency growth points of the Company. The 400,000-tonne chemical pulp project of Shouguang Chenming completed the tender of its principal equipment and preparations for full operation. The white coated linerboard project of Shouguang Chenming was safely relocated to Zhanjiang. The magnesite project of Haiming Mining started to install equipment. The pulp and paper project integrated forestry of Huanggang Chenming has commenced construction. These new projects are vital forces to drive up the core competitiveness of the Company.
- (5) Stronger financing management to create new advantages for the financial segment. In order to proactively adapt to the “new normal”, the Company put greater efforts in transformation and upgrade through the strategies of being high-end, high-quality and highly-efficient and by striving to reinforce its principal operations while diversifying its businesses. The Company is a large and comprehensive modern corporate group mainly engaged in paper making, finance, forestry and real estate businesses while also involved in mining, energy, logistics, construction materials, hospitality and others. The financial segment made exceptional contribution for 2015 with significantly higher revenue and operating profit and became a new growth point bearing the strongest and advantageous profitability. The Company, through innovative financing instruments, registered its first super and short term commercial paper and perpetual note amounting to RMB13.8 billion and RMB2.6 billion respectively in the interbank market and entered into a RMB20.0 billion strategic cooperation agreement with the Bank of China, which elevated its cooperation with banks to a new height.

V Management Discussion and Analysis

II. Analysis of principal operations

1. Overview

Please see “I. Overview” under “Management Discussion and Analysis” for relevant information.

2. Revenue and cost

(1) Components of revenue

Unit: RMB

	2015		2014		Increase/decrease (%)
	Amount	% of revenue	Amount	% of revenue	
Total revenue	20,241,906,131.81	100%	19,101,677,077.69	100%	5.97%
By industry					
Machine-made paper	18,072,997,652.53	89.29%	17,975,118,165.42	94.10%	0.54%
Financial leasing	1,084,860,187.11	5.36%	86,657,969.85	0.45%	1,151.89%
Electricity and steam	437,772,691.42	2.16%	513,786,969.44	2.69%	-14.79%
Construction materials	223,266,272.44	1.10%	225,322,331.60	1.18%	-0.91%
Chemicals	124,008,406.45	0.61%	59,945,519.46	0.32%	106.87%
Hotel	27,136,077.49	0.13%	26,793,066.32	0.14%	1.28%
Others	271,864,844.37	1.35%	214,053,055.60	1.12%	27.01%
By products					
Light weight coated paper	612,237,436.63	3.02%	693,819,246.02	3.63%	-11.76%
Duplex press paper	4,460,441,279.15	22.04%	2,967,684,563.34	15.54%	50.30%
Writing paper	289,489,121.26	1.43%	211,560,370.68	1.11%	36.84%
Coated paper	4,365,890,220.92	21.57%	4,428,510,204.03	23.18%	-1.41%
Newsprint paper	970,297,912.12	4.79%	1,091,419,636.72	5.71%	-11.10%
Paperboard	183,744,883.99	0.91%	754,167,430.95	3.95%	-75.64%
White paper board	1,915,153,293.25	9.46%	1,991,690,191.45	10.43%	-3.84%
Electrostatic paper	1,580,897,670.32	7.81%	1,742,073,088.67	9.12%	-9.25%
Other machine-made paper	3,694,845,834.89	18.25%	4,094,193,433.56	21.43%	-9.75%
Financial leasing	1,084,860,187.11	5.36%	86,657,969.85	0.45%	1,151.89%
Electricity and steam	437,772,691.42	2.16%	513,786,969.44	2.69%	-14.79%
Construction materials	223,266,272.44	1.10%	225,322,331.60	1.18%	-0.91%
Chemicals	124,008,406.45	0.61%	59,945,519.46	0.32%	106.87%
Hotel	27,136,077.49	0.13%	26,793,066.32	0.14%	1.28%
Others	271,864,844.37	1.35%	214,053,055.60	1.12%	27.01%
By geographical segment					
Mainland China	16,431,182,080.91	81.17%	15,678,674,819.92	82.08%	4.80%
Other countries and regions	3,810,724,050.90	18.83%	3,423,002,257.77	17.92%	11.33%

V Management Discussion and Analysis

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(2) Industries, products or regions accounting for over 10% of revenue or operating profit of the Company

☒ Applicable ☐ Not applicable

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/decrease of revenue as compared to the corresponding period of the prior year	Increase/decrease of operating costs as compared to the corresponding period of the prior year	Increase/decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	18,072,997,652.53	13,935,285,230.54	22.89%	0.54%	-4.49%	4.06%
Financial leasing	1,084,860,187.11	127,769,086.46	88.22%	1,151.89%	754.06%	5.49%
By products						
Duplex press paper	4,460,441,279.15	3,359,857,786.59	24.67%	50.30%	42.26%	4.26%
Coated paper	4,365,890,220.92	3,258,280,750.13	25.37%	-1.41%	-9.56%	6.73%
White paper board	1,915,153,293.25	1,463,666,571.72	23.57%	-3.84%	-9.67%	4.93%
Electrostatic paper	1,580,897,670.32	1,043,674,436.61	33.98%	-9.25%	-20.29%	9.14%
Financial leasing	1,084,860,187.11	127,769,086.46	88.22%	1,151.89%	754.06%	5.49%
By geographical segment						
Mainland China	14,262,273,601.63	11,202,087,734.99	21.46%	-1.99%	-2.49%	0.40%
Other countries and regions	3,810,724,050.90	2,733,197,495.55	28.28%	11.33%	-11.91%	18.92%

Under the circumstances that the statistics specification for the Company's principal operations data experienced adjustment in the reporting period, the principal operations data upon adjustment of the statistics specification at the end of the reporting period in the latest year

☐ Applicable ☒ Not applicable

(3) Whether revenue from sales in kind is higher than revenue from services

☒ Yes ☐ No

By industry	Item	Unit	2015	2014	Increase/decrease (%)
Machine-made paper	Sales	'0,000 tonnes	415	419	-0.95%
	Production output	'0,000 tonnes	418	426	-1.88%
	Inventories	'0,000 tonnes	49	46	6.52%

Explanation on why the related data varied by more than 30%

☐ Applicable ☒ Not applicable

V Management Discussion and Analysis

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(4) Performance of material sales contracts of the Company during the reporting period

☐ Applicable ☒ Not applicable

(5) Composition of operating cost

By industry

Unit: RMB

By industry	Item	2015		2014		Increase/decrease (%)
		Amount	% of operating cost	Amount	% of operating cost	
Machine-made paper	Raw materials	8,201,192,813.92	58.85%	8,270,309,911.65	56.68%	-0.84%
	Depreciation	717,089,611.94	5.15%	798,497,976.35	5.47%	-10.20%
	Labour costs	155,963,303.02	1.12%	146,157,235.36	1.00%	6.71%
	Energy and power	1,431,585,168.47	10.27%	1,710,914,100.72	11.73%	-16.33%
	Chemicals	2,239,539,323.75	16.07%	2,364,613,555.39	16.21%	-5.29%
	Other production costs	1,189,915,009.44	8.54%	1,300,267,209.62	8.91%	-8.49%
	Subtotal	13,935,285,230.54	100.00%	14,590,759,989.08	100.00%	-4.49%
Power and steam	Raw materials	212,564,419.12	76.48%	285,462,227.22	82.28%	-25.54%
	Depreciation	26,248,475.37	9.44%	27,982,337.63	8.07%	-6.20%
	Labour costs	9,007,758.17	3.24%	10,256,856.25	2.96%	-12.18%
	Energy and power	6,764,518.93	2.43%	3,090,405.29	0.89%	118.89%
	Chemicals	3,670,407.74	1.32%	1,270,455.70	0.37%	188.90%
	Other production costs	19,675,742.40	7.08%	18,857,391.98	5.44%	4.34%
	Subtotal	277,931,321.73	100.00%	346,919,674.07	100.00%	-19.89%
Construction materials	Raw materials	130,797,042.19	74.04%	140,409,930.75	77.58%	-6.85%
	Depreciation	4,696,431.30	2.66%	4,532,363.38	2.50%	3.62%
	Labour costs	7,362,629.26	4.17%	6,756,070.59	3.73%	8.98%
	Energy and power	21,178,593.05	11.99%	18,611,421.65	10.28%	13.79%
	Chemicals	0.00	0.00%	2,424,223.60	1.34%	-100.00%
	Other production costs	12,628,034.78	7.15%	8,247,964.35	4.56%	53.10%
	Subtotal	176,662,730.59	100.00%	180,981,974.32	100.00%	-2.39%

(6) Change of scope of consolidation during the reporting period

☐ Yes ☒ No

V Management Discussion and Analysis

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

- (7) Significant change in or adjustment of the businesses, products or services of the Company during the reporting period

☒ Applicable ☐ Not applicable

The Company has established the financial segment primarily based on the Shandong Chenming Financial Leasing Co., Ltd., Shandong Chenming Investment Co., Ltd., and Shandong Chenming Group Finance Co., Ltd. in order to promote diversified development of the Chenming Group, further expand its business, improve risk resistance and enhance the overall strength and comprehensive competitiveness.

Since the establishment of the financial segment, the Company, relying on strong capital strength and talent advantageous of the Chenming Paper Group while giving full play to the advantages of internationalisation and marketised operation mechanisms of a listed company, has been actively seeking the organic combination between industrial capital and financial capital. Externally, it provided financing and value-added service solutions to state-owned enterprises, listed companies, quality private enterprises, new and high-tech enterprise with good growth and government financing platforms. Internally, it adapted to the trend of diverse demand for the domestic financial market and financial services comprehensiveness within the Group, and established a business structure focused on intensive capital management and based on four core areas, namely the traditional commercial banking business, industrial financial services, investment banking business and financial investment business, which constructed a diversified and value-added business development pattern.

The financial segment experienced rapid development across businesses after steady operation for more than a year with ever improving management systems and effective risk preventions. In 2015, the financial segment maintained good development momentum and, through the leaseback business of the Financial Leasing Company and the credit business of the Finance Company, became a new profit growth point of the Company.

- (8) Sales to major customers and major suppliers

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	1,362,000,050.80
Total sales to top 5 customers as a percentage of the total sales for the year	6.72%

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	ANHUI TIME SOURCE CORPORATION	348,929,757.23	1.72%
2	GUANGZHOU KEERUN PAPER CO., LTD.	272,207,428.83	1.34%
3	SHANGHAI YAOJI PLAYING CARD CO., LTD.	257,972,396.90	1.27%
4	SUN HING PAPER COMPANY LIMITED	256,146,560.47	1.27%
5	SHANXI PRINTING MATERIALS COMPANY	226,743,907.37	1.12%
Total		1,362,000,050.80	6.72%

V Management Discussion and Analysis

II. Analysis of principal operations (Cont'd)

2. Revenue and cost (Cont'd)

(8) Sales to major customers and major suppliers (Cont'd)

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB) 2,149,780,469.63

Total purchases from top 5 suppliers as a percentage of the total purchases for the year 14.57%

Information on top 5 suppliers of the Company

No.	Name of supplier	Purchases (RMB)	As a percentage of the total purchases for the year (%)
1	ITOCHU HONGKONG LTD	553,664,267.00	3.75%
2	SHANDONG HEXIN CHEMICAL GROUP CO., LTD.	448,199,024.64	3.04%
3	GUANGDONG LEPENG TRADING CO., LTD	414,175,736.05	2.81%
4	JIANGXI COAL SALES CO., LTD.	378,223,872.37	2.56%
5	Central National Gottesman INC	355,517,569.57	2.41%
Total		2,149,780,469.63	14.57%

3. Expenses

Unit: RMB

	2015	2014	Increase/ decrease (%)	Reasons for material changes
Selling and distribution expenses	1,190,961,739.99	1,148,055,535.23	3.74%	Mainly due to wage increase
General and administrative expenses	1,384,652,496.82	1,160,542,907.39	19.31%	Mainly due to increased scientific research expenditure and wage increase
Finance expenses	1,669,400,051.76	1,229,259,157.47	35.81%	Mainly due to the increase in exchange loss and interest expenses
Business taxes and surcharges	133,046,735.23	91,030,073.05	46.16%	Mainly due to the expansion of the Financial Leasing Company
Profit or loss from change in fair value	-19,078,538.02	6,856,815.32	-378.24%	Mainly due to loss on change in fair value of forestry assets of the Company
Investment gains	88,715,519.36	69,035,637.19	28.51%	Mainly due to the increase in gains on external entrusted loan and disposal of equity interest

V Management Discussion and Analysis

II. Analysis of principal operations (Cont'd)

4. Research and development expenditure

☒ Applicable ☐ Not applicable

The research and development expenditure for 2015 totalled RMB649.3681 million, representing an increase of RMB179.5416 million or 38.21% as compared with RMB469.8265 million of the corresponding period of the prior year. In 2015, the Company actively carried out research and development of new products and technologies, and promoted product portfolio adjustment. It made progress in the “research and production of enzyme in papermaking” in exploring bio-pulping technology under the National Programs for Science and Technology Development 863 Project, developed technologies for developing paper for milk tea paper cups, incorporated the key technology for production and application of new emission-and-consumption-reducing PRC APMP into the technological innovative project plans of the province for 2015 and made delighting progress in developing new products and technologies such as matt white copperplate paper, high-bulk white paper board and environmental drawing paper, which optimised the product portfolio, improved the product quality and enhanced market competitiveness, thus injecting new impetus into the Company’s new development.

Research and development expenditure

	2015	2014	Changes
R&D headcount	1,108	1,004	10.36%
Ratio of R&D personnel	9.32%	7.82%	1.50%
R&D expenditure (RMB)	649,368,119.76	469,826,539.65	38.21%
R&D expenditure to revenue	3.21%	2.46%	0.75%

Reasons for significant change in total R&D expenditure to revenue

☐ Applicable ☒ Not applicable

Reasons and basis for significant change in R&D capitalisation ratio

☐ Applicable ☒ Not applicable

V Management Discussion and Analysis

II. Analysis of principal operations (Cont'd)

5. Cash flows

Unit: RMB

Item	2015	2014	Increase/ decrease (%)
Subtotal of cash inflows from operating activities	20,059,101,045.18	17,924,508,169.86	11.91%
Subtotal of cash outflows from operating activities	29,780,464,569.48	16,939,108,434.01	75.81%
Net cash flows from operating activities	-9,721,363,524.30	985,399,735.85	-1,086.54%
Subtotal of cash inflows from investing activities	641,826,148.96	1,022,916,113.63	-37.26%
Subtotal of cash outflows from investing activities	4,102,411,633.83	4,096,185,535.33	0.15%
Net cash flows from investing activities	-3,460,585,484.87	-3,073,269,421.70	-12.60%
Subtotal of cash inflows from financing activities	42,750,073,812.63	25,487,820,197.15	67.73%
Subtotal of cash outflows from financing activities	28,686,399,578.97	23,159,468,612.66	23.86%
Net cash flows from financing activities	14,063,674,233.66	2,328,351,584.49	504.02%
Net increase in cash and cash equivalents	912,010,632.46	249,563,932.34	265.44%

Explanation on main effects of material changes

☒ Applicable ☐ Not applicable

- (1) Net cash flows from operating activities decreased by 1,086.54% as compared to the corresponding period of the prior year mainly due to the increased external investment of the financial leasing business.
- (2) Net cash flows from investing activities decreased by 12.60% as compared to the corresponding period of the prior year mainly due to more cash used in the investment in the projects such as the forestry-pulp-paper integration and Zhanjiang 600,000 tonne liquid packaging paper project of the Company during the year.
- (3) Net cash flows from financing activities increased by 504.02% as compared to the corresponding period of the prior year mainly due to the increase in borrowings resulting from the strengthened development of the financial segment by the Company and the investment in projects.

Explanation on main reasons leading to the material difference between net cash flows from operating activities during the reporting period and net profit for the year

☒ Applicable ☐ Not applicable

Net cash flows from operating activities decreased by 1,086.54% as compared to the corresponding period of the prior year but net profit attributable to the Company increased by 115.73% as compared to the corresponding period of the prior year mainly due to the increased external investment of the financial leasing business of the Company.

III. Analysis of non-principal operations

☐ Applicable ☒ Not applicable

V Management Discussion and Analysis

IV. Assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of 2015		As at the end of 2014		Change in percentage	Description of major changes
	Amounts	As a percentage of total assets	Amounts	As a percentage of total assets		
Monetary funds	8,984,326,016.01	11.52%	5,475,658,186.10	9.64%	1.88%	Mainly due to the increase in the deposits for bankers' acceptances issued by the Company, letters of guarantee and letters of credit in China
Accounts receivable	3,951,287,979.32	5.07%	3,489,409,369.20	6.14%	-1.07%	Mainly due to the increase in sales as at the year end
Bills receivable	3,998,782,845.65	5.13%	3,047,541,556.15	5.36%	-0.23%	Mainly due to the increase in amounts receivable settled through bills as at the end of the period.
Non-current assets due within one year	2,893,133,653.86	3.71%	865,738,333.65	1.52%	2.19%	Mainly due to the increase in long-term finance lease payments due within one year.
Other current assets	7,582,839,356.54	9.73%	1,656,602,232.09	2.92%	6.81%	Mainly due to the increase in finance lease receivables due within one year.
Available-for-sale financial assets	109,000,000.00	0.14%	73,000,000.00	0.13%	0.01%	Mainly due to the investment in Shanghai Leadbank Asset Management Co., Ltd.
Long-term receivables	9,084,087,143.84	11.65%	1,420,598,667.99	2.50%	9.15%	Mainly due to the increase in the financial leasing business operated for more than one year
Long-term equity investments	70,492,256.38	0.09%	36,087,848.12	0.06%	0.03%	Mainly due to the equity investments in Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership).
Construction in progress	5,829,619,258.48	7.48%	3,709,270,828.53	6.53%	0.95%	Mainly due to the increase in investment in projects including Zhanjiang 600,000 tonne liquid packaging paper project, Jiangxi food packaging paper project and Huanggang Chenming integrated forestry, pulp and paper project
Short-term borrowings	24,755,535,672.86	31.75%	20,470,296,592.92	36.03%	-4.28%	Mainly due to higher working capital needs resulting from the increase in investment in projects and the operation scale expansion
Bills payable	3,281,599,412.31	4.21%	1,598,110,792.85	2.81%	1.40%	Mainly due to the increase in bank acceptance bills issued by the Company for payment of goods
Advance receipts	180,504,227.01	0.23%	270,056,726.88	0.48%	-0.25%	Mainly due to the decrease in advance receipts from customers resulting from intensified market competition
Other payables	1,158,567,353.38	1.49%	783,790,884.61	1.38%	0.11%	Mainly due to the increase in deposits received by the Financial Leasing Company from other companies for the launch of short-term operation
Non-current liabilities due within one year	5,471,286,735.91	7.02%	1,099,968,900.00	1.94%	5.08%	Mainly due to the reclassification of corporate bonds and privately placed bonds maturing within one year as bonds maturing within one year
Other current liabilities	10,293,543,297.00	13.20%	0.00	0.00%	13.20%	Mainly due to the issue of short-term commercial paper during the year
Bond payables	3,788,539,249.59	4.86%	5,777,131,308.01	10.17%	-5.31%	Mainly due to the reclassification of corporate bonds as bond maturing within one year
Long-term payables	344,000,000.00	0.44%	0.00	0.00%	0.44%	Mainly due to receipt of deposits for long-term financial leasing business and special funds from China Development Bank

V Management Discussion and Analysis

4. Assets and liabilities (Cont'd)

1. Material changes of asset items (Cont'd)

Unit: RMB

	As at the end of 2015		As at the end of 2014		Change in percentage	Description of major changes
	Amounts	As a percentage of total assets	Amounts	As a percentage of total assets		
Other non-current liabilities	1,094,621,421.67	1.40%	2,584,768,359.64	4.55%	-3.15%	Mainly due to reclassification of privately placed bonds of RMB1,500 million as bonds maturing within one year
Other equity instruments	2,582,800,000.00	3.31%	0.00	0.00%	3.31%	Mainly due to the issue of perpetual medium-term notes of RMB2,600 million during the year
Other comprehensive income	-345,014,864.26	-0.44%	33,763,168.13	0.06%	-0.50%	Mainly due to the loss on differences on translation of foreign operations incurred by overseas subsidiaries as a result of RMB depreciation

2. Assets and liabilities measured at fair value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Closing balance
Financial assets							
Consumable biological assets	1,407,588,229.46	-19,078,538.02	176,821,919.46		176,026,063.51	54,571,043.08	1,509,964,711.87
Total	1,407,588,229.46	-19,078,538.02	176,821,919.46		176,026,063.51	54,571,043.08	1,509,964,711.87
Financial liabilities	0.00						0.00

Whether there were any material changes on the measurement attributes of major assets of the Company during the reporting period

☐ Yes ☒ No

V Management Discussion and Analysis

V. Analysis of Investments

1. Overview

☒ Applicable ☐ Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of prior year (RMB)	Change
4,664,143,400.00	6,714,267,162.28	-30.53%

2. Material equity investments during the reporting period

☒ Applicable ☐ Not applicable

Unit: RMB

Name of investee	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the reporting period	Lawsuit is involved or not	Date of disclosure (if any)	Disclosure index (if any)
Shandong Chemming Financial Leasing Co., Ltd.	Financial leasing business, operating leasing business, domestic and overseas leased assets acquisition, disposal and maintenance of leased assets, and consultation on leasing transactions.	Capital increase	5,000,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	21 February 2014 - 20 February 2044	Financial leasing	Completed	Not applicable	616,695,309.31	No	27 March 2015	http://www.cninfo.com.cn/
Shanghai Leadbank Asset Management Co., Ltd.	Financial consultation, corporate management consultation, marketing planning and conference service	Acquisition	36,000,000.00	3.00%	Self-owned funds	Warchen Investment Management (Beijing) Co., Ltd., Shanghai Hengxun Information Technology Services Co., Ltd., Bontai Holdings Group Co., Ltd., Shanghai Xunde Investment Management Centre, Suzhou Haihui Investment Co., Ltd. and Beijing Taifu Rongcheng Investment Co., Ltd.	17 January 2008 - 16 January 2018	Asset management	Completed	Not applicable	-	No	30 December 2014	http://www.cninfo.com.cn/
Jinan Chemming Investment Management Co., Ltd.	Investment with self-owned assets, investment management, investment consultation, corporate management consultation, commercial information consultation, and financial consultation, etc.	Newly established	100,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	Long term	Investment management	Completed	Not applicable	173,810.09	No	Not applicable	Not applicable

V Management Discussion and Analysis

V. Analysis of Investments (Cont'd)

2. Material equity investments during the reporting period (Cont'd)

Name of investees	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the reporting period	Lawsuit is involved or not	Date of disclosure (if any)	Disclosure index (if any)
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Equity investment in unlisted enterprises, equity investment, and listing consultation for enterprises.	Newly established	50,000,000.00	33.33%	Self-owned funds	Zhuhai Kaichenxing Investment Advisory Company (General Partnership) and Sherchen Qianhai Financial Development Ltd. and Zhang Guangquan	7 May 2015-6 May 2019	Investment funds	Completed	Not applicable	343,241.28	No	2 April 2015	http://www.cninfo.com.cn/
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.	Industrial investment, construction works, commercial consultation, and sales of electricity, power station equipment sets, automated devices, electromechanical equipment, engineering equipment, environmentally friendly equipment, and construction materials.	Acquisition	300,000,000.00	30.00%	Self-owned funds	Yu Jianming and China Delixi Holding Group Co., Ltd.	October 2007-24 October 2017	Industry investment	Transfer	Not applicable	9,533,333.33	No	2 April 2015	http://www.cninfo.com.cn/
Chenming Paper Korea Co., Ltd.	Trading of paper products	Newly established	6,143,400.00	100.00%	Self-owned funds	Wholly-owned subsidiary	Long term	Trading	Completed	Not applicable	-347,992.47	No	Not applicable	Not applicable
Huanggang Chenming Pulp & Paper Co., Ltd.	Construction of raw material bases and wood procurement; manufacture, production, processing, sale of paper pulp and related products, project construction and related import and export business.	Capital increase	1,000,000,000.00	100.00%	Self-owned funds	Wholly-owned subsidiary	26 September 2008-26 September 2018	Manufacturing of paper pulp	Completed	Not applicable	-674,989.71	No	28 August 2015	http://www.cninfo.com.cn/

V Management Discussion and Analysis

V. Analysis of Investments (Cont'd)

3. Material non-equity investments during the reporting period

☒ Applicable ☐ Not applicable

Unit: RMB

Project name	Form of investment	Fixed assets investment or not	Industry in which the investment project operates	Investment amount during the reporting period	Accumulated actual amount invested as of the end of reporting period	Source of fund	Progress	Estimated return	Accumulated realised return as of the end of the reporting period	Reasons for failure in meeting scheduled progress and estimated return	Date of disclosure (if any)	Disclosure index (if any)
Jiangxi Chenming's 350,000 tonne high-end packaging paper project	Self-constructed	Yes	Paper making	380,377,149.54	1,299,929,248.95	Self-raised and borrowings	99.00%	—	0.00	Asset reclassification during the reporting period without profit contribution	28 June 2013	http://www.cninfo.com.cn/
Shouguang's 400,000 tonne chemical pulp project	Self-constructed	Yes	Paper making	250,533,449.19	259,738,841.00	Self-raised and borrowings	8.66%	—	0.00	Not yet completed	21 March 2014	http://www.cninfo.com.cn/
Forestry paper integration project of Huanggang Chenming	Self-constructed	Yes	Pulp production	340,935,789.73	660,485,661.78	Self-raised and borrowings	18.95%	—	0.00	Not yet completed	2 August 2013	http://www.cninfo.com.cn/
600,000 tonne liquid packaging paper	Self-constructed	Yes	Paper making	2,589,556,896.31	2,589,556,896.31	Self-raised and borrowings	68.15%	—	0.00	Not yet completed	19 December 2015	http://www.cninfo.com.cn/
Total	—	—	—	3,561,403,284.77	4,809,710,648.04	—	—	—	0.00	—	—	—

4. Financial asset investment

(1) Security investments

☐ Applicable ☒ Not applicable

The Company did not have any security investments during the reporting period.

(2) Derivatives investments

☐ Applicable ☒ Not applicable

The Company did not have any derivative investments during the reporting period.

5. Use of proceeds

☐ Applicable ☒ Not applicable

The Company did not use the proceeds during the reporting period.

V Management Discussion and Analysis

VI. Disposal of material assets and equity interest

1. Disposal of material assets

☐ Applicable ☒ Not applicable

The Company did not have any disposal of material assets during the reporting period.

2. Disposal of material equity interest

☒ Applicable ☐ Not applicable

Counterparty (ies)	Equity interest disposed	Disposal date	Transaction consideration (RMB '0,000)	Net profit contribution to the Company from the beginning of the period up to the disposal date (RMB '0,000)	Effect of disposal on the Company	Ratio of the net profit contribution to the Company of disposal of equity interest over total net profit (%)	Pricing basis of disposal of equity interest	Related party transaction or not	Relationship with counterparty (ies)	Relevant equity interest fully transferred or not	Carried out as scheduled or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Yu Jianming	30 % of equity interest in Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.	20 July 2015	30,953.33	810.33	The disposal effectively averted the uncertainty faced by the Company due to the recent volatility in the capital market, ensured the income of the Company, concentrated the capital resources of the Company on its principal activities and business diversification, thereby maximising its competitiveness and profitability.	0.79%	Agreement	No	Not applicable	Yes	Not applicable	4 August 2015	http://www.cninfo.com.cn

V Management Discussion and Analysis

VII. Analysis of major subsidiaries and investees

☒ Applicable ☐ Not applicable

Major subsidiary and investees accounting for over 10% of the net profit of the Company

Unit: RMB '0,000

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Revenue from operations	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Pulp, duplex press and electrostatic paper	300,000.00	1,540,950.01	329,238.71	437,536.89	55,033.37	40,512.17
Chenming (HK) Limited	Subsidiary	Sales of paper products, import of raw materials and processing	18,347.29	2,574,819.16	60,990.46	690,811.62	72,731.69	59,017.92
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Coated paper and household paper	300,000.00	2,456,800.19	423,788.10	561,769.58	58,253.91	46,374.99

Acquisition and disposal of subsidiaries during the reporting period

☒ Applicable ☐ Not applicable

Name of companies	Methods to acquire and dispose of subsidiaries during the reporting period	Impact on overall production and operation and results
Jinan Chenming Investment Management Co., Ltd.	Capital contribution for establishment	Net profit for 2015 was RMB173,800.
Chenming Paper Korea Co., Ltd.	Capital contribution for establishment	Net profit for 2015 was -RMB378,000.

Particulars of major controlling companies and investees:

- (1) Zhanjiang Chenming's major products, including commercial pulp and high-end duplex press paper, had lower costs, high gross profit margin and better returns.
- (2) Due to the fluctuation in foreign exchange rate, Chenming (HK) recorded decrease in profit as compared to the corresponding period of the prior year. However, its subsidiary, Financial Leasing Company delivered good profit as its financial leasing business gradually rolled out.
- (3) With the higher gross profit margin from coated paper and the gains from sale of electricity, the profitability of Shouguang Meilun gradually improved.

VIII. Structured entities controlled by the Company

☐ Applicable ☒ Not applicable

V Management Discussion and Analysis

IX. Outlook on the future development of the Company

(I) Competition overview and development trend of the industry

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. Elimination of obsolete 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 obsolete 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, conducive to a higher concentration ratio to creating a favourable industry lifecycle.

Under the slowing macro-economic growth and economic transformation, the financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraced continuously mounting market demand and was stepping into a golden age for its development. As an important bridge between the financial industry and the industries in the real economy, the financial leasing industry and the modern business model that centres on it will provide substantial capital support to the upgrade and transformation of the manufacturing industry in China. However, the penetration rate of financial leasing in the Chinese market is only around 5%, as compared with 20% in the European and US markets in general. The financial leasing industry in China is at the early stage and has a promising outlook. In fact, it is on a solid track of rapid growth. It is expected that the market size will reach RMB1,200 billion by 2020. The financial leasing industry has bright prospects in China as a result of its growth momentum under the "new normal" of the economy.

Looking forward, the Company will adhere to the principal of achieving growth amid stability, and emphasise on environmental protection, low carbon, recycling and sustainable development. Following the "Made in China 2025 Plan" and the principles of scientific development and quality and efficiency enhancement, it will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the integration between its production and manufacture segment and financial services segment, incorporation of smart technology into its industrial activities, reorganised methodology and restructuring so as to expand and improve itself and strive to become one of the world-class companies with the highest growth rate in the "Thirteenth Five Year Plan" period.

V Management Discussion and Analysis

IX. Outlook on the future development of the Company (Cont'd)

(II) Development strategy

Transformation and upgrade strategy: the Company will optimise its business structure and regional development planning, focus on developing the major industries, namely paper making, finance, forestry and real estate, and develop an industrial system that gives synergy and high efficiency.

Green development strategy: the Company will adhere to the operating philosophy of integration of the “forestry, pulp and paper businesses”. It will achieve clean production through technology upgrade, advanced equipment and refined management in order to promote circular economy and establish itself as a benchmark enterprise in resources conservation and environmental protection. It strives to maintain balance between development and environmental protection by stepping up environmental protection efforts in scientific development so as to seek for a win-win solution for both economic benefits and environmental conservation.

International strategy: the Company will expand to the international market based on its development in China. It will leverage the PRC “One Belt One Road” strategy to accelerate its pace of “going global”. It will reinforce cooperation with international companies to gradually develop the overseas market.

Excellent operation strategy: the management of the Company will aim to achieve “management enhancement, team building, outstanding business performance and good results”. The Company will continuously enhance the whole process management on production and operation, marketing, finance costs and project construction, which will effectively integrate resources and keep on promoting management quality and profitability.

Talent strategy: the Company will enhance the nurturing, recruitment, appointment and incentive mechanism of employees, with a view to developing a high-end, comprehensive, innovative and international team of talents to establish Chenming as a world leading and fast growing enterprise.

Harmonious development strategy: the Company will step up efforts to build its corporate culture, and care for its employees. It will actively fulfil its corporate social responsibility and enhance value creation in areas such as economic, social and environmental development so as to develop a good corporate image of Chenming and establish it as an enterprise that develops in a harmonious manner.

(III) Operating plan for 2016

The main goal of the Company for 2016 is to “develop into an enterprise with hundreds of billions in value” by adhering to the principle of “achieving growth amid stability”. The Company will stick to its diversification strategy and develop an industrial system that centres on pulp production, paper making and finance to achieve synergy with forestry, real estate and mining so as to boost the core competitiveness and profitability. Meanwhile, the Company will be committed to “team building, management enhancement, outstanding business performance and good results” in order to upgrade management quality. The measures to be taken by the Company are as follows:

1. Enhance management to upgrade management quality

The Company will work with leading management consultants in China. It will identify the problems in management and formulate practical plans to address the issues with the help of external experts in order to enhance the management level. It will improve fundamental management and recruit competent employees in a timely manner to the management team to deal with the current problems arising from lack of sufficient management. The Company will also further optimise the management system and procedures to provide strong support to the strengthening of management standard.

V Management Discussion and Analysis

IX. Outlook on the future development of the Company (Cont'd)

(III) Operating plan for 2016 (Cont'd)

2. Enhance operation management and take initiatives to expand market

The Company will step up efforts in team building and talent recruitment to develop a talent pool and promotion channels while laying off unqualified employees. It will focus on efficiency in performance evaluation to stimulate employees' incentives. It will enhance fundamental management and perform monthly inspection to groundwork so as to "cover all aspects of the system". The Company will also optimise the system in a timely manner and set up standards for procedures, so that the implementation will be strict, effective and highly efficient. The Company will formulate plans for major and difficult tasks and closely monitor, inspect and evaluate such tasks to rectify problems. It will enhance efficiency management, adjust product structure, boost overseas sales, raise price, and make investment in places with close proximity, in the pursuit of higher efficiency. Meanwhile, it will support strategic customers, boost volume of trade, secure contracts and strengthen control of cash in transit to reduce appropriation of funds. It will enhance risk control and the marketing team will set its priority on the collection of receivables. The dedicated receivables collection team will carry out their work and strictly monitor receivables. The Company will also accelerate the process in relation to collateral security.

3. Enhance and refine production management

The Company will boost production efficiency through refining management. It will cooperate with professional consultants to optimise management and actively recruit and nurture talents in order to enhance fundamental management capability. It will aim at a higher market share of high value-added products and optimise the product structure by developing products with competitiveness, such as wine label, logistics label and liquid packaging paper. The Company will adjust the structure of pulp materials, upgrade production process, and utilise new raw materials to promote technological progress. It will step up inspection efforts to identify safety risks and protect the environment in accordance with the new national standards and requirements, thereby ensuring the fulfilment of targets on time.

4. Enhance project management for high quality and efficiency

The Company will enhance implementation and management of Zhanjiang Chenming's 600,000 tonne liquid packaging paper project, Haiming Mining, Huanggang Chenming's integrated forestry, pulp and paper project and Shouguang Chenming's 400,000 tonne chemical pulp project so as to ensure the timely commencement of operation, which will provide new sources of profit growth. The Company will adopt strict quality control on project construction by clarifying responsibility and enhancing control so as to ensure construction quality and safety at the work sites. The Company will fully prepare for the projects and optimise the organisational structure. It will set up a management team and recruit technicians, while developing training programmes for the staff at all levels, so as to lay a solid foundation for production and operation and ensure the smooth operation of the projects upon completion.

5. Enhance financing management to create extra value

The Financial Leasing Company will focus on risk control. It will actively explore for quality customers, seek to increase the direct credit lines of domestic banks and obtain additional banking facilities. The Company will enhance the management of the Finance Company with a focus on its fundamental business in relation to settlement, deposit and loans as well as bills, so as to boost the recovery rate of funds. The Company will actively solicit interbank credit extension and diversify its interbank product offerings in order to increase efficiency. At the same time, Qingdao Chenming will commence financial leasing business at bonded areas to provide liquidity support to the Company's operation and lower the financing cost.

V Management Discussion and Analysis

IX. Outlook on the future development of the Company (*Cont'd*)

(III) Operating plan for 2016 (*Cont'd*)

6. Enhance procurement management to raise resources efficiency

Leveraging the development of “cross-border e-commerce” and “Internet Plus”, the Company will seek to gain market influence by establishing an online marketing platform for import and export of goods. The Company will also develop complementary distributor management policy and pricing policy to boost efficiency of external sales. In addition, it will set up an electronic merchandise exchange centre for pulp and paper products, and develop an integrated supply chain for the storage and logistics of pulp and paper products in the country, with the goal of building China’s market price index centre of pulp and paper products, and a global information centre of paper products.

7. Enhance service operation and business expansion

The Company will enhance the management of the brick plant, cement and construction materials companies. In terms of internal measure, it will enhance the service quality; and in terms of external measure, it will actively expand business to boost profit.

(IV) Future capital requirements, source of funds and plan for use

With the extension of the Company’s industry chain and expansion of business scale, some of the new projects are unable to make profit contribution in a timely manner due to market reasons, and therefore the Company has greater demand for working capital. To this end, the Company has identified the following measures:

Firstly, the Company will raise fund through non-public offering of preference shares. This will help the Company meet our financing needs together with our business development. The issue of preference shares which may be accounted for in equity will also help reduce the Company’s gearing ratio, thus improving the Company’s capital structure and enhancing the Company’s risk aversion capability.

Secondly, the Company will establish diversified financing channels. Various financing methods, such as increasing direct financing and issuing super and short term commercial paper and perpetual notes, will be used to reduce the Company’s finance expenses, improve the Company’s liabilities structure and ensure funding for the Company’s sustainable and healthy development.

Thirdly, the Company will make progress in cross-border financing. Leveraging the financing platform of the Hong Kong market, the Company will make effort to increase the credit line of Chenming (HK), avert exchange rate risks through multi-currency financing and improve the efficiency of capital use so as to reduce finance expenses.

Fourthly, the Company will capitalise on the financial advantages of the Finance Company and the Financial Leasing Company to expand the Group’s financing channels. They will grow amid stability, provide new impetus for the Company’s earnings growth and boost profit.

Fifthly, the Company will further improve our international and domestic sales and marketing network, expand our export sales and increase our investment in products of high profit so as to increase economic benefits. The Company will take strict control measures to reduce inventories and improve contract compliance rate in order to reduce use of funds, further reducing the finance expenses. The Company will strengthen our management in household paper products, making it the Company’s new source of profit growth as soon as possible.

V Management Discussion and Analysis

IX. Outlook on the future development of the Company (Cont'd)

(V) Risk factors likely to be faced and the measures to be taken

Industry risk

As a basic raw materials industry of the national economy, the paper making industry's overall efficiency has a strong correlation with economic cycles, and is therefore a cyclical industry fluctuating with the national macroeconomic performance, which will further affect the profitability of paper making enterprises. With the rapid growth of the national economy, economic globalisation and China's accession to the WTO, China's paper making industry has been facing increasingly fierce competition, and overcapacity and lower demand will have impact on the operating results of the Company to a certain extent in the future.

In light of the above, the Company will enhance the level of its equipment and technology, enrich its product portfolio, raise its product quality and put emphasis on developing high-end products to increase its competitiveness.

Policy risk

At present, the industry has entered into an important transitional period, and the mode which has supported the rapid development of the paper making industry in the past currently face the dual pressures of resources and environment. From the point of view of China's policy, China will change the mode of growth through optimising the layout of the paper making industry and the raw material structure and product structure in order to promote a modern paper making industry based on recycling by integrating the forestry and paper making industry, and adjust the industry through entry requirements, environmental standards and energy saving. The development of the Company will be affected by the direction of such policies.

Elimination of obsolete production capacity and stricter environmental protection policy have forced some small and medium-sized enterprises to exit the industry. Hence, the Company is expected to record long-term revenue.

Operational risk

The major raw materials used by the Company are wood pulp and waste paper. The Company's products are mainly comprised of high-end paper, and as the State encourages the increase of the proportion of wood pulp used by the industry, wood pulp, thus, has accounted for a higher proportion of the production cost. The market price fluctuations of raw material have significantly affected the production cost of the Company. In addition to intensified market competition resulting from surging capacity in the industry in recent years, the market price fluctuation of raw materials will have an impact on the performance of the Company.

Hence, the Company will remain steadfast in the "forestry-pulp-paper integration" development path and focus on the construction of Zhanjiang Chenming pulp project, Huanggang Chenming pulp project and Shouguang chemical pulp project, thereby eliminating the limitations of upstream resources on the Company's development and enhancing the Company's sustainable development.

V Management Discussion and Analysis

IX. Outlook on the future development of the Company *(Cont'd)*

(V) Risk factors likely to be faced and the measures to be taken *(Cont'd)*

Environmental protection risk

The new Environmental Protection Law took effect on 1 January 2015. More stringent environmental protection policies have been implemented in the paper making industry. A multi-pronged approach has been adopted to promote industrial restructuring, and the paper making industry has entered into an important transitional period of development. The higher emission standard is bound to increase the Company's environmental protection costs and high entry standards may result in the slowdown of scale expansion, thus affecting the production and operation of the Company.

The Company always strive to achieve harmonious development with energy conservation and emission reduction. The Company will endeavour to develop the recycling economy through waste exchange and recycling and strive to maximise its resource utilisation. Meanwhile, the Company will make greater efforts to construct environment friendly projects and strive to achieve its waste emission target.

Exchange rate risk

The value of Renminbi is affected by the domestic and international economic and political environment and the supply and demand for Renminbi. As an import and export enterprise, the exchange rate of Renminbi against other currencies in future will affect the Company's operating results. The foreign currency transactions of the Company are mainly denominated in US\$. The operations of raw material imports, product exports and US\$ borrowings of the Company will face the risk of exchange rate changes.

The Company lowers the proportion of imported goods procurement denominated in foreign currency. The Company uses more domestic raw materials and spare parts in its production, and increases its Renminbi settlement while decreasing its foreign exchange settlement. Meanwhile, the Company expands its overseas sales, increases repatriation on exports and repays its domestic US dollar loans in order to mitigate its exchange rate risk exposure.

V Management Discussion and Analysis

X. Reception of research investigations, communications and interviews

1. Registration report on reception of research investigations, communications and interviews during the reporting period

√ Applicable ☐ Not applicable

Date of reception	Manner of reception	Class of parties accommodated	Index of particulars of research investigations
13 January 2015	On-site research investigation	Institution	Details are disclosed in the investor relationship event record on CNINFO on 15 January 2015
13 January 2015	On-site research investigation	Institution	Details are disclosed in the investor relationship event record on CNINFO on 15 January 2015
28 January 2015	On-site research investigation	Institution	Details are disclosed in the investor relationship event record on CNINFO on 29 January 2015
Number of receptions			3
Number of institutions received			29
Number of individuals received			0
Number of other entities received			0
Disclosure, leakage or divulgence of undisclosed significant information			No

VI Directors' Report

The Directors (the "Directors") of the Company hereby present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2015.

I. Principal activities

Please refer to section IV "Business Overview", "I. Principal operations of the Company during the Reporting Period" and "II. Analysis of principal operations" under section V "Management Discussion and Analysis" for details of principal activities of the Company.

II. Results and profit distribution

Please refer to section XII "Financial Report" for the results of the Group for the year ended 31 December 2015.

III. Dividends

As of the end of the reporting period, the Board proposed to pay a final dividend for the year ended 31 December 2015 ("final dividend") of RMB3.00 in cash for every 10 Shares (tax inclusive) (2014: dividend of RMB1.4 in cash for every 10 Shares (tax inclusive)) to the shareholders of the Company, subject to approval of shareholders at the forthcoming Annual General Meeting ("AGM") of the Company held on 17 May 2016. Upon approval of shareholders of the Company at the AGM, the Company is expected to pay the final dividend on or around 17 July 2016 to shareholders whose names appear on the register of members of the Company on 25 May 2016.

IV. Closure of register of members

The register of members of the Company will be closed from 16 April 2016 (Saturday) to 17 May 2016 (Tuesday), (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting to be held on 17 May 2016 (Tuesday), all share transfer documents accompanied by the corresponding share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15 April 2016 (Friday).

V. Five year financial summary

Please refer to "IX. Five-year financial summary under Hong Kong Financial Reporting Standards" under section II "Company Profile and Key Financial Indicators" for the financial summary of the Company for the past five financial years.

VI. Donations

During the year, the Company donated RMB600,000 (2014: RMB1,000,000) to non-profit making organisations.

VII. Subsidiaries

Please refer to "VII. Analysis of major subsidiaries and investees" under section V "Management Discussion and Analysis" and "XIX. Matters of significant of subsidiaries of the Company" under section VI "Material Matters" for the details of acquisition and disposal of subsidiaries by the Company during the year.

VIII. Property, plant and equipment

Please refer to "1. Consolidated Balance Sheet" under section XII "Financial Report" for the details of changes in property, plant and equipment of the Group for the year ended 31 December 2015.

VI Directors' Report

IX. Share capital

Please refer to “I. Changes in shares” under section VIII “Changes in Share Capital and Shareholders” for details of changes in share capital of the Company for the year ended 31 December 2015.

X. Pre-emptive rights

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

XI. Transfer into reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Law. As at 31 December 2015, the Company's reserves available for cash distribution and/or distribution in specie, including contributed surplus of the Company, amounted to RMB6,002,557,599.09 (2014: RMB5,313,936,425.86) as set out in “1. Consolidated Balance Sheet” under section XII “Financial Report”.

XII. Directors

As at 31 December 2015, the Directors of the Company were:

1. Executive Directors

Mr. Chen Hongguo
Mr. Yin Tongyuan
Mr. Li Feng
Mr. Geng Guanglin
Mr. Hou Huancai
Mr. Zhou Shaohua

2. Non-executive Directors

Mr. Wang Xiaoqun
Ms. Yang Guihua

3. Independent Non-executive Directors

Mr. Wang Aiguo
Mr. Zhang Zhiyuan
Mr. Zhang Hong
Ms. Pan Ailing

According to the Articles of Association of the Company, all Directors, including non-executive Directors, have been elected at the general meetings with a term of three years from May 2013 to May 2016. They may be re-elected for another term upon expiry of tenure.

VI Directors' Report

XIII. Directors' service contracts

All Directors have entered into service contracts with the Company for a term from 16 May 2013 to 16 May 2016, except for non-executive Director Ms. Yang Guihua, whose service contract commenced from 9 May 2014.

None of the Directors who have offered themselves for re-election at the forthcoming AGM have entered into any service contract with the Company or any of its subsidiaries which cannot be terminated by the Group within one year without payment of compensation other than statutory compensation

XIV. Directors and senior management's remuneration and the five highest paid individuals

Details of Directors and senior management's remuneration and those of the five highest paid individuals in the Company and its subsidiaries are set out in part V of section X and part XII of section XII.

In 2015, the Company has 24 senior management in total, which include directors, supervisors and senior management. The remuneration of senior management falls within the following ranges:

Range of remuneration	Number
RMB4.8 million to RMB5.2 million	1
RMB3.6 million to RMB4.0 million	
RMB3.2 million to RMB3.6 million	
RMB2.8 million to RMB3.2 million	1
RMB2.4 million to RMB2.8 million	
RMB2.0 million to RMB2.4 million	1
RMB1.6 million to RMB2.0 million	3
RMB1.2 million to RMB1.6 million	1
RMB0.8 million to RMB1.2 million	1
Below RMB0.8 million	16

XV. Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Hong Kong Listing Rules and considered all of the independent non-executive Directors to be independent during the year.

VI Directors' Report

XVI. Securities interests held by Directors, Supervisors and Chief Executives

As at 31 December 2015, interests of the Company or its associated corporations (within the meaning of Part XV of SFO) held by each of the Directors, Supervisors and Chief Executives of the Company under section 352 of the SFO are set out as follows:

Name	Position	Number of shares (A shares) held as at the end of the reporting period (shares)
Directors		
Chen Hongguo (Note 1)	Chairman and General Manager	6,434,527
Yin Tongyuan	Executive Director and Vice Chairman	2,423,640
Li Feng	Executive Director	471,818
Geng Guanglin	Executive Director	437,433
Hou Huancai	Executive Director	628,915
Zhou Shaohua	Executive Director	123,007
Yang Guihua	Non-executive Director	—
Wang Xiaoqun	Non-executive Director	—
Wang Aiguo	Independent non-executive Director	—
Zhang Zhiyuan	Independent non-executive Director	—
Zhang Hong	Independent non-executive Director	—
Pan Ailing	Independent non-executive Director	—
Supervisors		
Gao Junjie	Supervisor	39,606
Wang Ju	Supervisor	—
Yang Hongqin	Supervisor	—
Yin Qixiang	Supervisor	—
Guo Guangyao	Supervisor	—

Associated corporations

Name	Position	Name of associated corporations	Number of shares held at the beginning of the reporting period (shares)	Change during the period +/-	Number of shares held at the end of the reporting period (shares)
Chen Hongguo	Chairman	Shouguang Henglian Enterprise Investment Co. Ltd. (note 2)	231,000,000	—	231,000,000

Note 1: Save for the 6,334,527 A shares held personally, Chen Hongguo is deemed to be interested in the 429,348 A shares held by his spouse, Li Xueqin.

Note 2: Chen Hongguo and his spouse, Li Xueqin, collectively hold 43% equity interests in Shouguang Henglian Enterprise Investment Co. Ltd., (hereinafter referred to as "Shouguang Henglian"), as a result, Shouguang Henglian is deemed to be controlled by Chen Hongguo. As a result, the 231,000,000 shares in Chenming Holdings (approximately 13.71% of the total share capital of Chenming Holdings) held by Shouguang Henglian is also deemed to be held by Chen Hongguo.

VI Directors' Report

Save as disclosed above, as at 31 December 2015, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be filed in the register of the Company required to be maintained pursuant to section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (hereinafter referred to as the "Hong Kong Listing Rules"). As at 31 December 2015, none of the Directors, Supervisors or chief executives or their respective spouses or children under the age of 18 held or exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

XVII. Interests and short position of substantial shareholders in shares and underlying shares

As at 31 December 2015, the following shareholders (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the Company's shares and underlying shares as shown in the share register maintained by the Company in accordance with Section 336 of the SFO (Chapter 571 of the Laws of Hong Kong):

Name	Number of shares held (shares)	Approximate shareholding as a percentage of	
		Total share capital (%)	Class of shares (%)
Shouguang Chenming Holdings Co., Ltd	293,003,657 A shares (L)	15.13	26.32
The National Social Security Fund Council	35,570,000 H shares (L)	1.84	10.10
Shouguang Chenming Holdings Co., Ltd	58,914,500 H shares (L)	3.04	16.73
Chenming Holdings (Hong Kong) Limited	58,914,500 H shares (L)	3.04	16.73

(L) – Long position

(S) – Short position (P) – Lending pool

Save as disclosed above, as at 31 December 2015, no other person had interests or short positions in the Company's shares or underlying shares as recorded in the register maintained under section 336 of the SFO.

XVIII. Relationship with employees, customers and suppliers

Please refer to "VI. Personnel of the Company" under section IX "Directors, Supervisors and Senior Management and Staff", "2.(8) Sales to major customers and major suppliers" of "II. Analysis of principal operations" under section V "Management Discussion and Analysis" for details of the relationship between the Company and its employees, customers and suppliers.

XIX. Directors' interests in material contracts

None of the Company or any of its subsidiaries entered into any material contracts, in which Directors had significant interests (either directly or indirectly), that subsisted at the end of the financial year or at any time during the reporting period.

XX. Interests in competing business

None of the Directors or controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Company and any of its subsidiaries.

VI Directors' Report

XXI. Directors' rights to purchase shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

XXII. Preference shares

Please refer to section IX "Preference Shares" for details of the issue of preference shares of the Company.

XXIII. Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2015.

XXIV. Major risk factors

Please refer to "(V) Risk factors likely to be faced and the measures to be taken" of "IX. Outlook on the future development of the Company" under section V "Management Discussion and Analysis" for details of major risk factors of the Company.

XXV. Material matters

Please refer to section VI "Material Matters" for details of material matters of the Company.

XXVI. Future development

Please refer to "(I) Competition overview and development trend of the industry", "(II) Development strategy", "(III) Operating plan for 2016" and "(IV) Future capital requirements, source of funds and plan for use" of "IX. Outlook on the future development of the Company" under section V "Management Discussion and Analysis" for details of future development of the Company.

XXVII. Environmental protection policy and performance and compliance with laws and regulations

Please refer to XX. Fulfilment of Social Responsibility under section VI "Material Matters" for details of environmental protection policy and performance of the Company and compliance with laws and regulations.

XXVIII. Purchase, sale and redemption of shares

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

XXIX. Sufficiency of public float

During the reporting period, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient prescribed amount of public float as required under the Hong Kong Listing Rules.

XXX. Review of the Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2015 has been reviewed by the Audit Committee of the Company.

VI Directors' Report

XXXI. Gearing ratio

As at 31 December 2015, the Company's gearing ratio (including minority interest) was 65.06%, representing an increase of 4.61 percentage points from 60.45% for 2014, mainly due to the increase in financing as the Company sought to obtain sufficient liquidity for the financial leasing business and project investment during the period.

The ratio was calculated as: total borrowings/total assets (whereas total borrowings represent borrowings due within one year, borrowings due after one year, short-term commercial paper and medium and long-term notes and others).

XXXII. Going Concern Basis

The Company is a leading player in the paper making industry in China. After entrepreneurship and innovation for more than half a century, it has developed into a large and integrated modern conglomerate principally engaged in paper making, finance, forestry and real estate businesses while also involved in mining, energy, logistics, construction materials, hotel operation and others. It is the only Chinese company with three types of listed shares, i.e., A shares, B shares and H shares, and the first enterprise in the paper making industry to integrate finance and industry and own both finance company and financial leasing company. The Group has production bases in Shandong, Guangdong, Hubei, Jiangxi and Jilin, which deliver annual pulp and paper production capacity of over 8,500,000 tonnes.

The Company has a good sustained profitability. In 2015, the Company achieved revenue of RMB20.2 billion, net profit attributable to shareholders of the Company of RMB1,021 million and an net increase in cash and cash equivalents of RMB912 million. Meanwhile, the Company always places emphasis on the interests of and return to shareholders, and has paid generous cash dividends for several years. With the improvement of the economic situation, the future performance of the Company is worth looking forward to.

In addition, as of the end of December 2015, the Company obtained a comprehensive credit line of RMB55.9 billion from major financial institutions, of which unused credit line amounted to RMB22.0 billion, which provided important support to the Company's business development. As an A-share, B-share and H-share listed company, the Company has convenient financing channels. The Company established Shandong Chenming Financial Leasing Co., Ltd., Shandong Chenming Investment Limited and Shandong Chenming Group Finance Co., Ltd. as the core of the financial segment. The rapid business development, improving management system and effective risk control provide new sources of profit growth for the Company, further increase the Group's fund settlement, management, investment and financing ability, and reduce its financing cost while improving its debt structure.

The auditors of the Company have prepared the 2015 annual financial report on a going concern basis, and have issued a standard unqualified audit opinion (see Financial Report section).

Therefore, the Board believes the Company has the ability to continue as a going concern.

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital

Formulation, implementation or adjustment of profit distribution policy for ordinary shares, especially the cash dividend during the reporting period

☒ Applicable ☐ Not applicable

The Company implemented its profit distribution policy in strict compliance with the Articles of Association. Its cash dividend policy was formulated and implemented in compliance with the requirements of the Articles of Association and the resolution of the general meeting with well-defined and clear dividend distribution criteria and proportion. The legal interests of the small shareholders were fully protected as the related decision making process and mechanism were in place, the duties of independent Directors were well-defined so that they played a role, and the small shareholders were given opportunities to sufficiently voice their opinion and make requests.

Implementation of the 2014 profit distribution plan: Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB1.40 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB271,096,765.38 (tax inclusive). The dividend distribution was implemented and completed on 14 July 2015. For details, please refer to the announcement on payment of final dividend and withholding and payment of enterprise income tax for non-resident enterprise shareholders published on the Hong Kong Stock Exchange on 23 June 2015, and the announcement on the implementation of the 2014 profit distribution plan for A share and B share published on CNINFO on 4 July 2015.

Particulars of Cash Dividend Policy

Was it in compliance with the requirements of the Articles of Association and the resolutions of the general meeting?	Yes
Were the dividend distribution criteria and proportion well-defined and clear?	Yes
Were the related decision making process and mechanism in place?	Yes
Did independent Directors fulfil their duties and play their role?	Yes
Were the minority shareholders given opportunities to sufficiently voice their opinion and make requests and were the legal interests of the minority shareholders fully protected?	Yes
Were conditions and procedures legal and transparent in respect of cash dividend policy with adjustments and changes?	Yes

The dividend distribution plans for ordinary shares (proposed) and the proposals on conversion of capital reserves into share capital (proposed) over the past three years (the reporting period inclusive)

(1) The 2015 profit distribution plan

Based on the number of the total shares as at the dividend distribution registration date, a cash dividend of RMB3.00 was to be paid to all shareholders for every 10 shares held (tax inclusive). Based on the total share capital of 1,936,405,467 shares of the Company as at 31 December 2015, cash dividend for 2015 amounted to RMB580,921,640.10 (tax inclusive), which represented 60.53% of the net profit attributable to ordinary shareholders of the Company as set out in the 2015 consolidated financial statements prepared in accordance with Accounting Standards for Business Enterprises.

VII Material Matters

I. Profit distribution for ordinary shares of the Company and conversion of capital reserves into share capital (Cont'd)

Formulation, implementation or adjustment of profit distribution policy for ordinary shares, especially the cash dividend during the reporting period (Cont'd)

(2) The 2014 profit distribution plan

The 2014 profit distribution plan was considered and approved in the 2014 annual general meeting convened by the Company on 15 May 2015. Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB1.40 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB271,096,765.38 (tax inclusive).

(3) The 2013 profit distribution plan

The 2013 profit distribution plan was considered and approved in the 2013 annual general meeting convened by the Company on 9 May 2014. Based on the number of the shares as at the dividend distribution registration date of 1,936,405,467 shares, a cash dividend of RMB3.00 (tax inclusive) was to be paid to all shareholders for every 10 shares held. The total cash dividend to be distributed amounted to RMB580,921,640.10 (tax inclusive).

Cash dividends for ordinary shares of the Company over the past three years (the reporting period inclusive)

Unit: RMB

Year of distribution	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statements during the year of distribution	As a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements	Amount of cash dividends distribution through other means	Ratio of cash dividends distribution through other means
2015	580,921,640.10	959,717,938.31	60.53%	0.00	0.00%
2014	271,096,765.38	505,204,384.73	53.66%	0.00	0.00%
2013	580,921,640.10	710,655,331.72	81.74%	0.00	0.00%

Explanation: In 2015, net profit attributable to ordinary shareholders of the Company excluded the effect of interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments (amounted to RMB61,506,739.43). For details, please refer to Note XVII. 2 of section XII of this report.

The Company made a profit and had positive retained profit available for ordinary shareholders during the reporting period without cash dividend for ordinary shares being proposed

☐ Applicable ☒ Not applicable

VII Material Matters

II. Proposals on profit distribution and conversion of capital reserves into share capital during this reporting period

☒ Applicable ☐ Not applicable

Numbers of bonus share per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	3
Conversion per 10 shares (share(s))	0
Share base of the distribution proposal (shares)	1,936,405,467
Total cash dividend (RMB) (tax inclusive)	580,921,640.10
Distributable profits (RMB) (Note 1)	5,354,542,859.44
Percentage of cash dividend to total profits distribution	100.00%

Cash dividend policy

The Company proactively implemented cash dividend. The Company shall distribute dividend by way of cash providing that there are sufficient cash flow to meet the Company's normal operations and long-term development. Accumulated profit distribution in cash over the recent three years shall not be less than 30% of profit distributable annually realised over the past three years.

Particulars of profit distribution and conversion of capital reserves into share capital

Please refer to I. herein for particulars of profit distribution proposal for 2015.

Note 1: Distributable profits excluded the effect of interest payment deferred and accumulated to subsequent periods for perpetual bonds under other equity instruments (amounted to RMB61,506,739.43).

VII Material Matters

III. Performance of undertakings

1. Undertakings made by the Company, shareholders, beneficial controllers, bidders, directors, supervisors, senior management or other related parties during the reporting period or prior periods but subsisting to the end of the reporting period

√ Applicable ☐ Not applicable

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking on shareholding structure reformation						
Undertaking made in offering documents or shareholding alternation documents						
Undertaking made during asset reconstruction						
Undertaking made on initial public offering or refinancing	Shouguang Chenming Holdings Co., Ltd.	Non-competitive undertaking	(1) Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") shall not engage, whether solely, jointly, or by representing itself or any other persons or companies, and shall not procure its associates (as defined in The Listing Rules of Hong Kong Stock Exchange) to engage, in any business which competes with the business of the Company and its subsidiaries ("Chenming Group" or "we") directly or indirectly, in any country and region which our business exists (or any part of the world if in any form of electronics business), or in any business that directly or indirectly competes with Chenming Group's business which we operate from time to time (including but not limited to any business in the form of sole proprietorship, joint ventures or acquisitions, or holding interests directly or indirectly in such enterprises, or by any other means); (2) in the event that Shouguang Chenming Holdings is required by its business to, whether solely, jointly, or by representing itself or any other persons or companies, engage in business which directly or indirectly competes against the business of Chenming Group, or obtain any business opportunity which directly or indirectly competes against the business of Chenming Group, it shall endeavour to procure that Chenming Group shall have priority to obtain the right to operate such business or to obtain such business opportunity; (3) if Shouguang Chenming Holdings is in breach of the abovementioned undertakings, it shall indemnify the Company for any loss caused by such breach and the Company shall have the right to acquire all businesses of Shouguang Chenming Holdings, which directly or indirectly compete with the businesses of our Group, at market price or cost price (whichever price is lower); (4) Shouguang Chenming Holdings shall not make use of its position as the controlling shareholder (as defined in The Listing Rules of Hong Kong Stock Exchange) of our Group to jeopardise the legal interests of Chenming Group and its shareholders with other persons or companies or on their behalf.	22 May 2008	During the period when Chenming Holdings was the major shareholder of the Company	Strictly implemented

VII Material Matters

III. Performance of undertakings (Cont'd)

1. Undertakings made by the Company, shareholders, beneficial controllers, bidders, directors, supervisors, senior management or other related parties during the reporting period or prior periods but subsisting to the end of the reporting period (Cont'd)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
	Shouguang Chenming Holdings Co., Ltd.	Defective properties	(1) According to the plan on defective properties of the Company, Shouguang Chenming Holdings Co., Ltd. ("Shouguang Chenming Holdings") has guaranteed and undertaken that: according to the application of the Company, for defective property(ies) owned by the Company and its holding subsidiary company which situated in the administrative area of Shouguang city, Shouguang Chenming Holdings will purchase it(them) and have it(them) being transferred to itself pursuant to the law in accordance with the result of the related asset valuation if the Company decides to transfer and dispose of it(them) and there is no other transferee; (2) before the Company transfers and disposes of the defective properties pursuant to the law, if the Company suffers any economic losses due to the defects of the title (including but not limited to damages, penalties and relocation costs), Shouguang Chenming Holdings will bear such economic losses; (3) during the regulatory process taken to the defective properties of buildings and land of subsidiaries of the Company situated outside the local areas (outside the administrative area of Shouguang city), the economic losses such as penalties or relocation costs imposed by competent administrative authorities to be borne by the subsidiaries arising from defects of insufficient title documents shall be paid pursuant to the law by Shouguang Chenming Holdings after verification.	16 January 2008	During the period when Chenming Holdings was the major shareholder of the Company	Strictly implemented
Equity incentive undertaking						
Other undertakings made to minority shareholders of the Company	Shouguang Chenming Holdings Co., Ltd.	Not conducting shareholding reduction	As Chenming Holdings is confident of the prospects of the economic development in China and the future development of the Company, in order to maintain the stability of capital market and promote the sustainable, stable and healthy development of the Company, Chenming Holdings has undertaken that it will not reduce its shareholding in the Company in the coming six months.	8 July 2015	From 8 July 2015 to 8 January 2016	Completed
Does the undertaking performed timely?	Yes					

2. Description on the Company's assets and items in meeting original profit forecast and its explanation as there is profit forecast for assets and items of the Company and the reporting period is still within the profit forecast period

☐ Applicable ☒ Not applicable

VII Material Matters

IV. Appropriation of funds of the Company by the controlling shareholder and its related parties for non-operating purposes

☐ Applicable ☒ Not applicable

There was no appropriation of funds of the Company by the controlling shareholder and its related parties for non-operating purposes during the reporting period.

V. Opinions of the Board, the Supervisory Committee and independent Directors (if any) regarding the “modified auditor’s report” for the reporting period issued by the accountants

☐ Applicable ☒ Not applicable

VI. 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 during the reporting period.

VII. 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.

VIII. 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 Jinan Chenming Investment Management Co., Ltd. The registered capital of Jinan Chenming was RMB100.00 million. Its operations complemented those of the Finance Company. Moreover, Jinan Chenming was consolidated into the financial statements of the Company since January 2015.

In order to strengthen the paper product 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 Chenming Paper Korea Co., Ltd. The registered capital of Chenming Korea was US\$1.00 million and Chenming Korea was consolidated into the financial statements of the Company since April 2015.

VII Material Matters

IX. Engagement or dismissal of accounting firms

Current accounting firm engaged

Name of the domestic accounting firm

Ruihua Certified Public Accountants
(Special General Partnership)

Remuneration of the domestic accounting firm (RMB '0,000)

260

Continued term of service of the domestic accounting firm

3

Name of certified public accountants of the domestic accounting firm

Wang Yan and Jing Chuanxuan

Whether to appoint another accounting firm during the period

☐ Yes ☒ No

Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control and auditing purposes

☒ Applicable ☐ Not applicable

During the year, the Company engaged Ruihua Certified Public Accountants as the internal control and auditing firm of the Company. The Company paid RMB600,000 as internal control and auditing fees during the period. The Company engaged King & Wood Mallesons (Qingdao) Law Firm as its regular legal advisor and paid RMB100,000 as legal advisory fees during the period.

X. Suspension in trading or delisting upon publication of annual report

☐ Applicable ☒ Not applicable

XI. Matters related to bankruptcy and reorganisation

☐ Applicable ☒ Not applicable

There was no matter related to bankruptcy and reorganisation during the reporting period.

XII. Material litigation and arbitration

☐ Applicable ☒ Not applicable

The Company was not involved in any material litigation and arbitration during the reporting period.

XIII. Punishment and rectification

☐ Applicable ☒ Not applicable

There was no punishment and rectification of the Company during the reporting period.

XIV. Credibility of the Company, its controlling shareholders and beneficial controllers

☐ Applicable ☒ Not applicable

VII Material Matters

XV. Implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company

☐ Applicable ☒ Not applicable

There was no implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Company during the reporting period.

XVI. Significant related party transactions

1. Related party transactions associated with day-to-day operation

☒ Applicable ☐ Not applicable

Related party	Related party relationship	Types of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transactions	Price of related party transactions	Amount of related party transactions (RMB '0,000)	Percentage as the amount of similar transactions (%)	Amount of transactions approved (RMB '0,000)	Whether exceeding approved cap	Settlement of related party transactions	Market price of available similar transaction	Disclosure date	Disclosure index
Jiangxi Chenming Natural Gas Co., Ltd.	Enterprise control by senior management of the Company	Procurement	Natural gas	Market price	Market price	12,325.53	0.83%	32,000	No	Bank acceptance and telegraphic transfer	Not applicable	27 March 2015	http://www.cninfo.com.cn
Total				-	-	12,325.53	-	32,000	-	-	-	-	-
Particulars on refund of bulk sale										No			
Estimated total amount for day-to-day related party transactions to be conducted during the period (by types of transactions) and their actual implementing during the reporting period										Not applicable			
Reason for the difference between transaction price and market reference price (if applicable)										Not applicable			

2. Related party transaction in connection with purchase or sale of assets or equity interest

☐ Applicable ☒ Not applicable

There was no related party transaction of the Company in connection with purchase or sale of assets or equity interest during the reporting period.

3. Related party transaction in connection with joint external investment

☐ Applicable ☒ Not applicable

There was no related party transaction of the Company connected to joint external investment during the reporting period.

VII Material Matters

XVI. Significant related party transactions (Cont'd)

4. Related creditors' rights and debts transactions

☒ Applicable ☐ Not applicable

Whether non-operating related creditors' rights and debts transactions existed

☐ Yes ☒ No

There was no non-operating related creditors' rights and debts transaction of the Company during the reporting period.

5. Other significant related party transactions

☐ Applicable ☒ Not applicable

There was no other related party transaction of the Company during the reporting period.

XVII. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

☐ Applicable ☒ Not applicable

There was no custody of the Company during the reporting period.

(2) Contracting

☐ Applicable ☒ Not applicable

There was no contracting of the Company during the reporting period.

(3) Leasing

☐ Applicable ☒ Not applicable

There was no leasing of the Company during the reporting period.

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

2. Significant guarantees

☒ Applicable ☐ Not applicable

(1) Guarantees

During the reporting period, the Company did not provide any guarantee to external parties (excluding those provided to its subsidiaries) and did not provide any guarantees against the rules and regulations.

During the reporting period, the Company provided guarantee to its subsidiaries with respect to application of bank loans. The guarantee amount incurred was RMB10,536.6329 million. As at 31 December 2015, the balance of the guarantee provided by the Company to its subsidiaries amounted to RMB11,484.9321 million, representing 68.07% of the equity attributable to shareholders of the Company as at the end of 2015.

Unit: RMB '0,000

Name of obligee	Guarantees between the Company and its subsidiaries							Guarantee
	Date of the related announcement	Amount of guarantee	Guarantee date (agreement date)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	to related
	disclosing the guarantee amount							parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 October 2014	650,000	27 October 2014	140,913.3	General guarantee	3 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	500,000	22 May 2015	210,098.42	General guarantee	7 years	No	No
Huanggang Chenming Arboriculture Co., Ltd.	27 October 2014	10,000	18 December 2014	4,500	General guarantee	3 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000	28 July 2015	40,337.84	General guarantee	7 years	No	No
Jiangxi Chenming Paper Co., Ltd.	27 October 2014	200,000	6 January 2015	53,059.92	General guarantee	3 years	No	No
Shouguang Meilun Paper Co., Ltd.	16 December 2010	600,000	13 April 2015	31,366.27	General guarantee	10 years	No	No
Shandong Chenming Paper Sales Company Limited	27 October 2014	400,000	9 January 2015	316,114.46	General guarantee	3 years	No	No
Chenming (HK) Limited	27 October 2014	500,000	10 February 2015	352,103.00	General guarantee	3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	27 October 2014	200,000	—	0	General guarantee	3 years	No	No
Jilin Chenming Paper Co., Ltd.	27 October 2014	150,000	—	0	General guarantee	3 years	No	No
Haicheng Haiming Mining Company Limited	27 August 2014	60,000	—	0	General guarantee	3 years	No	No
Shandong Chenming Group Finance Co., Ltd.	13 February 2015	400,000	—	0	General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period			1,300,000	Total amount of guarantee provided for subsidiaries during the reporting period				1,053,663.29
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period			4,070,000	Total balance of guarantee provided for subsidiaries as at the end of the reporting period				1,148,493.21
The percentage of total amount of guarantee provided to the net assets of the Company								68.07%
Of which:								
Amount of guarantee provided for shareholders, beneficial controllers and its related parties (D)								0
Amount of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)								1,055,095.45
Total amount of guarantee provided in excess of 50% of net assets (F)								285,546.89
Sum of the above three amount of guarantee (D+E+F)								1,340,642.34

(2) External guarantees against the rules and regulations

☐ Applicable ☒ Not applicable

There was no external guarantee provided by the Company which was against the rules and regulations during the reporting period.

VII Material Matters

XVII. Material contracts and implementation (Cont'd)

3. Entrusted cash and asset management

(1) Entrusted wealth management

☐ Applicable ☒ Not applicable

The Company did not have any entrusted wealth management during the reporting period.

(2) Entrusted loans

☒ Applicable ☐ Not applicable

Unit: RMB '0,000

Borrower	Related party transaction or not	Interest rate of loans	Loan amount	Commencement date	Expiry date	Actual principal recovered during the period	Impairment provision (if any)	Expected return	Actual gains or losses during the reporting period	Gains or losses recovered during the reporting period
Shouguang Jin Choi Public Assets Management Co., Ltd.						0	0	27,000	9,477.48	Recovered on time
Total	No	10.00%	90,000	18 January 2014	17 January 2017	0	0	27,000	9,477.48	—
Source of entrusted loans						Self-owned funds				
Accumulated principal and return overdue but not yet recover						0				
Dispute						None				
Disclosure date of approval of entrusted loans in board meeting						18 January 2014				
Disclosure date of approval of entrusted loans at a general meeting						Not applicable				
Any entrusted loan plan in the future?						Not applicable				

XVII. Material contracts and implementation (Cont'd)

4. Other material contracts

✓ Applicable □ Not applicable

Name of the company entering into contract	Name of party involved in the contract	Subject matter	Date of the contract entered into	Book value of subject asset of the contract (if any) (RMB '0,000)	Appraised value of the subject asset of the contract (if any) (RMB '0,000)	Name of appraisal institute (if any)	Appraisal date (if any)	Pricing basis	Transaction price (RMB '0,000)	Related party transaction or not	Related party relationship	Progress as at the end of the reporting period	Disclosure date	Disclosure index
Shandong Chemming Paper Holdings Limited	Jinan H-Tech Holding Group Co., Ltd.	A7-2 plot of the Hen Yu Jin Gui	9 May 2014	Not applicable	Not applicable	Not applicable	Not applicable	Market price	36,000	No	Not applicable	In progress	10 May 2014	http://www.cninfo.com.cn
Huanggang Chemming Pulp & Paper Co., Ltd.	FMW Foerleanlagen GmbH.	Materials and equipment for chemical pulp	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	EUR7.80 million	No	Not applicable	Market price	23 July 2015	http://www.cninfo.com.cn
Huanggang Chemming Pulp & Paper Co., Ltd.	Valmet Technologies Oy	Equipment	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	EUR65.631 million	No	Not applicable	In progress	23 July 2015	http://www.cninfo.com.cn
Huanggang Chemming Pulp & Paper Co., Ltd.	Valmet (China) Co., Ltd.	Equipment and spare parts	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	36,076.4	No	Not applicable	In progress	23 July 2015	http://www.cninfo.com.cn
Huanggang Chemming Pulp & Paper Co., Ltd.	Arvitz Oy	Steam equipment system	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	EUR7,044 million	No	Not applicable	In progress	23 July 2015	http://www.cninfo.com.cn
Huanggang Chemming Pulp & Paper Co., Ltd.	Arvitz (China) Ltd.	Steam equipment	1 July 2015	Not applicable	Not applicable	Not applicable	Not applicable	Market price	3,060.4	No	Not applicable	In progress	23 July 2015	http://www.cninfo.com.cn

VII Material Matters

XVIII. Other matters of significance

√ Applicable ☐ Not applicable

1. Capital injection to Huanggang Chenming

In order to fulfil the capital requirements for the subsequent construction of the integrated forestry and paper project of Huanggang Chenming and bank borrowings, as well as to ensure smooth project construction, the Company intended to increase the capital of Huanggang Chenming by RMB1,000 million with its own funds. Upon the capital injection, the registered capital of Huanggang Chenming increased to RMB1,200 million from RMB200 million. For details, please refer to relevant announcement (announcement no.: 2015-054) of the Company published on CNINFO on 28 August 2015.

2. Approval from the CSRC in relation to the application for non-public issuance of preference shares

On 17 September 2015, the Company received the Approval of the Non-Public Issuance of Preference Shares of Shandong Chenming Paper Holdings Limited (Zheng Jian Xu Ke (2015) No. 2130) from the CSRC, pursuant to which the non-public issuance of not more than 45 million preference shares by the Company was approved. Preference shares shall be issued in tranches. The issuance of the first tranche of not less than 22.5 million shares was to be completed within six months and the issuance of outstanding preference shares was to be completed within 24 months.

3. Disposal of equity interest in Fuyu Chenming

The Board of the Company agreed to dispose of Fuyu Chenming due to the small production capability and low product competitiveness of Fuyu Chenming, which did not fit with the overall development plan of the Group. The disposal price was determined based on the price under the valuation conducted by a qualified intermediary. The disposal was conducted through public tender at an equity exchange. For details, please refer to relevant announcement (announcement no.: 2015-040) of the Company published on CNINFO on 18 July 2015.

4. Approval of registration on medium-term notes and super & short-term commercial papers

Under the Notice of Acceptance of Registration (Zhong Shi Zhu Xie [2015] No. MTN141) issued by the National Association of Financial Market Institutional Investors, the issue of medium-term notes by the Company was approved and registered with an amount of RMB2.6 billion, which shall be valid for a period of two years from the date of such notice. The issue may be made in tranches during the validity period.

Under the Notice of Acceptance of Registration (Zhong Shi Zhu Xie [2015] No. SCP104) issued by the National Association of Financial Market Institutional Investors, the issue of super & short-term commercial papers by the Company was approved and registered with an amount of RMB13.8 billion, which shall be valid for a period of two years from the date of such notice. The issue may be made in tranches during the validity period.

For details, please refer to relevant announcement (announcement no.: 2015-030) of the Company published on CNINFO on 20 June 2015.

VII Material Matters

XVIII. Other matters of significance *(Cont'd)*

5. Establishment of Zhuhai Dechen New Third Board Equity Investment Fund

To capitalise on the expertise of professional investment institutions to strengthen its capability of investment and speed up the upgrade of its businesses and the diversification of development so as to enhance its market competitiveness and profitability, the Company intended to contribute as a limited partner RMB50.00 million from its own funds to the establishment of Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership) in cooperation with Zhuhai Kaichenxing Investment Advisory Company (General Partnership), Shenzhen Qianhai Financial Development Ltd. and Zhang Guangquan. For details, please refer to relevant announcement (announcement no.: 2015-015) of the Company published on CNINFO on 2 April 2015.

6. Establishment of 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 Finance Company and enhance its profitability, the Company established Jinan Chenming Investment Management Co., Ltd. The registered capital of Jinan Chenming is RMB100.00 million. Its operations complemented those of the Finance Company.

In order to strengthen the paper product 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 Chenming Paper Korea Co., Ltd. The registered capital of Chenming Korea was US\$1.00 million.

VII Material Matters

XVIII. Other matters of significance (Cont'd)

7. Information disclosure index for 2015

Announcement No.	Subject matter	Date of publication	Publication website and index
2015-001	Announcement on Additional Resolutions Proposed at the 2015 First Extraordinary General Meeting	29 January 2015	http://www.cninfo.com.cn
2015-002	Supplemental Notice of 2015 First Extraordinary General Meeting	29 January 2015	http://www.cninfo.com.cn
2015-003	Second supplementary notice of the 2015 First Domestic Listed Share Class Meeting and 2015 First Overseas Listed Share Class Meeting	29 January 2015	http://www.cninfo.com.cn
2015-004	Announcement on Resolutions of the 2015 First Extraordinary General Meeting	14 February 2015	http://www.cninfo.com.cn
2015-005	Announcement on Resolutions of the 2015 First Class Meeting for Holders of Domestic Listed Shares (A shares and B shares) and Resolutions of the 2015 First Class Meeting for Holders of Overseas Listed Shares (H shares)	14 February 2015	http://www.cninfo.com.cn
2015-006	Announcement on Receipt of CSRC Notice of Acceptance of Application for Administrative Approval	3 March 2015	http://www.cninfo.com.cn
2015-007	Results of the Eighth Extraordinary Meeting of the Seventh Session of the Board	27 March 2015	http://www.cninfo.com.cn
2015-008	Announcement of Annual Results for the Year Ended 31 December 2014	27 March 2015	http://www.cninfo.com.cn
2015-009	Announcement on Investment in a Subsidiary	27 March 2015	http://www.cninfo.com.cn
2015-010	Announcement on Provision of Guarantee for Comprehensive Credit Line of Wholly-Owned Subsidiaries	27 March 2015	http://www.cninfo.com.cn
2015-011	Announcement on Expected Ordinary Related Party Transactions in 2015	27 March 2015	http://www.cninfo.com.cn
2015-012	Notice of 2014 Annual General Meeting	27 March 2015	http://www.cninfo.com.cn
2015-013	Results of the Ninth Extraordinary Meeting of the Seventh Session of the Supervisory Committee	27 March 2015	http://www.cninfo.com.cn
2015-014	Announcement in relation to External Investment	2 April 2015	http://www.cninfo.com.cn
2015-015	Announcement in relation to External Investment	2 April 2015	http://www.cninfo.com.cn
2015-016	Announcement on Result of the Issue of 2015 First Tranche of Short-term Commercial Paper	24 April 2015	http://www.cninfo.com.cn
2015-017	Results of the Ninth Meeting of the Seventh Session of the Board	28 April 2015	http://www.cninfo.com.cn
2015-018	2015 First Quarter Report	28 April 2015	http://www.cninfo.com.cn
2015-019	Announcement on Equity Transfer at Nil Consideration between Wholly-owned Subsidiaries	28 April 2015	http://www.cninfo.com.cn
2015-020	Announcement in Respect of Resignation of Senior Management	28 April 2015	http://www.cninfo.com.cn
2015-021	Result of the Issue of 2015 Second Tranche of Short-term Commercial Paper	28 April 2015	http://www.cninfo.com.cn
2015-022	Supplementary Notice of 2014 Annual General Meeting	29 April 2015	http://www.cninfo.com.cn
2015-023	Warning on reduction of shareholding by shareholders	8 May 2015	http://www.cninfo.com.cn
2015-024	Results of the 2014 Annual General Meeting	16 May 2015	http://www.cninfo.com.cn
2015-025	Results of the Sixth Extraordinary Meeting of the Seventh Session of the Board	6 June 2015	http://www.cninfo.com.cn
2015-026	Announcement on the Proposed Issue of Non-Public Preference Shares	6 June 2015	http://www.cninfo.com.cn
2015-027	Notice of 2015 Second Extraordinary General Meeting	6 June 2015	http://www.cninfo.com.cn

VII Material Matters

XVIII. Other matters of significance (*Cont'd*)

7. Information disclosure index for 2015 (*Cont'd*)

Announcement No.	Subject matter	Date of publication	Publication website and index
2015-028	Announcement in Respect of Reply on Application for Non-Public Issue of Preference Shares	9 June 2015	http://www.cninfo.com.cn
2015-029	Announcement in Respect of Supplementary Disclosure Required under the Reply from CSRC on Application for Non-Public Issue of Preference Shares	9 June 2015	http://www.cninfo.com.cn
2015-030	Announcement on Approval of Registration on Medium-term Notes and Super & Short-term Commercial Papers	20 June 2015	http://www.cninfo.com.cn
2015-031	Announcement on 2015 Dividend Payment in Respect of "11 Chenming Bond"	30 June 2015	http://www.cninfo.com.cn
2015-032	Second Supplementary Notice of the 2015 Second Extraordinary General Meeting	4 July 2015	http://www.cninfo.com.cn
2015-033	Announcement on the Implementation of Equity Distribution to Holders of A Shares and B Shares for 2014	4 July 2015	http://www.cninfo.com.cn
2015-034	Indicative Announcement on Undertaking of the Controlling Shareholder on no Reduction of Shareholding and Undertaking of Some Directors, Supervisors and Senior Management Members on Increasing Their Shareholding	9 July 2015	http://www.cninfo.com.cn
2015-035	Announcement on Result of the Issue of 2015 First Tranche of Super & Short-term Commercial Paper	9 July 2015	http://www.cninfo.com.cn
2015-036	Announcement on Result of the Issue of 2015 First Tranche of Medium-term note	11 July 2015	http://www.cninfo.com.cn
2015-037	Announcement on Unusual Movement in Share Trading	13 July 2015	http://www.cninfo.com.cn
2015-038	Indicative Announcement on Increase in Shareholding by Party Acting in Concert with Directors of the Company	18 July 2015	http://www.cninfo.com.cn
2015-039	Results of the Seventh Extraordinary Meeting of the Seventh Session of the Board	18 July 2015	http://www.cninfo.com.cn
2015-040	Announcement on Disposal of Fuyu Chenming	18 July 2015	http://www.cninfo.com.cn
2015-041	Indicative Announcement on Resolution of the 2015 Second Extraordinary General Meeting	18 July 2015	http://www.cninfo.com.cn
2015-042	Indicative Announcement on Entering into Equipment Purchase Contracts	23 July 2015	http://www.cninfo.com.cn
2015-043	Results of the 2015 Second Extraordinary General Meeting	23 July 2015	http://www.cninfo.com.cn
2015-044	Announcement on the Progress of External Investment	4 August 2015	http://www.cninfo.com.cn
2015-045	Announcement on Result of the Issue of 2015 Second Tranche of Super & Short-term Commercial Paper	11 August 2015	http://www.cninfo.com.cn
2015-046	Resignation of Non-Executive Director	22 August 2015	http://www.cninfo.com.cn

VII Material Matters

XVIII. Other matters of significance (*Cont'd*)

7. Information disclosure index for 2015 (*Cont'd*)

Announcement No.	Subject matter	Date of publication	Publication website and index
2015-047	Announcement on Approval of the Application for Non-public Issue of Preference Shares by the Public Offering Review Committee of China Securities Regulatory Commission	22 August 2015	http://www.cninfo.com.cn
2015-048	Announcement on Result of the Issue of 2015 Third Tranche of Super & Short-term Commercial Paper	27 August 2015	http://www.cninfo.com.cn
2015-049	Results of the Tenth Meeting of the Seventh Session of the Board	28 August 2015	http://www.cninfo.com.cn
2015-050	2015 Interim Report Summary	28 August 2015	http://www.cninfo.com.cn
2015-051	Announcement on Commencement of Asset Securitisation Operation by Financial Leasing Company	28 August 2015	http://www.cninfo.com.cn
2015-052	Announcement on External Investment	28 August 2015	http://www.cninfo.com.cn
2015-053	Notice of 2015 Third Extraordinary General Meeting	28 August 2015	http://www.cninfo.com.cn
2015-054	Announcement on External Investment	28 August 2015	http://www.cninfo.com.cn
2015-055	Announcement on Result of the Issue of 2015 Second Tranche of Medium-term Note	12 September 2015	http://www.cninfo.com.cn
2015-056	Announcement on Approval of Application for Non-public Issue of Preference Shares by China Securities Regulatory Commission	23 September 2015	http://www.cninfo.com.cn
2015-057	Second Supplementary Notice of the 2015 Third Extraordinary General Meeting	1 October 2015	http://www.cninfo.com.cn
2015-058	Indicative Announcement on Auction of Equity Interest in Controlling Shareholder	1 October 2015	http://www.cninfo.com.cn
2015-059	Indicative Announcement of 2015 Third Extraordinary General Meeting	10 October 2015	http://www.cninfo.com.cn
2015-060	Resignation of Independent Non-Executive Director	13 October 2015	http://www.cninfo.com.cn
2015-061	Announcement on Estimated Results for the First Three Quarter of 2015	13 October 2015	http://www.cninfo.com.cn
2015-062	Announcement on Resolution of the 2015 Third Extraordinary General Meeting	16 October 2015	http://www.cninfo.com.cn
2015-063	2015 Third Quarter Report	23 October 2015	http://www.cninfo.com.cn
2015-064	Announcement on Result of Issue of 2015 Fourth Tranche of Super & Short-term Commercial Papers	23 October 2015	http://www.cninfo.com.cn
2015-065	Announcement on Entering into a Strategic Cooperation Agreement with Bank of China (Shandong Branch)	2 November 2015	http://www.cninfo.com.cn
2015-066	Indicative Announcement on Proposed Reduction in Registered Capital of Controlling Shareholder	6 November 2015	http://www.cninfo.com.cn
2015-067	Announcement on Result of Issue of 2015 Fifth and Sixth Tranche of Super & Short-term Commercial Papers	13 November 2015	http://www.cninfo.com.cn

VII Material Matters

XVIII. Other matters of significance (*Cont'd*)

7. Information disclosure index for 2015 (*Cont'd*)

Announcement No.	Subject matter	Date of publication	Publication website and index
2015-068	Announcement on Increase in shareholding of H shares by Hong Kong Company of Controlling Shareholder	14 November 2015	http://www.cninfo.com.cn
2015-069	Announcement on Increase in shareholding of the Company of 1% by Controlling Shareholder	17 November 2015	http://www.cninfo.com.cn
2015-070	Resignation of Supervisor	20 November 2015	http://www.cninfo.com.cn
2015-071	First Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders	30 November 2015	http://www.cninfo.com.cn
2015-072	Second Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders	1 December 2015	http://www.cninfo.com.cn
2015-073	Announcement on Progress of Increase in shareholding of the Company by Controlling Shareholder	1 December 2015	http://www.cninfo.com.cn
2015-074	Third Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders	2 December 2015	http://www.cninfo.com.cn
2015-075	Announcement on Repurchase Report of Investor of "12 Chenming Bond"	3 December 2015	http://www.cninfo.com.cn
2015-076	Announcement on Progress of Increase in shareholding of the Company by Controlling Shareholder	10 December 2015	http://www.cninfo.com.cn
2015-077	Results of the Twelfth Meeting of the Seventh Session of the Board	18 December 2015	http://www.cninfo.com.cn
2015-078	Announcement on Provision of Guarantee for Financial Leasing Company	18 December 2015	http://www.cninfo.com.cn
2015-079	Announcement on External Investment	18 December 2015	http://www.cninfo.com.cn
2015-080	Announcement on External Investment	18 December 2015	http://www.cninfo.com.cn
2015-081	Notice of 2016 First Extraordinary General Meeting	18 December 2015	http://www.cninfo.com.cn
2015-082	Announcement on External Investment	18 December 2015	http://www.cninfo.com.cn
2015-083	Announcement on 2015 Dividend Payment in respect of "12 Chenming Bond"	22 December 2015	http://www.cninfo.com.cn
2015-084	Results of the Eight Extraordinary Meeting of the Seventh Session of the Board	25 December 2015	http://www.cninfo.com.cn
2015-085	Announcement on Release of Stock-pledged Repurchase Transactions by Shareholders	25 December 2015	http://www.cninfo.com.cn
2015-086	Announcement on the Result of Repurchase of Investors of "12 Chenming Bond"	28 December 2015	http://www.cninfo.com.cn

VII Material Matters

XIX. Matters of significant of subsidiaries of the Company

√ Applicable ☐ Not applicable

1. Commencement of asset securitisation operation of Financial Leasing Company

To facilitate the launch of project financing and leasing operations, the Financial Leasing Company intended to conduct asset securitisation operation for cash flow receivables from leaseback arrangements. It intended to issue asset-backed securities of not more than RMB3.0 billion by tranches with terms of not more than 5 years. The Financial Leasing Company Through conducted asset securitisation to revitalise idle assets, facilitate capital transfer, broaden financing channels and optimise asset and liability structure, as well as provide a solid foundation for further expansion of financing operations in other capital markets in the future. For details, please refer to the relevant announcement (announcement no.: 2015-051) of the Company published on CNINFO on 28 August 2015.

2. Establishment of Qingdao Chenming Financial Leasing Co., Ltd. by Chenming (HK)

In order to promote diversified development, further expand the scale of financial leasing business, enhance overall strength and competitiveness, and foster new sources of profit growth, the Company intended to invest to establish Qingdao Chenming Financial Leasing Co., Ltd. in Qingdao through a wholly-owned subsidiary, Chenming (HK) Limited. For details, please refer to the relevant announcement (announcement no.: 2015-052) of the Company published on CNINFO on 28 August 2015.

3. Signing of equipment purchase contracts by Huanggang Chenming

In order to construct the 300,000-tonne bleached sulfate pine pulp project, Huanggang Chenming entered into overseas and domestic equipment purchase contracts with FMW Foerderanlagen GmbH., Valmet Technologies Oy, Valmet (China) Co., Ltd., Andritz Oy and Andritz (China) Ltd., respectively. Total consideration for the nine contracts was approximately RMB951 million, which will be financed by self-funds of Huanggang Chenming and bank loans. For details, please refer to the relevant announcement (announcement no.: 2015-042) of the Company published on CNINFO on 23 July 2015.

4. Capital injection to Financial Leasing Company by Chenming (HK)

In order to facilitate the Financial Leasing Company to engage in project financing and leasing business, and increase the Company's overall strength, comprehensive competitiveness and profit, Chenming (HK), a wholly-owned subsidiary of the Company, intended to increase the capital of the Financial Leasing Company by RMB5.0 billion by instalments with its own funds. After the completion of the capital increase, the registered capital of the Financial Leasing Company will change to RMB9,072 million from RMB4,072 million. For details, please refer to the relevant announcement (announcement no.: 2015-009) of the Company published on CNINFO on 27 March 2015.

5. Establishment of Zhanjiang Chenming Port Co., Ltd. through capital contribution by Zhanjiang Chenming

In order to ensure the ordinary production and operation of Zhanjiang Chenming, lower the transportation cost of the Company, create economic synergy and strengthen the profitability of Zhanjiang Chenming, Zhanjiang Chenming established Zhanjiang Chenming Port Co., Ltd. with registered capital of RMB100 million through capital contribution.

VII Material Matters

XX. Fulfilment of Social Responsibility

☒ Applicable ☐ Not applicable

The state is the strongest support for the development of Chenming, while the society is the greatest origin for Chenming's development and growth. During its development for more than half a century, Chenming has always adhered to its philosophy of "building the country through industry development and paying back to society". It has voluntarily performed its social responsibility, and cultivated the "tree of responsibility", which has already achieved fruitful results.

The Company has established its corporate governance structure in accordance with the requirements of the Companies Law, Securities Law, Articles of Association and other relevant laws and regulations and the actual situation of the Company. There is a clear separation of powers and responsibilities between the general meeting, the Board, the Supervisory Committee and the management which is accountable to the general manager. The management system under the structure is characterised by a mechanism of checks and balances of a legal person with separation of ownership and operation, separation of the decision-making, execution and supervisory powers, as well as the co-existence of the general meeting, the Board and the Supervisory Committee. Strict provisions on the rights, duties and responsibilities of the general meeting, the Board, the Supervisory Committee and general managers have been stipulated. The Company has placed great emphasis on fulfilment of social responsibility and goes beyond the concept of "profit as the only goal". While creating value for shareholders during the process of production, operation and business development, the Company, in line with the development of the State and the society, has strived to reach a compromise between economic benefits and social benefits, short-term benefits and long-term benefits, as well as corporate development and social development, with the aim to achieve a healthy and harmonious development between the Company and its employees, the Company and the society, and the Company and the environment.

Centring the corporate mission of "Creating Sharing Culture within Chenming and Achieving Win-Win Situation", the core value of "Good Faith, Win-Win and Sharing", the corporate spirit of "Learning, Surpass and Leading" as well as the human resources philosophy of "Providing Staff Trainings, Recruiting Talents, Allocating Human Resources Properly and Retaining Talents", the Company has established its own corporate culture, which has become the spirit and driver for the sustainable and health development of the Company.

The Company strives to the development path of new type industrialisation with high technology contents, low energy consumption and less pollution. It puts great efforts in the implementation of green low-carbon strategy. In addition, the Company endeavours to facilitate business development in line with ecological development, enhance its competitiveness in economic development and environmental protection, and establish its economic and ecological culture. It also seeks for development while protecting the environment and maintains higher environmental protection while seeking for scientific development, thus achieving "win-win" situation in economic development and environmental protection. The Company has strictly in compliance with relevant environmental protection policies, laws and regulations in China. It has mitigated the impact on environment through industrial optimisation and upgrade, reduced resources utilisation through innovative operation, and implemented strict management with the concept of environmental protection and safety operation being penetrated into every procedure in production and operation, thereby promoting the harmonious development between the people and the Company, as well as that of the Company and the environment. The Company is the first in the industry in China which passes ISO14001 environmental management system certification. The Company has been named the environmental friendly enterprise, the recycling economy exemplary enterprise, the outstanding water efficiency unit and the outstanding unit in comprehensive utilisation of resources of Shandong province.

VII Material Matters

XX. Fulfilment of Social Responsibility (Cont'd)

Leveraging its advanced production technology and manufacture equipment, extensive experience in waste treatment and various comprehensive treatment systems, the Company strives to implement horizontal and vertical control throughout its production processes, thus achieving low carbon emission through low energy consumption, as well as reduction of use of resources through recycling. The Company has passed the clean production assessment organised by United Nations Development Programme in May 1999. The Company focuses on its works in various aspects, including the establishment of eco-friendly energy consumption system, implementation of on-site 6S management, launch of environmental protection and hazard inspection works, wide application of new energy conservation and emission reduction technology, promotion of key energy conservation and emission reduction projects, enhancement of innovative technology, promotion of the industrialisation of comprehensive resources utilisation, implementation of scientific proposal on “multi-usage of water” based on the quality, quantity and working procedure, as well as strengthening of the awareness on energy saving and environmental protection of all staff and habit building. Hence, the Company has achieved whole process control and management over clean and efficient production.

The Company has strictly implemented in-depth corporate governance. It has put great efforts and huge investments in promoting the management of “the three wastes” so as to facilitate energy conservation and emission reduction, aiming to become a low energy consumption and environment friendly enterprise. In respect of waste water treatment, the Company has established world-class waste water treatment system. It has over 10 waste water treatment facilities for various purposes, with the most advanced treatment technology in domestic and overseas market being adopted. Hence, the Company has realised the comprehensive integration and upgrade of waste water treatment facilities in plants, with different emission indicators better than relevant regulatory benchmark. In respect of solid waste treatment, the Company has discontinued the traditional landfilling treatment. It has enhanced its technology innovation, strengthened comprehensive resources utilisation, as well as expanded its industrial chain, thereby achieving recycling and harmless utilisation of solid wastes. In respect of waste gas treatment, the Company has introduced advanced international environmental protection equipment and technology for desulphurisation, denitrification and de-dusting, smelly gas treatment and closure of coal plants. It has adopted scientific waste gas treatment as to ensure our waste gas emission is in compliance with all relevant environmental protection standards and requirements in China.

The Company strives to create a wealthy society. It has offered more job vacancies, thereby contributing more taxes to the government, and sharing the achievements of the Company with our staff and society. While caring our staff sincerely and building up a harmonious relationship with the staff, the Company also greatly supports different charity programmes. Over the past few years, the Company has donated several ten millions to Shouguang Education Fund, Shouguang Charity Federation, Weifang Venture Association, Shandong Red Cross and districts suffered from earthquake, which reflects the outstanding contribution of the Company to building a harmonious society in China. The Company has been honoured with the title of “Most Caring Donating Enterprise” by Weifang and Shouguang Municipal Committee and Municipal Government for several times, while our chairman Mr. Chen Hongguo has been honoured with the title of “Most Caring Person”.

VII Material Matters

XX. Fulfilment of Social Responsibility (Cont'd)

Are the Company and its subsidiaries within the heavily-polluted industry as specified by the national environmental protection authority?

☒ Yes ☐ No ☐ Not applicable

1. During the reporting period, there were no significant environmental problems and rectification.
2. During the reporting period, major pollutants such as wastewater, waste gas and factory noise were emitted in compliance with the required standards.
3. During the reporting period, the environmental protection facilities operated properly.
4. During the reporting period, in accordance with relevant provisions set out in “Clean Production Promotion Law” and “Disclosure of Environmental Information (Trial)”, the Company, combined with its actual situation, had prepared environmental pollution emergency plans, hazardous waste emergency plans and radioactive emergency plans. Data related to major pollutants’ emission in compliance with the required standards were published in the environmental protection column of the Company’s website in a timely manner. The Company’s environmental protection work has been at the forefront of the industry over the past years.
5. During the reporting period, the Company’s environmental protection facilities and production facilities performed properly. Currently, environmental protection facilities being operated mainly include anaerobic reactor, primary sedimentation tank, aeration tank, secondary settling tank, sludge thickener, depth treatment works (wastewater treatment); desulfurisation and denitrification equipment, and electrostatic precipitators (gas treatment). We set up a specific post for facilities, which are managed and maintained by a designated person. Operational and examination records are complete and the operation is normal.

VII Material Matters

XXI. Corporate bonds

Are there any corporate bonds offered to the public and listed on stock exchanges which do not become due as at the date of approval of annual report or overdue but not fully settled?

Yes

1. Basic information on corporate bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Maturity date	Outstanding amount of the bonds (RMB '0,000)	Interest rate	Payment method
2011 corporate bonds of Shandong Chenming Paper Holdings Limited	11 Chenming Bond	112031	6 July 2011	6 July 2016	200,000	5.95%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
2012 corporate bonds of Shandong Chenming Paper Holdings Limited	12 Chenming Bond	112144	26 December 2012	26 December 2017	380,000	5.65%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.
Stock exchange on which corporate bonds are listed or transferred	Shenzhen Stock Exchange						
Investor eligibility arrangement	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.						
Interest payment of corporate bonds during the reporting period	1. The interests of 11 Chenming Bond for the period from 6 July 2014 (the value date) to 5 July 2015 were paid on 6 July 2015. For details, please refer to the Announcement on 2015 Dividend Payment in respect of "11 Chenming Bond" published by the Company on 30 June 2015. 2. The interests of 11 Chenming Bond for the period from 26 December 2014 (the value date) to 25 December 2015 started to pay on 28 December 2015. For details, please refer to the Announcement on 2015 Dividend Payment in respect of "12 Chenming Bond" published by the Company on 23 December 2015.						
Implementation of special terms such as terms in relation to options to issuer or investor, or exchange terms attached to corporate bonds during the reporting period (if applicable)	In accordance to the rules under Prospectus on Public Offering of Corporate Bonds of Shandong Chenming Paper Holdings Limited, the Company has published the First Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders, the Second Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders and the Third Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders on 30 November 2015, 1 December 2015 and 2 December 2015, respectively. Investors can choose to sell all or partial of their "12 Chenming Bond" to the Company at a price of RMB100 each (excluding interest) during the repurchase registration period (30 November 2015, 1 December 2015 and 2 December 2015). According to bond repurchase application report provided by Shenzhen Office of China Securities Depository and Clearing Co., Ltd., the effective repurchase application for "12 Chenming Bond" was 0 with amount of RMB0. The number of outstanding bonds in custody in Shenzhen Office of China Securities Depository and Clearing Co., Ltd. was 38 million.						

VII Material Matters

XXI. Corporate bonds (Cont'd)

2. Information on bond custodian and credit rating agency

Bond custodian:

Name	UBS Securities Co., Ltd.	Office address	12/F and 15/F, Winland International Finance Centre, 7 Financial Street, Xicheng District, Beijing	Contact person	Wen Zhe	Telephone of contact person	010-5832 8888
------	--------------------------	----------------	--	----------------	---------	-----------------------------	---------------

Credit rating agency(ies) which conducted rating on corporate bonds during the reporting period:

Name	China Chengxin Securities Valuation Company Limited	Office address	8/F, Anji Building, 760 Xizang South Road, Huangpu District, Shanghai
------	---	----------------	---

3. Use of proceeds from corporate bonds

Use of proceeds from corporate bonds and its implementation

The use of proceeds from issuance of corporate bonds has strictly completed relevant application and approval procedures. As at the end of the reporting period, the proceeds from 11 Chenming Bond and 12 Chenming Bond were fully used.

Balance as at the end of the year (RMB '0,000)

0

Operation of special account for proceeds

Special account for proceeds is used for the deposit of special capital from bonds.

Is the use of proceeds consistent with the use of proceeds guaranteed under the prospectus, proposed use of proceeds and other agreement?

Yes

4. Credit rating of corporate bonds

The credit rating of 11 Chenming Bond and 12 Chenming Bond as granted by China Chengxin Securities Valuation Company Limited remained at AA+, and the rating for the Company was AA+ (stable outlook). The 2015 rating report is expected to be published on CNINFO by the end of April 2016.

5. Credit enhancement mechanism, repayment plan and other repayment guarantee measures for corporate bonds

There was no change in credit enhancement mechanism, repayment plan and other repayment guarantee measures, which were consistent with relevant commitments as set out in the prospectuses, during the reporting period.

6. Convening of meeting for bondholders during the reporting period

Not applicable.

7. Performance of bond custodian during the reporting period

The bond custodian performed its duties in accordance with the agreement during the reporting period.

VII Material Matters

XXI. Corporate bonds (Cont'd)

8. Major accounting data and financial indicators of the Company over the past two years as at the end of the reporting period

Unit: RMB '0,000

Item	2015	2014	Year-on-year increase/decrease in percentage
EBITDA	435,954.20	324,673.37	34.27%
Net cash flows from investing activities	-346,058.55	-307,326.94	-12.60%
Net cash flows from financing activities	1,406,367.42	232,835.16	504.02%
Balance of cash and cash equivalents as at the end of the period	188,810.75	97,609.69	93.43%
Current ratio	72.30%	83.89%	-11.59%
Gearing ratio	77.86%	74.75%	3.11%
Quick ratio	61.59%	64.60%	-3.01%
Proportion of EBITDA to total debts	9.74	10.26	-0.52%
Interest coverage ratio	1.05	0.40	162.50%
Cash interest coverage ratio	-7.23	0.88	-921.59%
EBITDA interest coverage ratio	3.24	2.88	12.50%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

Major reason for more than 30% in year-on-year change for the above accounting data and financial indicators

√ Applicable ☐ Not applicable

To be provided by the financial department

- (1) Profit before interest, tax, depreciation and amortisation increased by 34.27% as compared to last year mainly due to the gradual realisation of profit made by the financial segment of the Company with higher profitability.
- (2) Net cash flows from financing activities increased by 504.02% as compared to last year mainly due to greater financing efforts made by the Company through the issue of short-term commercial papers and perpetual bonds.
- (3) Cash and cash equivalents as at the end of the period increased by 93.43% as compared to last year mainly due to the increase in amounts received by the Company as at the end of the year.
- (4) Interest coverage multiples increased by 162.50% as compared to last year mainly due to higher profitability of the Company.
- (5) Cash interest coverage multiples decreased by 921.59% as compared to last year mainly due to the increase in cash outflows from operating activities due to the commencement of the financing leasing business of the Company.

9. Restriction on asset rights as at the end of the reporting period

Item	Amount	Purpose
Fixed assets	4,567,649,044.39	As pledge for bank borrowings
Intangible assets	311,229,271.55	As pledge for bank borrowings

VII Material Matters

XXI. Corporate bonds (Cont'd)

10. Interest payment on other bonds, debt and financing instruments during the reporting period

Item	Amount of interest payment
Corporate bonds	333,671,607.19
Privately placed bonds	54,010,000.00
Medium-term notes	87,000,000.00
Total	474,681,607.19

11. Bank credit obtained, its use and repayment of bank loans during the reporting period

During the reporting period, the Company obtained bank credit of RMB55,900 million, of which RMB33,900 million was utilised with RMB22,000 million outstanding. The Company repaid bank loans of RMB24,431 million.

12. Performance of relevant agreements or commitments under the prospectus of corporate bonds during the reporting period

In accordance to the rules under Prospectus on Public Offering of Corporate Bonds of Shandong Chenming Paper Holdings Limited, the Company published the First Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders, the Second Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders and the Third Indicative Announcement on the Non-adjustment of Coupon Rate of "12 Chenming Bond" and Repurchase Measure for Bondholders on 30 November 2015, 1 December 2015 and 2 December 2015, respectively. Investors may choose to sell all or part of their "12 Chenming Bond" to the Company at a price of RMB100 each (without interest) during the repurchase registration period (30 November 2015, 1 December 2015 and 2 December 2015).

According to the bond repurchase application report provided by Shenzhen Office of China Securities Depository and Clearing Co., Ltd., the effective repurchase application for "12 Chenming Bond" was 0 with amount of RMB0. The number of outstanding bonds in custody in Shenzhen Office of China Securities Depository and Clearing Co., Ltd. was 38 million.

13. Matters of significance happened during the reporting period

Nil.

14. Is there any guarantor for corporate bonds?

☐ Yes ☒ No

VII Material Matters

XXII. Post balance sheet events

1. Reduction of registered capital of controlling shareholder

Chenming Holdings has completed relevant industrial and commercial alteration registration procedures for capital reduction with Shouguang Market Supervisory Administration Bureau, and obtained new business license. Its registered capital has decreased from RMB1,685,425,500 to RMB1,238,787,742.5, of which the shareholding of each of Shandong Shouguang Jinxin Investment Development Holdings Group Limited, Shouguang Henglian Enterprise Investment Limited and Shouguang Ruifeng Enterprise Investment Limited was 45.21%, 18.65% and 36.14%, respectively. Upon the completion of the capital reduction of Chenming Holdings, Shandong Shouguang Jinxin Investment Development Holdings Group Limited (a wholly-owned subsidiary of Shouguang Office of State-Owned Asset Supervision and Management) remains as the major shareholder of Chenming Holdings. There will not be any change in controlling shareholder and beneficial controller of the Company. Chenming Holdings remains as the controlling shareholder of the Company while Shouguang Office of State-Owned Asset Supervision and Management remains as the beneficial controller of the Company. For details, please refer to the relevant announcement (announcement no.: 2016-010) of the Company published on CNINFO on 23 January 2016.

2. Continued increase in shareholding of the Company by controlling shareholder

From 4 January 2016 to 29 January 2016, Chenming Holdings (Hong Kong) Limited, a wholly-owned subsidiary of Chenming Holdings, acquired 20,285,500 H shares of the Company and 9,042,243 B shares of the Company, representing approximately 1.51% of the total share capital of the Company, through the trading system. Upon the completion of increase in shareholding, Chenming Holdings and its parties acting in concert held 394,114,580 shares of the Company in aggregate, representing approximately 20.35% of the total share capital of the Company.

VIII Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amounts	Percentage	New issue	Bonus issue	Shares converted from reserve	Others	Sub-total	Amounts	Percentage
I. Restricted shares	8,241,219	0.42%						8,241,219	0.42%
3. Shares held by other domestic investors	8,241,219	0.42%						8,241,219	0.42%
Shares held by domestic natural persons	8,241,219	0.42%						8,241,219	0.42%
II. Non-restricted shares	1,928,164,248	99.58%						1,928,164,248	99.58%
1. RMB ordinary shares	1,105,037,237	57.07%						1,105,037,237	57.07%
2. Domestic listed foreign shares	470,923,511	24.32%						470,923,511	24.32%
3. Overseas listed foreign shares	352,203,500	18.19%						352,203,500	18.19%
III. Total number of shares	1,936,405,467	100.00%						1,936,405,467	100.00%

The reasons for such changes

☐ Applicable ☒ Not applicable

Approval of changes in shareholding

☐ Applicable ☒ Not applicable

Transfer of shares arising from changes in shareholding

☐ Applicable ☒ Not applicable

The effects of changes in shareholding on financial indicators such as basic earnings per share, diluted earnings per share and net assets per share attributable to shareholders of ordinary shares of the Company for the latest year and the latest period

☐ Applicable ☒ Not applicable

Other information considered necessary by the Company or required by the securities regulatory authorities to be disclosed

☐ Applicable ☒ Not applicable

2. Changes in restricted shares

☐ Applicable ☒ Not applicable

VIII Changes in Share Capital and Shareholders

II. Issuance and listing of securities

1. During the reporting period, issuance of securities (excluding preference shares)

☐ Applicable ☒ Not applicable

2. Changes in the total number of shares and structure of shareholders and the structure of the assets and liabilities of the Company

☐ Applicable ☒ Not applicable

3. Existing staff shares

☐ Applicable ☒ Not applicable

III. Shareholders and beneficial controllers

1. Total number of shareholders and shareholdings

Unit: share

Total number of shareholders of ordinary shares as at the end of the reporting period	111,976, of which 84,823 were holders of A shares, 26,646 were holders of B shares and 507 were holders of H shares	Total number of shareholders of ordinary shares as at the end of the month prior to the publication date of this annual report	109,021, of which 82,311 were holders of A shares, 26,206 were holders of B shares and 504 were holders of H shares	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period	0	Total number of shareholders of preference shares with restored voting right as at the end of the month prior to the disclosure date of the annual report	0
---	---	--	---	--	---	---	---

Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restricted shares held	Share pledged or locked-up Status of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	0	293,003,657	Pledged	47,000,000
HKSCC NOMINEES LIMITED	Overseas legal person	15.08%	292,010,900	-58,623,600	0	292,010,900		
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 1)	Overseas legal person	3.71%	71,783,180	71,783,180	0	71,783,180		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	Others	2.07%	40,137,900	40,137,900	0	40,137,900		
NATIONAL SOCIAL SECURITY FUND 110	Others	1.51%	29,261,612	29,261,612	0	29,261,612		
AGRICULTURAL BANK OF CHINA LIMITED - BAOYING TRANSITIONAL MOMENTUM FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	Others	1.06%	20,502,241	20,502,241	0	20,502,241		
HUATAI SECURITIES CO., LTD.	Others	0.91%	17,694,768	17,694,768	0	17,694,768		
AGRICULTURAL BANK OF CHINA LIMITED - E FUND RUIHUI FLEXIBLE CONFIGURATION HYBRID SECURITIES INVESTMENT FUND	Others	0.88%	16,974,585	16,974,585	0	16,974,585		
NATIONAL SOCIAL SECURITY FUND 118	Others	0.62%	12,084,249	12,084,249	0	12,084,249		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	-3,338,747	0	8,608,238		

Connected relationship or connected party relationship among the above shareholders
A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence they are 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 other.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

1. Total number of shareholders and shareholdings (Cont'd)

Shareholdings of the top ten shareholders of non-restricted shares			
Name of shareholders	Number of non-restricted shares held as at the end of the reporting period	Class of shares	
		Class of shares	Number
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	293,003,657	RMB ordinary shares	293,003,657
HKSCC NOMINEES LIMITED	292,010,900	Overseas listed foreign shares	292,010,900
CHENMING HOLDINGS (HONG KONG) LIMITED (Note 2)	71,783,180	Domestic listed foreign shares	12,868,680
		Overseas listed foreign shares	58,914,500
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	40,137,900	RMB ordinary shares	40,137,900
NATIONAL SOCIAL SECURITY FUND 110	29,261,612	RMB ordinary shares	29,261,612
AGRICULTURAL BANK OF CHINA LIMITED — BAOYING TRANSITIONAL MOMENTUM FLEXIBLE ALLOCATION HYBRID SECURITIES INVESTMENT FUND	20,502,241	RMB ordinary shares	20,502,241
HUATAI SECURITIES CO., LTD.	17,694,768	RMB ordinary shares	17,694,768
AGRICULTURAL BANK OF CHINA LIMITED - E FUND RUIHUI FLEXIBLE CONFIGURATION HYBRID SECURITIES INVESTMENT FUND	16,974,585	RMB ordinary shares	16,974,585
NATIONAL SOCIAL SECURITY FUND 118	12,084,249	RMB ordinary shares	12,084,249
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,608,238	Domestic listed foreign shares	8,608,238
Connected relationship or connected party relationship among the top ten shareholders of non-restricted shares, and between the top ten shareholders of non-restricted shares and the top ten shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Shouguang Chenming Holdings Company Limited, which is a state-owned legal person. Hence they are 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 other.		

Note 1 and Note 2: As at the disclosure date of this report, Chenming Holdings (Hong Kong) Limited holds 21,910,923 B shares and 79,200,000 H shares of the Company, amounting to 101,110,923 shares and accounting 5.22% of the share capital.

Whether an agreed repurchase transaction was entered into during the reporting period by the top 10 ordinary shareholders and top 10 shareholders of non-restricted shares of the Company

☐ Yes ☒ No

The top 10 ordinary shareholders and top 10 shareholders of non-restricted ordinary shares of the Company did not enter into any agreed repurchase transaction during the reporting period.

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

2. Controlling shareholders of the Company

Nature of controlling shareholder: regional state-owned enterprise

Type of controlling shareholder: legal person

Name of controlling shareholders	Legal representative Person in charge of the unit	Date of establishment	Enterprise code	Principal business
Shouguang Chenming Holdings Company Limited	Chen Hongguo	30 December 2005	78348518-9	Investment in paper making, electricity, heat and arboriculture
Shareholdings of controlling shareholders who have control or hold shares in other domestic or overseas listed companies during the reporting period	Save for the Company, Shouguang Chenming Holdings Company Limited does not have control over or hold any equity interest of other domestic or overseas listed companies.			

Change of controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

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

3. Beneficial owner of the Company

Nature of the beneficial owner: Regional state-owned assets administration authority

Type of the beneficial owner: legal person

Name of beneficial owner	Legal representative/ Person in charge of the unit	Date of establishment	Enterprise code	Principal business
State-owned Assets Supervision and Administration Office of Shouguang City	Fu Xingang	1 August 1991	F5108355-4	Responsible for the management and capital operation of the state-owned assets of enterprises and business units in Shouguang city
Shareholdings of beneficial owner who has control or holds shares in other domestic or overseas listed companies during the reporting period	Save for the Company, State-owned Assets Supervision and Administration Office of Shouguang City does not have control over or hold any equity interest of other domestic or overseas listed companies.			

VIII Changes in Share Capital and Shareholders

III. Shareholders and beneficial controllers (Cont'd)

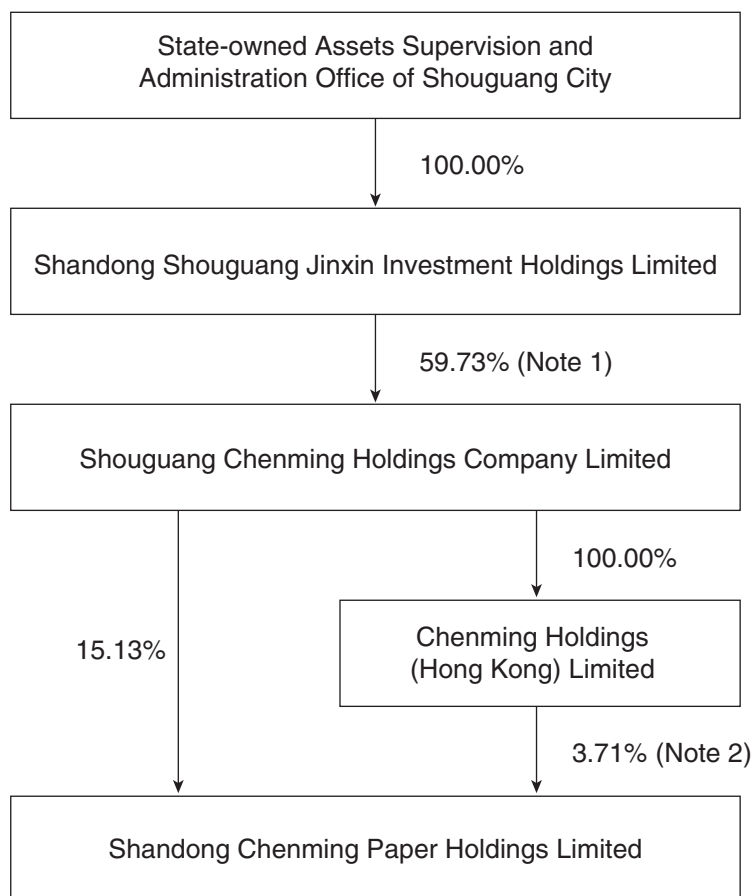
3. Beneficial owner of the Company (Cont'd)

Change of beneficial owner during the reporting period

☐ Applicable ☒ Not applicable

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

Chart illustrating the relationship between the Company and the beneficial owner



Note 1: As at the disclosure date of this report, Shangdong Shouguang Jinxin Investment Holdings Limited holds 45.21% equity interest of Shouguang Chenming Holdings Company Limited. For details, please refer to XXII under section VII of this report.

Note 2: As at the disclosure date of this report, Chenming Holdings (Hong Kong) Limited holds 21,910,923 B shares and 79,200,000 H shares of the Company, amounting to 101,110,923 shares and accounting 5.22% of the share capital.

Beneficial owner controlling the Company through trust or other asset management method

☐ Applicable ☒ Not applicable

4. Other legal person shareholders interested in over 10% of the shares of the Company

☐ Applicable ☒ Not applicable

5. Restrictions on decrease in shareholding by controlling shareholders, beneficial owner, reorganising party and other undertaking parties

☐ Applicable ☒ Not applicable

IX Preference Shares

As at the disclosure date of this report, the progress of the non-public issue of preference shares of the Company is as follows:

Procedure	Related procedure	Details of the procedure	Date
1	Resolution of the Board	The extraordinary Board meeting considered and approved the Resolution on Proposal of Non-public Issue of Preference Shares of Shandong Chenming Paper Holdings Limited on 29 December 2014.	29 December 2014
2	Resolution of the general meeting	The first extraordinary general meeting for 2015 considered and approved the Resolution on Proposal of Non-public Issue of Preference Shares of Shandong Chenming Paper Holdings Limited.	13 February 2015
3	Resolution of the Board	The extraordinary Board meeting considered and approved the Resolution on Proposal of Non-public Issue of Preference Shares of Shandong Chenming Paper Holdings Limited on 5 June 2015.	5 June 2015
4	Approval of the Public Offering Review Committee	The Public Offering Review Committee of the CSRC reviewed the application of the non-public issue of preference shares. Based on the results of the review, the application of the Company for the non-public issue of preference shares was approved.	21 August 2015
5	Approval of the CSRC	Obtained the “Reply on Approving the Non-public Issue of Preference Shares of Shandong Chenming Paper Holdings Limited” (Zheng Jian Xu Ke [2015] No. 2130) issued by the CSRC.	17 September 2015
6	Receipt of proceeds	As of 16 March 2016, the target subscribers of the issue have deposited the full amount of the subscription money to the bank account for the issue designated by the lead underwriter, which totaled to RMB2.25 billion.	16 March 2016
		As of 17 March 2016, the total proceeds from the non-public issue of preference shares amounted to RMB2,250,000,000. After deducting the issue expenses paid amounting to RMB11,250,000, on 17 March 2016, the lead underwriter deposited RMB2,238,750,000 to the special account for proceeds from issue of preference shares (account number: 377899991010003031390) opened at the Weifang Xiguan Branch of Bank of Communications. All proceeds were deposited to the above account in RMB.	17 March 2016
7	Verification of proceeds	On 17 March 2016, Ruihua Certified Public Accountants (Special General Partnership) issued the “Verification Report on Actual Subscription Money Received from Non-public Issue of Preference Shares of Shandong Chenming Paper Holdings Limited” (Ruihua Yan Zi [2016] No. 37020007). As of 12 noon on 17 March 2016, the lead underwriter deposited all amount received for valid subscription, which amounted to RMB2,238,750,000 (net of issue expenses), to the special account of the issuer.	17 March 2016
8	Custody registration	The preference shares under this issue will be registered for custody at the Shenzhen Branch of the China Securities Depository and Clearing Corporation Limited.	24 March 2016

X. Directors, Supervisors and Senior Management and Staff

I. Changes in shareholding of Directors, Supervisors and Senior Management

Name	Position	Status	Sex	Age	Start date of the term	End date of the term	Shares held as at the beginning of the period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Other changes (increase or decrease) (shares)	Shares held as at the end of the period (shares)
Chen Hongguo	Chairman and general manager	In office	M	51	16 May 2013	16 May 2016	6,434,527	0	0	0	6,434,527
Yin Tongyuan	Vice Chairman	In office	M	58	16 May 2013	16 May 2016	2,423,640	0	0	0	2,423,640
Li Feng	Director and deputy general manager	In office	M	43	16 May 2013	16 May 2016	471,818	0	0	0	471,818
Geng Guanglin	Director and deputy general manager	In office	M	42	16 May 2013	16 May 2016	437,433	0	0	0	437,433
Hou Huancai	Director	In office	M	54	16 May 2013	16 May 2016	628,915	0	0	0	628,915
Zhou Shaohua	Director and deputy general manager	In office	M	54	16 May 2013	16 May 2016	123,007	0	0	0	123,007
Yang Guihua	Director	In office	F	50	9 May 2014	16 May 2016	0	0	0	0	0
Wang Xiaogun	Director	In office	M	60	16 May 2013	16 May 2016	0	0	0	0	0
Zhang Zhiyuan	Independent Director	In office	M	53	16 May 2013	16 May 2016	0	0	0	0	0
Wang Aiguo	Independent Director	In office	M	52	16 May 2013	16 May 2016	0	0	0	0	0
Zhang Hong	Independent Director	In office	F	51	16 May 2013	16 May 2016	0	0	0	0	0
Pan Ailing	Independent Director	In office	F	51	16 May 2013	16 May 2016	0	0	0	0	0
Gao Junjie	Chairman of Supervisory Committee	In office	M	45	16 May 2013	16 May 2016	39,606	0	0	0	39,606
Wang Ju	Supervisor	In office	F	50	16 May 2013	16 May 2016	0	0	0	0	0
Yang Hongqin	Supervisor	In office	F	48	16 May 2013	16 May 2016	0	0	0	0	0
Yin Qixiang	Supervisor	In office	M	78	16 May 2013	16 May 2016	0	0	0	0	0
Guo Guangyao	Supervisor	Resigned	M	73	16 May 2013	18 November 2015	0	0	0	0	0
Li Xueqin	Deputy general manager	In office	F	50	16 May 2013	16 May 2016	429,348	0	0	0	429,348
Wang Chunfang	Secretary to the Board and deputy general manager	In office	M	40	16 May 2013	16 May 2016	130,000	0	0	0	130,000
Hu Changqing	Deputy general manager	In office	M	50	16 May 2013	16 May 2016	1,238	0	0	0	1,238
Shao Zhenzhong	Deputy general manager	Resigned	M	55	16 May 2013	27 April 2015	0	0	0	0	0
Chang Liting	Deputy general manager	Resigned	M	62	16 May 2013	27 April 2015	0	0	0	0	0
Li Zhenzhong	Deputy general manager	In office	M	42	16 May 2013	16 May 2016	0	0	0	0	0
Poon Shiu Cheong	Company secretary and qualified accountant	In office	M	46	16 May 2013	16 May 2016	0	0	0	0	0
Total	-	-	-	-	-	-	11,119,532	0	0	0	11,119,532

II. Changes of Directors, Supervisors and Senior Management of the Company

Name	Position	Type	Date	Reason
Guo Guangyao	Supervisor	Resigned	18 November 2015	For personal reasons.
Shao Zhenzhong	Deputy general manager	Dismissed	27 April 2015	For personal reasons.
Chang Liting	Deputy general manager	Resigned on expiry of term of office	27 April 2015	Retirement.

X. Directors, Supervisors and Senior Management and Staff

III. Changes in the information of Directors and Supervisors

Under Rule 13.51(B) of the Hong Kong Listing Rules, changes in the information of Directors and Supervisors since the date of the interim of the Company for the six months ended 30 June 2015 are set out below:

Name of Supervisor	Details of the change
Guo Guangyao	Resigned as Supervisor effective from 18 November 2015

IV. Employment

Professional background, major working experiences and current duties at the Company of Directors, Supervisors and Senior Management

1. Directors of the Company

(1) Brief biographies of executive Directors

Mr. Chen Hongguo, who joined the Company in 1987, had held different positions including chief officer of manufacturing section, chief officer of branch factory, deputy general manager, Director of the Company and the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd., etc. He is currently the Chairman and general manager of the Company and the chairman of Shouguang Chenming Holdings Company Limited. Mr. Chen Hongguo is the spouse of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Yin Tongyuan, who joined the Company in 1982, had held different positions including the chief officer of manufacturing section, director of technology department, deputy factory chief, standing deputy factory chief and general manager. He is currently the vice-chairman of the Company and a director of Shouguang Chenming Holdings Company Limited.

Mr. Li Feng, who joined the Company in 1992, had held different positions including the chief officer of manufacturing section, assistant to the general manager, deputy general manager, and chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. He is currently the executive Director and deputy general manager of the Company in charge of the sales of cultural paper products. Mr. Li Feng is the brother of Ms. Li Xueqin, a deputy general manager of the Company.

Mr. Geng Guanglin, who joined the Company in 1992, had held different positions including the chief officer of manufacturing section, the chairman of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. the chairman of Jilin Chenming Paper Co., Ltd. and the chairman of Jiangxi Chenming Paper Co., Ltd. He is currently a Director and the deputy general manager of the Company, and a director of Shouguang Chenming Holdings Company Limited in charge of the operation of Shouguang Chenming.

Mr. Zhou Shaohua, who joined the Company in 1997, had held different positions including the standing deputy general manager, chief engineer, vice-chairman of Wuhan Chenming Hanyang Paper Holdings Co. Ltd. and the chairman of Jiangxi Chenming Paper Co., Ltd. He is currently a Director and deputy general manager of the Company.

Mr. Hou Huancai, who joined the Company in 1983, had held different positions including the chief officer of manufacturing section, chief of branch factory, the chairman of Jilin Chenming Paper Co., Ltd. and Jiangxi Chenming Paper Co., Ltd. and the chairman of the 1st and 2nd Supervisory Committee of the Company. He is currently a Director of the Company in charge of the service operation.

X. Directors, Supervisors and Senior Management and Staff

IV. Employment (*Cont'd*)

1. Directors of the Company (*Cont'd*)

(2) Brief biographies of non-executive Directors of the Company

Ms. Yang Guihua, aged 49, holds a doctoral degree. She served as a technician with Jinan Advanced Tissue Paper Factory (濟南高級薄頁紙廠), a teacher at Light Chemistry and Environmental Engineering College, Qilu University of Technology and the leader of the key laboratory for Green Chemistry Technology of Pulping and Papermaking and Utilisation of Biomass (製漿造紙綠色化學技術與生物質資源化利用) of the Ministry of Education. Ms. Yang is a professor of Qilu University of Technology, a national class candidate of National Hundred, Thousand and Ten Thousand Talent Project (百千萬人才工程), a National Young and Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家), a specialist who enjoys the State Council Special Allowance (國務院特殊津貼專家), a chief expert of Shandong higher education, a Tenth-batch Top Talent in Professional Technology of Jinan (濟南市第十批專業技術拔尖人才), a standing director of Shandong Technical Association of Paper Industry, a member of China Technical Association of Paper Industry, a member of American Chemical Society and a member of Society of Chemistry and Chemical Engineering of Forest Products, Chinese Society of Forestry. She has served as a non-executive Director of the Company since May 2014.

Mr. Wang Xiaoqun was the chief of the corporate finance unit of the Shouguang City Finance Bureau between 1984 and 1988, and was the deputy chief of the State-owned Assets Supervision and Administration Commission of Shouguang City between 1989 and November 2008. He retired in December 2008. He has served as a non-executive Director of the Company since April 2010.

(3) Brief biographies of independent non-executive Directors

Mr. Wang Aiguo, professor, doctoral tutor and post doctorate in accounting, “Nationwide Excellent Teacher” (全國優秀教師), Shandong’s Well-known Teacher (山東省教學名師), chief expert (accounting) of Shandong Institute (山東省高等學校首席專家(會計學)), Shandong’s Young Expert with Outstanding Contribution (山東省有突出貢獻的中青年專家), previously held positions including deputy chief of Department of Accounting of Shandong Economic University, deputy chief of the Department of Post-graduate Students of Shandong Economic University, chief of Department of Accounting of Shandong Economic University and the Dean of the School of Accounting of Shandong University of Finance and Economics. He currently holds positions as the Dean of the School of Economics of University of Jinan, a director of the Accounting Society of China and the China Appraisal Society, vice-chairman and secretary-general of Shandong Province Accounting Education Committee and member of the Shandong Province Enterprise Credit Rating Experts Commission. He also serves as an independent director of Shandong Iron and Steel Co., Ltd., and independent non-executive directors of China Corn Oil Company Limited and Hisense Kelon Electrical Holdings Co. Ltd. He has served as an independent non-executive Director of the Company since April 2010.

X. Directors, Supervisors and Senior Management and Staff

IV. Employment (*Cont'd*)

1. Directors of the Company (*Cont'd*)

(3) Brief biographies of independent non-executive Directors (*Cont'd*)

Mr. Zhang Zhiyuan, professor, doctor of management, economics postdoctoral fellow, previously served as the Dean of Department of Finance of Shandong Economics College and Dean of Shandong Regional Economic Research School. He currently holds positions as Dean of Shandong University of Finance and School of Finance, Dean of the Regional Economic Research Institute and a doctoral tutor. He is also the person in charge of National Special Professional Construction Point of Finance, chief expert of emphasised discipline of Shandong Province, chief scientist of the Collaborative Innovation Centre for Financial Optimisation and Regional Development, the person in charge of the Shandong provincial government decision-making research base, the person in charge and expert of the Shandong Regional Economic Development and Research Base, Shandong university academic leaders, expert for Shandong "Hundred People Project" and one of the top ten exemplary tertiary teachers of Shandong (金融學國家級特色專業建設點負責人、山東省重點學科首席專家、金融產業優化與區域發展管理協同創新中心首席科學家、山東省政府決策服務調研基地負責人、山東省區域經濟發展研究基地負責人兼首席專家、山東省高校學科帶頭人、山東省「百人工程」理論人才、山東省高校十大師德標兵). He is concurrently Vice-Dean and Chief Secretary of Shandong Regional Economic Society, Standing Director and Member of Academic Committee of Shandong Finance Association, Standing Director of China Finance Institute (山東區域經濟學會副會長兼秘書長、山東省金融學會常務理事兼學術委員會委員、中國區域經濟學會常務理事) and others. In recent years, he was commissioned 4 national projects and over 10 municipal projects and was granted several awards by the Ministry of Education and Shandong Research Institute for his achievements. He is an expert advisor to several municipal governments such as Shandong, Jinan and Rizhao. He is an independent director of Shandong Tyan Home Co., Ltd. He has served as an independent non-executive Director of the Company since April 2010.

Ms. Zhang Hong is a Ph. D. in Economics and currently a professor and advisor to doctoral students at Shandong University, head of a multinational corporation research institute, non-practising member of the Chinese Institute of Certified Public Accountants, director of China Association of International Trade, director of Shandong Province External Trade Association and independent director of Shandong Gettop Acoustic Co., Ltd. She has served as an independent non-executive Director of the Company since April 2010.

Ms. Pan Ailing is a Ph.D. in Economics and obtained a post-doctoral degree in Financial Management. She is currently a professor of the School of Management, an advisor to doctoral students, the chief of the Department of Accounting and the chief of the Investment and Financing Research Centre (投融资研究中心) in Shandong University and a non-practising member of CICPA (Chinese Institute of Certified Public Accountants). She is also a director of the Accounting Institute, Shandong Province (山東省會計學會), a council member of Shandong Comparative Management Association, a visiting professor at Soochow University in Taiwan, a visiting scholar at University of Connecticut in the United States and a state-level candidate for New Century Ten Million Talent Project (新世紀「百千萬人才工程」). She is a specialist entitled to the State Council Special Allowance (國務院政府特貼專家), and a Young and Middle-aged Expert with Outstanding Contributions in Shandong Province (山東省有突出貢獻的中青年專家). She is the chief expert of the Major Tender Projects of National Social and Science Fund (國家社科基金重大招標課題首席專家). She has finished various research projects at national and provincial level and published more than 80 academic papers. She is also an independent director of Sinotruck Jinan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司) and Inspir Software Co., Ltd. She has served as an independent non-executive director of the Company since May 2013.

X. Directors, Supervisors and Senior Management and Staff

IV. Employment (Cont'd)

2. Brief biographies of Supervisors of the Company

Mr. Gao Junjie, who joined the Company in 1994, had held the positions of the chief officer of the legal section and head of the inspection department, etc. He is currently the chairman of supervisory committee, assistant to general manager in charge of the department of securities and investment management department, supervisor of Shouguang Chenming Holdings Company Limited and supervisor of Shouguang Henglian Enterprise Investment Co. Ltd.

Mr. Yin Qixiang previously held positions including chief of Economic and Trade Commission of Shouguang City (壽光市經濟貿易委員會), chief of Tizheng Department of Shouguang City, Shandong Province (山東省壽光市體政部), and head of Qinghua Bureau of Shouguang City (壽光市輕化局). He retired in 1998. He has served as a supervisor of the Company since April 2010.

Mr. Guo Guangyao worked for the Tai Hang Apparatus Factory of the Department of Aeronautics (航空部太行儀錶廠) as chief craftsman and engineer between 1969 and 1981, for Shouguang Chemical Fertiliser Factory (壽光化肥廠) as deputy factory chief and party committee secretary between 1981 and 1987, Shouguang Beer Factory (壽光市啤酒廠) as party committee secretary and chief engineer between 1987 and 1989 and for Shouguang Economic and Trade Committee as deputy chief and secretary of CPC Working Committee and chief of Shouguang Enterprise Management Office in March 1990. He retired in December 2003. He has served as a supervisor of the Company since May 2009.

Ms. Wang Ju, who joined the Company in 1987, had held the positions of deputy chief officer and chief officer of manufacturing section, assistant to the general manager and deputy general manager of Shouguang Chenming and deputy general manager of Shouguang Chenming Pulp Manufacturing Factory (壽光晨鳴製漿工廠). She is currently a Supervisor of the Company.

Ms. Yang Hongqin, who joined the Company in 1987, held the positions of the deputy chief and chief officer of quality control section and the chief of after sale services department of the Company and manager of property management company. She is currently a Supervisor of the Company and assistant to general manager of Shandong Chenming Power Supply Holdings Co., Ltd.

3. Brief biographies of Senior Management of the Company

Ms. Li Xueqin was successively awarded titles including “Model Worker in Shandong Province” (山東省勞動模範), “Model Worker in the Country” (全國勞動模範) and “Nationwide May 1st Labour Medal” (全國五一勞動獎章). She was a deputy of the Tenth, Eleventh and Twelfth National People’s Congress. She joined the Company in 1987 and held the positions of the chief of audit department and deputy general manager, etc. Ms. Li has been a deputy general manager of the Company and a director of Shouguang Chenming Holdings Company Limited since March 2003. Ms. Li Xueqin is the spouse of Mr. Chen Hongguo, chairman of the Company.

Mr. Wang Chunfang holds a degree of EMBA in Finance from Shanghai Jiao Tong University. He joined the Company in 1997 and had held different positions including a financial executive of a sales branch and a financial controller of sales head office of the Company, a financial controller of Jilin Chenming Paper Co., Ltd., an assistant to the general manager of the Company, chief of the finance department and the financial controller of the Company. He is currently the deputy general manager and secretary to the Board of the Company, and the chairman of the Finance Company and Financial Leasing Company.

Mr. Hu Changqing joined the Company in 1988 and had held positions as the chief of the technological reform department, chief officer of branch factory, deputy general manager and Director of the Company, etc. He is currently the deputy general manager of the Company in charge of the Zhanjiang Chenming Pulp and Paper project.

X. Directors, Supervisors and Senior Management and Staff

IV. Employment (Cont'd)

3. Brief biographies of Senior Management of the Company (Cont'd)

Mr. Li Zhenzhong joined the Company in 1995. He had served as principal representative of the Shanghai management region of a sales company, sales manager of cultural paper products. He is currently deputy general manager of the Company and in charge of the sales of coated paper products of the Company.

Mr. Poon Shiu Cheong is a Fellow Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and CPA Australia. He obtained a master degree in Accounting from Central Queensland University and a master degree in Business Administration from Southern Cross University. He joined the Company in 2008, and is currently the qualified accountant and company secretary of the Company.

Employment at the shareholder of the Company

☒ Applicable ☐ Not applicable

Name of employee	Name of shareholder of the Company	Position at the shareholder of the Company	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from shareholder of the Company
Chen Hongguo	Shouguang Chenming Holdings Company Limited	Chairman	21 September 2013	21 September 2016	No
Yin Tongyuan	Shouguang Chenming Holdings Company Limited	Director	21 September 2013	21 September 2016	No
Geng Guanglin	Shouguang Chenming Holdings Company Limited	Director	21 September 2013	21 September 2016	No
Li Xueqin	Shouguang Chenming Holdings Company Limited	Director	21 September 2013	21 September 2016	No
Gao Junjie	Shouguang Chenming Holdings Company Limited	Supervisor	21 September 2013	21 September 2016	No
Explanation of the employment at the shareholder of the Company		Nil			

X. Directors, Supervisors and Senior Management and Staff

IV. Employment (Cont'd)

3. Brief biographies of Senior Management of the Company (Cont'd)

Employment at other units

☒ Applicable ☐ Not applicable

Name of employee	Name of other unit	Position at the other unit	Start date of the term	End date of the term	Whether receiving any remuneration or allowance from other unit
Wang Aiguo	Shandong Iron and Steel Co., Ltd.	Independent director	10 April 2015	10 April 2018	Yes
Wang Aiguo	China Corn Oil Company Limited	Independent director	23 November 2015	23 November 2018	Yes
Wang Aiguo	Hisense Kelon Electrical Holdings Co. Ltd.	Independent director	26 June 2015	25 June 2018	Yes
Pan Ailing	Sinotruk Jinan Truck Co., Ltd.	Independent director	6 May 2013	5 May 2016	Yes
Pan Ailing	Inspir Software Co., Ltd.	Independent director	14 March 2014	13 March 2017	Yes
Zhang Hong	Sinoer Men's Clothes Co., Ltd.	Independent director	5 September 2014	4 September 2017	Yes
Zhang Hong	Shandong Gettop Acoustic Co., Ltd.	Independent director	16 September 2014	15 September 2017	Yes
Zhang Hong	Shandong Zhangqiu Blower Co., Ltd.	Independent director	28 July 2015	27 July 2018	Yes

Explanation of the employment at the other unit

All the above three persons were independent directors of the Company.

Sanctions against current Directors, Supervisors and Senior Management of the Company and those who resigned during the reporting period by securities regulatory authorities in the past three years

☐ Applicable ☒ Not applicable

V. Remunerations of Directors, Supervisors and Senior Management

Decision process, basis for determining the remuneration and actual payment for the remuneration of Directors, Supervisors and Senior Management

- The annual remuneration of each of the executive Directors and senior management of the Company was in the band of RMB0.20 million to 5.00 million (tax included) and the specific amount for each of them was determined by the remuneration and assessment committee based on the main financial indicators and operation target completed by the Company, the scope of work and main responsibilities of the Directors and senior management of the Company, the target completion of Directors and senior management as assessed by the duty and performance appraisal system, as well as business innovation capability and profit generation ability of the Directors and senior management. The actual implementation proposal shall be determined by the remuneration and assessment committee of the Board as well as considered and decided by the Board.
- The Company will pay each of the independent non-executive Directors and non-executive Directors of the Company annual allowance of RMB40,000 to RMB100,000 (after tax). The travel expenses for attending board meetings and general meetings of the Company and fees reasonably incurred in the performance of their duties under the Articles of Association by independent non-executive Directors and non-executive Directors are reimbursed as expensed.
- The details of the remunerations of Directors, Supervisors and Senior Management are set out in note (XI) "Remuneration of key management staff" in this Financial Report.

X. Directors, Supervisors and Senior Management and Staff

V. Remunerations of Directors, Supervisors and Senior Management (Cont'd)

Decision process, basis for determining the remuneration and actual payment for the remuneration of Directors, Supervisors and Senior Management (Cont'd)

Remunerations of Directors, Supervisors and Senior Management during the Reporting Period

Unit: RMB'0,000

Name	Position	Sex	Age	Status	Total remuneration before tax received from the Company	Received remuneration from related parties of the Company
Chen Hongguo	Chairman and general manager	M	51	In office	500	No
Yin Tongyuan	Vice-chairman	M	58	In office	300	No
Li Feng	Director and deputy general manager	M	43	In office	76.7	No
Geng Guanglin	Director and deputy general manager	M	42	In office	147.01	No
Hou Huancai	Director	M	54	In office	34.17	No
Zhou Shaohua	Director and deputy general manager	M	54	In office	169.81	No
Yang Guihua	Director	F	50	In office	5	No
Wang Xiaoqun	Director	M	60	In office	5	No
Zhang Zhiyuan	Independent Director	M	53	In office	5	No
Wang Aiguo	Independent Director	M	52	In office	5	No
Zhang Hong	Independent Director	F	51	In office	5	No
Pan Ailing	Independent Director	F	51	In office	5	No
Gao Junjie	Chairman of Supervisory Committee	M	45	In office	30.38	No
Wang Ju	Supervisor	F	50	In office	1.18	No
Yang Hongqin	Supervisor	F	48	In office	19.22	No
Yin Qixiang	Supervisor	M	78	In office	2.5	No
Guo Guangyao	Supervisor	M	73	In office	2.5	No
Li Xueqin	Deputy general manager	F	50	In office	208.72	No
	Secretary to the Board and					
Wang Chunfang	deputy general manager	M	40	In office	166.81	No
Hu Changqing	Deputy general manager	M	50	In office	165.23	No
Shao Zhenzhong	Deputy general manager	M	55	Resigned	17.46	No
Chang Liting	Deputy general manager	M	62	Resigned	78.05	No
Li Zhenzhong	Deputy general manager	M	42	In office	106.2	No
Poon Shiu Cheong	Company secretary and qualified accountant	M	46	In office	12.67	No
Total	-	-	-	-	2,068.61	-

Directors, Supervisors and Senior Management of the Company granted share options as incentives during the reporting period

☐ Applicable ☒ Not applicable

X. Directors, Supervisors and Senior Management and Staff

VI. Personnel of the Company

1. Number of staff, specialty composition and education level

Number of staff at the Company (person)	4,199
Number of staff at major subsidiaries (person)	7,694
Total number of staff (person)	11,893
Total number of staff receiving remuneration during the period (person)	11,893
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations (person)	11

Specialty composition	
Category of specialty composition	Number of people (person)
Production staff	6,650
Sales staff	791
Technical staff	1,826
Financial staff	158
Administrative staff	1,194
Other staff	1,274
Total	11,893

Education level	
Category of education level	Number of people (person)
Postgraduate and above	17
Undergraduate	1,108
Post-secondary	2,866
Technical secondary and below	7,902
Total	11,893

X. Directors, Supervisors and Senior Management and Staff

VI. Personnel of the Company (Cont'd)

2. Remuneration policies

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations of the PRC, the Company adopts different standards of remuneration for different employees, which are determined based on their performance, experience, position, etc. Details of the remuneration of employees of the Group in 2015 are set out in Note 26 to the financial statements prepared in accordance with Accounting Standards for Business Enterprises.

Meanwhile, employees of the Group in the PRC participate in state-managed retirement benefit schemes operated by local governments. The Group is required to contribute a specified percentage of the employees' payroll costs to the retirement benefit scheme to fund the benefits. Details of the employee pension benefits provided by the Group are set out in Note 26 of the financial statements prepared in accordance with Accounting Standards for Business Enterprises.

3. Training program

The Company attaches great importance to staff training and actively develops a learning atmosphere. Detailed annual training programs are prepared annually by all departments and subsidiaries to carry out multi-form and multi-channel training for staff at different levels of different profession. It has revised and improved its training management system: ① It has developed "Management Measures of Internal Lecturers" for the training, selection and accreditation of internal lecturers, and strictly implemented the monitoring and evaluation of internal lecturers under the applicable rules; and ② researched on the demand for online learning system and devised implementation plan for the construction of the system.

4. Labour outsourcing

☐ Applicable ☒ Not applicable

XI Corporate Governance

I. Corporate governance in practice

(I) Corporate governance in practice

The Company operated in compliance with the requirement of Companies Law (《公司法》), Securities Law (《證券法》), Code of Corporate Governance for Listed Companies (《上市公司治理準則》), Rules Governing Listing of Stocks on Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》), Hong Kong Listing Rules and the related requirements as required by China Securities Regulatory Commission. The Company further improved and optimised its legal person governance structure during the reporting period. Save for the details set out in subsection (IX) (I) of this section, the Board considers there is no material deviation of the Company in its corporate governance from the regulatory documentation requirements provided for listed companies in respect of corporate governance.

(II) Corporate governance activities

During the Reporting Period, the Board strived to regulate the operation of the Company by improving corporate governance based on relevant special activities carried out in prior year. It improved corporate governance practice in a timely manner according to relevant regulations, and revised the Implementing Rules of the Audit Committee of the Board and amendments to the Articles of Association and other systems. The Company carried out the following activities to continue to improve corporate governance:

1. In view of the requirements to be implemented from 1 January 2016 pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended) and the actual circumstances of the Company, the Board of the Company amended the Implementing Rules of the Audit Committee of the Board. The amendments were considered and approved at the twelfth meeting of the seventh session of the Board and implemented thereafter.
2. According to relevant provisions of the Company Law of the People's Republic of China, the State Council Guidance Opinion on the launch of the preference shares pilot scheme and the Experimental Administrative Measures on Preference Shares, and based on the issue of preference shares by the Company, the Company amended its Articles of Association and formulated the amendments to the Articles of Association. The proposal was considered and approved at the 2015 first extraordinary general meeting and implemented thereafter.
3. In view of the further amendments to the Proposal of Non-public Offer of Preference Share of Shandong Chenming Paper Holdings Limited, corresponding amendments were required to be made to certain parts of the Articles of Association that were related to the issue proposal. The resulting amendments to the Articles of Association were considered and approved at the 2015 second extraordinary general meeting and implemented thereafter.

The Company strictly implemented its related system of internal control to facilitate its regulated operation and healthy development, thereby protecting the legal interests of investors. The corporate governance of the Company was exactly the same as what was required by the CSRC. The regulated operations and the internal control standards would grow with the development of the Company.

Any material non-compliance of the regulatory documents on the governance of listed companies issued by the CSRC in respect of actual governance of the Company

☐ Yes ☒ No

There was no material non-compliance of the regulatory documents on the governance of listed companies issued by the CSRC in respect of the actual governance of the Company.

XI Corporate Governance

II. Particulars about the independence in terms of businesses, personnel, assets, organisations, and finance from the controlling shareholder

In terms of business:	The Company was completely independent from the controlling shareholder, and had business independence and self operation capability.
In terms of personnel:	The labour, personnel and salary management were completely separated from the controlling shareholder.
In terms of assets:	There was only shareholding relationship between the Company and Shouguang Chenming Holdings Company Limited. The assets of the Company were completely separated from that of the controlling shareholder.
In terms of organisation:	The Company had a mature and independent organisation structure, which was established according to the legal processes and the business practice of the Company. It was completely separated from that of the controlling shareholder.
In terms of finance:	The Company had its own accounting department, accounting system, financial management system, and bank accounts. The controlling shareholder did not interfere in the financial activities of the Company.

All in all, the Company is totally separate in businesses, personnel, assets, organisations, and finance from the controlling shareholder, and had its business independence and self operation capability.

III. Competition in the industry

☐ Applicable ☒ Not applicable

IV. Annual general meeting and extraordinary general meeting convened during the reporting period

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of investors	Convened date	Disclosure date	Disclosure index
2015 first extraordinary general meeting, 2015 first class meeting for holders of A and B shares and 2015 first class meeting for holders of H shares	Extraordinary general meeting	0.02%	13 February 2015	14 February 2015	http://www.cninfo.com.cn
2014 annual general meeting	Annual general meeting	0.01%	15 May 2015	16 May 2015	http://www.cninfo.com.cn
2015 second extraordinary meeting	Extraordinary general meeting	0.00%	22 July 2015	23 July 2015	http://www.cninfo.com.cn
2015 third extraordinary meeting	Extraordinary general meeting	0.01%	15 October 2015	16 October 2015	http://www.cninfo.com.cn

XI Corporate Governance

IV. Annual general meeting and extraordinary general meeting convened during the reporting period (Cont'd)

2. Extraordinary general meeting requested by holders of the preference shares with voting rights restored

☐ Applicable ☒ Not applicable

V. Performance of Independent Directors during the reporting period

1. Attendance of independent Directors at Board meetings and general meetings

Attendance of Independent Directors at board meetings						
Name of independent Directors	Number of attendance required for Board meetings during the reporting period	Attendance of Independent Directors at board meetings				
		Attendance in person	Attendance by communication	Attendance by proxy	Absence	Absent twice in a row (in person)
Zhang Zhiyuan	8	1	7	0	0	No
Wang Aiguo	8	1	7	0	0	No
Zhang Hong	8	1	7	0	0	No
Pan Ailing	8	1	7	0	0	No
Number of the general meetings attended by independent Directors						1

Explanation on absence from the Board meeting twice in a row:

None of the independent Directors was absent from the Board meeting twice in a row.

2. Objections from independent Directors on related issues of the Company

Were there any objections on related issues of the Company from the independent Directors?

☐ Yes ☒ No

There was no objection on related issues of the Company from the independent Directors during the reporting period.

XI Corporate Governance

V. Performance of Independent Directors during the reporting period (Cont'd)

3. Other details about the performance of duties by the independent Directors

Were there any suggestions from the independent Directors adopted by the Company?

☒ Yes ☐ No

Explanation on the adoption or non-adoption with related suggestions from the independent Directors

During the reporting period, the independent Directors of the Company focused on the operation of the Company and performed their duties strictly in accordance with relevant laws and regulations and the Articles of Association. They provided a lot of valuable professional recommendations on optimising the Company's system and decision on daily operation. They also issued independent and fair opinion on matters arising during the reporting period which requested opinions from independent Directors. This helped optimising the supervising system of the Company, as well as protecting the legal rights of the Company and all shareholders.

Publication date	Subject matter	Opinion
26 March 2015	Matters relating to internal control self-assessment report of the Company, external guarantees, determination of remuneration of directors and senior management for 2014, use of proceeds by related parties and related party transactions, appointment of accounting firm, provision of guarantee for comprehensive credit line of wholly-owned subsidiaries and related party transactions	Agreement
17 July 2015	Matters relating to the disposal of equity interest in Fuyu Chenming	Agreement
27 August 2015	Matters relating to the use of proceeds by controlling shareholders and other related parties of the Company and external guarantees	Agreement
18 December 2015	Matters relating to the provision of guarantee for the Financial Leasing Company	Agreement

XI Corporate Governance

VI. Performance of duties by special committees under the Board of Directors

(I) Audit committee

1. The following major tasks were completed in 2015:

- (1) it conducted pre-audit communication with external auditing institution engaged by the Company in respect of the 2014 financial report auditing, reviewed the 2014 auditing report and financial report and submitted such reports to the Board of the Company;
- (2) it reviewed the first quarter report of the Company as of 31 March 2015, which was submitted to the Board for approval.
- (3) it reviewed the interim financial statements for the six months ended 30 June 2015, which were submitted to the Board for approval.
- (4) it reviewed the third quarter report of the Company as of 30 September 2015, which was submitted to the Board for approval.

2. Auditing work conducted on the 2015 financial report of the Company is as follows:

- (1) it reviewed the 2015 auditing plan and the related information of the Company with the auditing certified public accountants and the finance department of the Company prior to the on site audit and negotiated and determined the schedule of an audit of the 2015 financial statements of the Company with Ruihua Certified Public Accountants;
- (2) it reviewed the draft of financial statements of the Company prior to an annual on site audit performed by the auditing certified public accountants and issued its approval to audit;
- (3) it kept in close contact with the auditors upon the annual on site audit and issued a letter to the auditors to urge the submission of the auditors' report on schedule;
- (4) it reviewed the financial statements of the Company again upon the issue of draft opinion on the annual audit by the auditing certified public accountants, and considered the financial statements of the Company true, accurate and complete to reflect the overall position of the Company;
- (5) at the first meeting of the audit committee in 2016, the auditors' report on the annual audit issued by the certified public accountants was approved and then was submitted to the Board;
- (6) it reviewed the report on internal audit and internal control of the Company for the year ended 31 December 2015.

(II) Remuneration and assessment committee

The remuneration and assessment committee of the Company were primarily responsible for formulating the remuneration and assessment for the Directors and the Senior Management of the Company and formulating and examining the remuneration package of the Directors and the Senior Management of the Company, and accountable to the Board. In the reporting period, the remuneration and assessment committee formulated the 2014 remuneration package of the Directors and the Senior Management of the Company, which then was submitted to the Board for approval, based on the production and operation conditions of 2014 and assessment of the Directors and the Senior Management of the Company.

XI Corporate Governance

VI. Performance of duties by special committees under the Board of Directors *(Cont'd)*

(III) Strategic committee

During the reporting period, the strategic committee held two meetings. The first meeting in 2015 considered the proposed resolutions in relation to the capital increase of the Financial Leasing Company, which was submitted to the eighth meeting of the seventh session of the Board of the Company for consideration and approval. The second meeting in 2015 considered the proposed resolutions in relation to the construction of integrated terminal of Huanggang Chenming, the construction of Zhanjiang Chenming's 600,000-tonne liquid packaging paper project and the investment and establishment of industry development fund, which were submitted to the twelfth meeting of the seventh session of the Board of the Company for consideration and approval.

Concerned about the authorisation on project development and financing from the Board, the strategic committee keeps constant communication with the management, and is fully aware of each issues within the scope of such authorisation.

VII. Performance of duties by the Supervisory Committee

During the reporting period, the supervisory committee held four meetings.

The ninth meeting of the seventh session of the Supervisory Committee considered and approved seven proposed resolutions respectively in relation to the 2014 supervisors' report, the full text and summary of the 2014 annual report of the Company, the 2014 financial statements of the Company, the internal control self-assessment report of the Company and the engagement of an external auditor for 2015;

The tenth meeting of the seventh session of the Supervisory Committee considered and approved one proposed resolution in relation to approving the full text and body text of the 2015 first quarterly report of the Company;

The eleventh meeting of the seventh session of the Supervisory Committee considered and approved one proposed resolution in relation to approving the full text and summary of the 2015 interim report of the Company;

The twelfth meeting of the seventh session of the Supervisory Committee considered and approved one proposed resolution in relation to approving the full text and body text of the 2015 third quarterly report of the Company.

Were there any risks of the Company identified by Supervisory Committee when performing its duties during the reporting period?

☐ Yes ☒ No

None of those issues under the supervision was objected by Supervisory Committee during the reporting period.

VIII. Assessment and incentive mechanism for the Senior Management

The Senior Management of the Company is assessed on monthly and annually basis. Monthly assessments were conducted in line with the direction of the annual major tasks, and were focused on appraisals of two fixed indicators, namely the completion status of each month and the evaluation on important performance indicators. It was carried out monthly by way of cross assessment and supervision among the related departments. The annual assessments were carried out by the Remuneration and Assessment Committee with reference to the results of monthly assessments and overall performances during the year, including the integrated quality of Senior Management and internal training of talents.

XI Corporate Governance

IX. Internal Control

1. Particulars of material deficiencies in internal control detected during the reporting period

☐ Yes ☒ No

2. Self-assessment Report on Internal Control

Date of Disclosure of Assessment Report on Internal Controls	30 March 2016
Index of Assessment Report on Internal Controls Disclosure	http://www.cninfo.com.cn
Percentage of Total Assets Included in Assessment to	
Total Assets in Consolidated Financial Statements of the Company	99.00%
Percentage of Revenue Included in Assessment to	
Revenue in Consolidated Financial Statements of the Company	99.80%

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Qualitative criteria	(1) Indicators of material deficiencies in the internal control of financial reporting include: ineffective control environment, material loss to and adverse impact on the Company as a result of misconduct by Directors, Supervisors and senior management; material misstatement of non-exceptional incidents; ineffectiveness in supervision of internal control of the Company by the Board, or its delegated authorities, and the internal audit department. (2) Indicators of major deficiencies in internal control of financial reporting include: failure in selecting and applying accounting policies in accordance with generally accepted accounting principles; failure to establish procedures and control measures to prevent corrupt practices; failure to establish corresponding control mechanism for the accounting of unusual or special transactions or failure to implement or set up the corresponding compensation control; failure to reasonably ensure the truthfulness and accuracy in the preparation of financial statement, as a result of one or more deficiencies in the control of financial reporting as of the end of the period. (3) General deficiencies: other deficiencies in internal control that do not constitute material or major deficiencies.	Indicators of material deficiencies in the internal control of non-financial reporting include: major failure as a result of the decision making process; lack of control system or occurrence of systematic failure in principal activities and lack of effective compensation control, high turnover rate of mid to senior level management and senior technical staff; failure to address the findings of internal control assessment, in particular material deficiencies; and other factors which impose material adverse impact on the Company. Indicators of major deficiencies in internal control of non-financial reporting include: general failure as a result of the decision making process; deficiencies in major business procedure or system; high turnover rate of key staff; failure to address the findings of internal control assessment, in particular major deficiencies; and other factors which impose great adverse impact to the Company. Indicators of general deficiencies in internal control of non-financial reporting include: low efficiency of decision making process; deficiencies in general business procedure or system; high turnover rate of employees; and failure to rectify general deficiencies.

XI Corporate Governance

IX. Internal Control (Cont'd)

2. Self-assessment Report on Internal Control (Cont'd)

Type	Basis for identifying deficiencies	
	Financial reporting	Non-financial reporting
Quantitative criteria	General deficiencies: deviation of less than or equal to 0.1% from the target of accounting error/the total revenue; Major deficiencies: deviation of 0.1% - 0.5% from the target of accounting error/the total revenue; material deficiencies: deviation greater than 0.5% from the target of accounting error/the total revenue in consolidated statements.	General deficiencies: quantitative criterion (financial loss) less than RMB5,000,000; major deficiencies: quantitative criterion (financial loss) between RMB5,000,000 and RMB20,000,000; material deficiencies: quantitative criterion (financial loss) over RMB20,000,000.
Number of material deficiencies in financial reporting: (number)		0
Number of material deficiencies in non-financial reporting: (number)		0
Number of major deficiencies in financial reporting: (number)		0
Number of major deficiencies in non-financial reporting: (number)		0

X. Auditors' report on internal control

☒ Applicable ☐ Not applicable

Auditors' opinion contained in the Auditors' report on internal control

We are of the opinion that Shandong Chenming Paper Holdings Limited had in all material aspects maintained effective internal control over the financial statements in accordance with the Basic Internal Control Norms for Enterprises as of 31 December 2015.

Disclosure of Auditors' Report on Internal Control	Disclosed
Date of Disclosure of Auditors' report on internal control	30 March 2016
Index of Auditors' Report on Internal Control Disclosure	http://www.cninfo.com.cn
Type of Opinion in Auditors' Report on Internal Control	Standard and unqualified opinion
Material deficiencies in non-financial reporting	No

Any opinions of non-standardisation set out in the Auditors' Report on Internal Control issued by accountants

☐ Yes ☒ No

Auditors' Report on Internal Control issued by accountants was in line with Directors' opinions contained in Self-assessment Report

☒ Yes ☐ No

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited

(I) Compliance with the Code on Corporate Governance

The Company maintained high standards of corporate governance through various internal controls. The Board reviewed the corporate governance practices of the Company from time to time to enhance the corporate governance standards of the Company.

Save for the details set out in (IV) “Chairman and general manager”, (XVII) “Communications with shareholders” and (III) “Board of directors”, the Company had fully complied with all the principles and code provisions of the Code on “Corporate Governance” as set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

(II) Securities transactions by Directors

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

(III) Board of directors

The board of directors of the Company are elected at the general meeting and held accountable to the general meeting, and shall exercise the following functions and powers: (1) to be responsible for convening shareholders’ general meeting and to report on its work to the general meeting; (2) to carry out the resolutions of general meetings; (3) to decide on the business plans and investment proposals of the Company; (4) to formulate the proposed annual financial budget and final accounts of the Company; (5) to formulate the plan for profit distribution and the plan making up losses of the Company; (6) to formulate plans for the increase or reduction in the registered capital of the Company and for the issue and listing of Company’s debentures or other securities; (7) to draft plans for material acquisition and repurchase of the Company’s own shares; (8) to draft plans for the merger, division or dissolution or the change of formation of the Company; (9) to decide on external investment, acquisition and disposal of assets, pledge of assets, matter in relation to external guarantee, entrusted wealth management, connected transactions, etc. within the scope of mandate of the general meeting; (10) to decide on the establishment of the Company’s internal management organisation; (11) to employ or dismiss the manager or secretary to the board of directors of the Company; to employ or dismiss the Senior Management, such as the deputy general manager(s) and personnel in charge of financial affairs, as proposed by the general manager; and to decide on their remuneration and rewards and punishments; (12) to formulate the basic management system of the Company; (13) to formulate proposals for amending the Articles of Association; (14) to administrate matter related to information disclosure of the Company; (15) to propose to the general meeting for the engagement or replacement of accounting firm performing audit for the Company; (16) to review work reports from managers of the Company and to inspect on their work; (17) to exercise the functions and powers as conferred upon by the Articles of Association or the general meeting.

The Board comprised six executive Directors: Chen Hongguo (Chairman), Yin Tongyuan, Li Feng, Geng Guanglin, Hou Huancai, Zhou Shaohua; two non-executive Directors: Yang Guihua, Wang Xiaoqun; and four independent non-executive Directors: Zhang Zhiyuan, Wang Aiguo, Zhang Hong and Pan Ailing. Please refer to section X of this Annual Report for their brief biographies.

The Board is responsible for leading and monitoring the Company, and is wholly responsible for the administration and supervision of company businesses to facilitate its success. The Executive Director or the senior management is authorised to be responsible for the various divisions and functions and management of the processing. Directors of the Company shall act objectively and make decisions in the interests of the Company. The management and senior management of the Company held regular meetings with the board of directors to discuss the ordinary business operations and performance of the Company, and carried out the relevant decisions of the board of directors. The Company will arrange independent legal advice upon the request from the Directors or any committees of the Board of Directors, if the Board of Directors or any committees of the Board of Directors consider it necessary to seek for independent professional advice.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited *(Cont'd)*

(III) Board of directors *(Cont'd)*

Pursuant to Code A.1.8 of the code provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. During the Reporting Period, the Company has not made such arrangement as no consensus has been reached with the existing insurer. The Company, however, is in negotiations with another insurer for such arrangement for 2016.

During the reporting period, the Board held 8 meetings, 5 of which were regular meetings and 3 were extraordinary meetings. All Directors of the Company attended 8 Board meetings.

Name	Position	Attendance at the relevant meetings (attention required/attended)					
		Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration and assessment committee meetings	Strategic committee meetings	General meetings
I.	Executive Directors						
Chen Hongguo	Chairman and General Manager	8/8	N/A	0/0	1/1	2/2	2/2
Yin Tongyuan	Vice Chairman	8/8	N/A	N/A	N/A	2/2	4/4
Li Feng	Director and Deputy General Manager	8/8	N/A	N/A	N/A	N/A	0/0
Geng Guanglin	Director and Deputy General Manager	8/8	N/A	N/A	N/A	N/A	0/0
Hou Huancai	Director	8/8	N/A	N/A	N/A	N/A	0/0
Zhou Shaohua	Director and Deputy General Manager	8/8	N/A	N/A	N/A	N/A	0/0
II.	Non-executive Directors						
Yang Guihua	Director	8/8	5/5	N/A	N/A	N/A	0/1
Wang Xiaoqun	Director	8/8	N/A	N/A	N/A	N/A	0/3
III.	Independent non-executive Directors						
Zhang Zhiyuan	Independent Director	8/8	N/A	N/A	N/A	N/A	0/0
Wang Aiguo	Independent Director	8/8	5/5	0/0	1/1	N/A	0/1
Zhang Hong	Independent Director	8/8	5/5	N/A	N/A	2/2	0/0
Pan Ailing	Independent Director	8/8	N/A	0/0	1/1	N/A	0/0

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(III) Board of directors (*Cont'd*)

Save for those disclosed in the brief profile of Directors of the Company in this Report, none of the members of the Board had any financial, business, family relations or material connections with each other.

The Board held 5 regular meetings during the year, each by giving a 14-day notice in advance to ensure that all Directors could participate in discussions of matters in the agenda. Reasonable prior notification was given for the other meetings of the Board to ensure all Directors could take time to attend.

All Directors had access to opinions and services of the secretary to the Board to ensure the procedures governing the Board and all applicable regulations and rules were complied with.

Directors' trainings and professional development

All newly appointed Directors are provided with necessary orientation information, with an aim to ensure that they will have a better understanding of operations and business of the Company as well as relevant laws and regulations and obligations under the Listing Rules.

Directors and Supervisors of the Company were arranged by the Company to attend the 1st and the 2nd session of training courses 2015 for directors and supervisors held by China Securities Regulatory Commission, Shandong; and, briefing paper in respect of amendments to Hong Kong Listing Rules prepared by Advisor to Hong Kong Law of the Company was distributed to all Directors and Supervisors, the above of which were to ensure all Directors and Supervisors to comply with relevant laws and sound corporate governance practice, and enhance their awareness of sound corporate governance practice.

(IV) Chairman and general manager

The chairman and general manager of the Company is Mr. Chen Hongguo. Please refer to section X of this annual report for his brief biographies.

According to the Articles of Association of the Company, the chairman shall exercise the following powers: (1) presiding over general meetings, and convening and presiding over Board meetings; (2) supervising and inspecting the implementation of the resolutions of the Board; (3) signing the shares, the securities and bonds issued by the Company; (4) signing important documents of the Board and other documents which are required to be signed by legal representative of the Company; (5) performing the powers of a legal representative; (6) nominating candidates for general manager for the Board; (7) exercising the special right to operate the Company in accordance with the laws and acting for the benefits of the Company in the event of emergency situation as a result of act of God or natural disaster, and reporting to the Board meetings and general meeting afterwards; and (8) exercising other powers authorised by the Board.

The general manager shall exercise the following powers: (1) in charge of the operation and management of the Company, and organising the implementation of the resolutions of the Board; (2) organising the implementation of the Company's annual business plans and investment plans; (3) drafting plans for the establishment of the internal organisational structure of the Company; (4) drafting the basic management system of the Company; (5) formulating specific rules and regulations for the Company; (6) proposing the appointment or dismissal of the deputy general manager and chief financial officer; (7) appointing or dismissing management personnel other than those required to be appointed or dismissed by the Board; (8) proposing the wages, welfare, rewards, and penalties of staff and to decide the appointment or dismissal of staff of the Company; (9) proposing the convening of extraordinary meeting of the Board; and (10) exercising other powers conferred by the Articles of Association of the Company and the Board.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(IV) Chairman and general manager (*Cont'd*)

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 principle and code provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to Hong Kong Listing Rules. However, the Directors of the Company believe that Mr. Chen Hongguo 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.

(V) Independent non-executive Directors

There are four independent non-executive Directors in the Board, which is in compliance with the minimum requirement of the number of independent non-executive directors set out in the Hong Kong Listing Rules. Wang Aiguo and Pan Ailing, the independent non-executive Directors of the Company, have appropriate accounting or related financial management expertise, which is compliance with the requirement of Rule 3.10 of the Hong Kong Listing Rules. Please refer to section X of this annual report for their brief biographies. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to Rule 3.13 of the Hong Kong Listing Rules and considered all of the independent non-executive Directors to be independent during the year.

(VI) Terms of Directors

According to the Articles of Association of the Company, all Directors, including non-executive Directors, are elected at general meetings with a term of three years from May 2013 to May 2016. They may be re-elected for another term upon expiry of tenure.

(VII) Directors' responsibility for the financial statements

The Directors acknowledged their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. The Directors believed that the Company had adopted and applied consistently appropriate accounting policies in preparing the financial statements in compliance with all related accounting standards.

(VIII) Board Committees

Pursuant to Code on Corporate Governance, the Board has established three committees, namely, Audit Committee, Remuneration and Assessment Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. Each Board Committee has its own defined written terms of reference. The written terms of reference of each Board Committee are published on websites of stock exchange and the Company.

Save for requirements of Code on Corporate Governance, the Company also set up Strategic Committee, for overseeing and studying long-term strategic development plan of the Company and making recommendations.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(IX) Audit Committee

The Audit Committee of the Company comprises three members, including Zhang Hong (as the chairman), Yang Guihua and Wang Aiguo. Two of them, including the chairman, are independent non-executive Directors. The primary duties of the Audit Committee are serving as a communication media between internal and external audit and the related review and supervision. Wang Aiguo has appropriate professional qualifications or appropriate accounting or related financial management expertise, which is in compliance with the requirement of the Hong Kong Listing Rules.

The primary duties of the Audit Committee of the Company are: (1) proposing the appointment or dismissal of the external auditors; (2) supervising the internal control system of the Company and its implementation; (3) serving as a communication media between internal and external audit; (4) auditing the financial information of the Company and its disclosures; (5) reviewing the financial control, risk control and internal control system of the Company and audit the significant connected transactions; (6) discussing the risk management and internal control system with the management to ensure the management has performed its duties to establish effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions of the Company; (7) studying the major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and the management's response to these findings; (8) where the annual report includes statements in relation to the risk management and internal control system of the Company, reviewing such statements prior to submission to the Board for approval; and (9) dealing with other matters as delegated by the Board.

The Audit Committee discussed with the management of the Company the accounting standards and practices adopted by the Group and discussed and reviewed this report, including the review of the financial statements of the Group for the year ended 31 December 2015 prepared in accordance with China Accounting Standards for Business Enterprises.

Particulars of the meetings held by the Audit Committee during the reporting period were detailed in part VI of this section.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2015.

In respect of internal control system, procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(X) Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company comprises three members, including Wang Aiguo, the Chairman, and other members, namely Chen Hongguo and Pan Ailing. Two members, including the Chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Remuneration and Assessment Committee is primarily responsible for formulating the criteria of appraisal of the Directors and managers and conducting the appraisal, and studying and formulating the remuneration policy and package of the Directors and the Senior Management of the Company. The Remuneration and Assessment Committee is accountable to the Board.

The primary duties of the Remuneration and Assessment Committee of the Company are: (1) formulating the remuneration plan or package based on the major scope of work, duties and importance of the Directors and the management and the remuneration level of other counterparts; (2) formulating the remuneration plan or package which mainly includes but not limited to standards, procedures and a system for performance appraisals as well as major plans and a system for rewards and sanctions; (3) examining the performance of the Directors, excluding the independent non-executive Directors, and the Senior Management and conduct annual performance appraisals for them; (4) supervising the implementation of the remuneration policy of the Company; and (5) dealing with other matters as delegated by the Board.

Particulars of the meeting's held by the Remuneration and Assessment Committee during the reporting period are detailed in part VI of this section.

(XI) Nomination Committee

The Nomination Committee of the Company comprises three members, including Pan Ailing (as the chairman), Chen Hongguo and Wang Aiguo. Two of them, including the chairman, are independent non-executive Directors, which is in compliance with Code on Corporate Governance Practices. The Nomination Committee is primarily responsible for selecting candidates for directors and the management of the Company, determining the selection criteria and procedure and making recommendations.

The primary duties of the Nomination Committee are (1) advising the Board on the size and composition of the Board in light of the company's operating activities, asset scale and shareholding structure; (2) studying the selection criteria and procedure for Directors and the management and advising the Board on the same; (3) extensively identifying qualified candidates for Directors and the management; (4) examining candidates for Director and the management and advising on the same; (5) examining other Senior Management staff pending referral to the Board for decision on their employment and advising on the same; (6) advising to the Board on appointment and re-appointment of directors and on skills, knowledge, experience, background, gender and other characteristics required in serving as a director taking into consideration diversity, balance and efficiency of the Board and benefits thereto; (7) reviewing the Board diversity policy, revising thereon in a timely manner and making relevant disclosure in the corporate governance report in the corresponding annual report; and (8) dealing with other matters as delegated by the Board.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XI) Nomination Committee (*Cont'd*)

During the reporting period, the Nomination Committee, after studying the needs of the Company for new Directors and managerial personnel and taking into consideration the Board diversity policy, identified suitable candidates for Director and managerial positions through various channels (including from the Group internally and from the human resources market). Upon acceptance of nomination by the nominated person, the Nomination Committee performed qualification review on preliminary candidates by holding meetings, review criteria include the academic qualifications, relevant experience and specialised skills of the preliminary candidates. One to two months prior to election of new Directors, the Nomination Committee submitted recommendations and relevant materials of the directorial candidates to the Board; prior to engaging new Senior Management, the Nomination Committee submitted recommendations and relevant materials of the new Senior Management personnel to the Board.

Particulars of the meetings held by the Nomination Committee during the reporting period are detailed in part VI of this section.

(XII) Strategic Committee

The Company set up a Strategic Committee which comprised three members, including Chen Hongguo, the Chairman, and other members, namely, Yin Tongyuan and Zhang Hong. The Strategic Committee is primarily responsible for studying the long term strategic development and major investments of the Company and making recommendations.

The primary duties of the Strategic Committee are (1) conducting research and submitting proposals regarding the long term development strategic plan; (2) conducting research and submitting proposals regarding the financing plans for major investments which require approval from the Board as stipulated in the Articles of Association of the Company; (3) conducting research and submitting proposals regarding major capital operations and assets operation projects which require approval from the Board as stipulated in the Articles of Association of the Company; (4) conducting research and submitting proposals regarding other material matters that may affect the development of the Company; (5) carrying out examination on the implementation of the above matters; (6) dealing with other matters as delegated by the Board.

(XIII) Auditors

On 15 May 2013, the 2012 annual general meeting of the Company agreed to continue to engage RSM China Certified Public Accountants (Special General Partnership) as the domestic auditors of the Company for 2013 and be responsible for domestic auditing of the Company for 2013. As RSM China Certified Public Accountants (Special General Partnership) has merged with Crowe Horwath Certified Public Accountants (Special General Partnership), domestic auditing of the Company for 2013 was taken up by Ruihua Certified Public Accountants (Special General Partnership). Such change was approved at the first extraordinary general meeting for 2013 held on 21 August 2013.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XIII) Auditors (*Cont'd*)

On 9 May 2014, the 2013 annual general meeting of the Company agreed to continue to engage Ruihua Certified Public Accountants (Special General Partnership) as the domestic auditors of the Company for 2014 and be responsible for domestic auditing of the Company for 2014.

On 15 May 2015, the 2014 annual general meeting of the Company agreed to continue to engage Ruihua Certified Public Accountants (Special General Partnership) as the domestic auditors of the Company for 2015 and be responsible for domestic auditing of the Company for 2015.

(XIV) Remuneration for the auditors

The financial statements for 2015 prepared in accordance with Accounting Standards for Business Enterprises by the Group were audited by Ruihua Certified Public Accountants (Special General Partnership). In 2015, the Company paid the auditors in aggregate RMB2,000,000 and RMB600,000 in respect of audit financial statements and non-audit services in relation to internal control respectively. Save the above, no other non-audit fee was incurred during the year.

Ruihua Certified Public Accountants (Special General Partnership) have stated their reporting responsibilities on the financial statements of the Group in XII. Financial Report.

(XV) Supervisors and Supervisory Committee

The Supervisory Committee is accountable to the shareholders. It monitors the financial position of the Company and the performance of the Directors, managers and Senior Management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations to protect the lawful rights of the Company and the shareholders. The Supervisory Committee comprises three shareholder representatives and two staff representatives. The shareholder representatives shall be elected and removed at a general meeting and the staff representatives shall be elected and removed democratically by the staff of the Company.

Details of the work of the Supervisory Committee during the Reporting Period are set forth in Report of the Supervisory Committee in this annual report.

(XVI) Company secretary

During the reporting period, the company secretary confirmed that he has received relevant professional training for not less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders

The Company considers effective communication with Shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Principal means of communication with Shareholders of the Company are as follows:

Information disclosure on the Company's website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. The Company maintains its website at www.chenmingpaper.com where important information about the Group's activities and corporate matters such as annual reports and interim reports to Shareholders, announcements, business development and operations, corporate governance practices and other information are available for review by Shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

General meetings

The Company's Annual General Meeting provides a useful platform for direct communication between the Board and Shareholders. Various resolutions are proposed on each substantially separate issue at the general meetings. Save for the Annual General Meeting held on 15 May 2015 by the Company, three extraordinary general meetings were convened in 2015. The attendance record of Directors at each general meeting is set out below:

Name	Directors attending general meetings in person
Annual General Meeting	Chen Hongguo, Yi Tongyuan, Wang Xiaoqun, Wang Aiguo and Yang Guihua
First extraordinary general meeting	Yin Tongyuan and Wang Xiaoqun
Second extraordinary general meeting	Yi Tongyuan
Third extraordinary general meeting	Chen Hongguo, Yin Tongyuan and Wang Xiaoqun

The Company's external auditor also attended the Annual General Meeting.

Code E.1.2 of the code provisions – This code provision requires the chairman to invite the chairmen of the audit, remuneration and nomination committees to attend the Annual General Meeting.

Ms. Zhang Hong, the chairman of the audit committee of the Company, and Mr. Zhang Zhiyuan, the chairman of the nomination committee of the Company, were absent from the Annual General Meeting due to business commitments.

Code A.6.7 of the code provisions – This code provision requires independent non-executive Directors and other non-executive Directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing were absent from the Annual General Meeting due to business commitments.

Ms. Yang Guihua, Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing were absent from the first extraordinary general meeting due to business commitments.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

General meetings (*Cont'd*)

Mr. Wang Xiaoqun, Ms. Yang Guihua, Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing were absent from the second extraordinary general meeting due to business commitments.

Ms. Yang Guihua, Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing were absent from the third extraordinary general meeting due to business commitments.

Voting by poll

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day.

Shareholders' rights

1. *Procedures for convening an extraordinary general meeting by Shareholders*

Pursuant to Article 90 of the Articles of Association of the Company, Shareholder(s) alone or in aggregate holding 10% or more of the Company's shares shall be entitled to request the Board to convene extraordinary general meetings, provided that such request shall be made in writing. The Board shall, in accordance with provisions of the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving such proposal of the same. In the event that the Board agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after the passing of the relevant resolution of the Board. Any changes in the original request made in the notice shall require prior approval of Shareholders concerned.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such proposal, Shareholder(s) alone or in aggregate holding 10% or more of the Company's Shares shall be entitled to propose to the Supervisory Committee the convening of extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of general meeting shall be issued within five days after receiving such request. Any changes in the original request made in the notice shall require prior approval of Shareholders concerned.

Failure of the Supervisory Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and Shareholder(s) alone or in aggregate holding 10% or more of the Company's shares for ninety consecutive days or more shall be entitled to convene and preside over the meeting on an unilateral basis.

Pursuant to Article 91 of the Articles of Association of the Company, if Shareholders determine to convene a general meeting on their own, they shall give a written notice to the Board and file the same with the local office of CSRC at the place where the Company is located and the stock exchange for records. The shareholding percentage of shareholders who convened shall not be lower than 10% prior to the announcement of resolutions of the general meeting.

Shareholders who convened shall submit relevant certifications to the local office of CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of general meeting and the announcement of resolutions of the general meeting.

The Board and its secretary shall cooperate with respect to matters relating to general meetings convened by Shareholders on their own. The Board shall provide Shareholder registers as of the date of shareholding register. If a general meeting is convened by Shareholders on their own, all necessary expenses incurred shall be borne by the Company.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVII) Communications with Shareholders (*Cont'd*)

Shareholders' rights (*Cont'd*)

2. *Procedures for sending shareholders' enquiries to the board*

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary/Secretary to the Board whose contact details are as follows:

Company Secretary	Secretary to the Board
Poon Siu Cheong Address: 22nd Floor, World Wide House, Central, Hong Kong Email Address: kentpoon_1009@yahoo.com.hk Telephone: (852)-2501 0088 Facsimile: (852)-2501 0028	Wang Chunfang Address: No. 2199 East Nongsheng Road, Shouguang City, Shandong Province Email: chenmmingpaper@163.com Telephone: (86)-0536-2158008 Facsimile: (86)-0536-2158977

The Company secretary and the secretary to the Board shall forward shareholders' enquiries and concerns to the Board and/or relevant Board Committees of the Company, where appropriate, to answer shareholders' questions.

3. *Procedures for putting forward proposals of Shareholders at general meetings*

Pursuant to Article 102 of the Articles of Association of the Company, shareholders individually or jointly holding over 3% of the total shares of the Company are entitled to propose motions to the Company.

Shareholders individually or jointly holding over 3% of the total shares of the Company may submit extraordinary motions to the Board or the secretary to the Board ten working days before the convening of the General Meeting. The Board or the secretary to the Board shall issue supplementary notice of the General Meeting to announce the extraordinary motions within two working days after receiving the proposed motions.

Save for provided above, the Board or Secretary to the Board shall not amend proposals stated in the notice of general meeting or add new proposals therein following the notice of general meeting has been issued.

No voting or resolution shall be effected or adopted at the general meeting for proposals that have not been stated in the notice of general meeting or that do not comply with provisions of the Articles of Association. Extraordinary general meeting shall not resolve issues that are not contained in the notice.

Relationships with investors

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are received and visited at appropriate times to explain the Group's business. In addition, questions received from the general public and individual shareholders are answered promptly. In all cases great care is taken to ensure that no price-sensitive information is disclosed selectively.

XI Corporate Governance

XI. Disclosures as required by the Hong Kong Listing Rules issued by the Stock Exchange of Hong Kong Limited (*Cont'd*)

(XVIII) Internal Control

For details of internal control of the Company, please refer to IX. Internal Control hereunder.

(XIX) Articles of Association

On 13 February 2015 and 22 July 2015, the Company amended the Articles of Association. The amendments were primarily relating to the issue of preference shares. Memorandum of Association and the amended version of the new Articles of Association of the Company are available on websites of the Company and Stock Exchange.

(XX) Board Diversity

On 21 August 2013, the Company formulated policies to diversify Board members and amended the implementing rules of the nomination committee. Pursuant to the new policies, the nomination committee shall regularly review the Board diversity policy to improve efficiency and ensure interest thereof.

Such policies are summarised as follows:

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, backgrounds, genders and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, and in the context of the talents, skills and experience of the Board as a whole.

The Nomination Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation those described above, in order to maintain an appropriate range and balance of talents, skills, experience and backgrounds on the Board. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The composition of the Board of the Company is diversified basically. For details, please refer to (III) Composition of the Board under section XI.

XII Financial Report

I. Auditors' Report

Type of auditors' opinion	standard and unqualified auditors' opinions
The date of the audit report signed	30 March 2016
Name of the auditor	Ruihua Certified Public Accountants (special general partnership)
Reference number of the auditors' report	Rui Hua Shen Zi [2016] No. 37020006
Name of certified public accountant	Wang Yan, Jing Chuanxuan

Text of the auditors' report

To shareholders of Shandong Chenming Paper Holdings Limited:

We have audited the accompanying financial statements of Shandong Chenming Paper Holdings Limited (hereinafter as the "Chenming Paper Company"), which comprise the consolidated and company balance sheets as at 31 December 2015, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2015 and notes to the financial statements.

1. Management's responsibility for the financial statements

The management of Chenming Paper Company is responsible for the preparation and fair presentation of the financial statements. This responsibility includes (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises so that the financial statements provide a fair view of the actual situation; and (2) designing, implementing and maintaining the necessary internal control so that the financial statements are free from material misstatement whether due to fraud or error.

2. Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on the audit we have conducted. We conduct our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical codes of Chinese certified public accountants and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. When conducting risk assessment, certified public accountants consider internal control relevant to the preparation and fair presentation of financial statements so as to design appropriate audit procedures, but not to express opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

XII Financial Report

3. Opinion

In our opinion, the financial statements above give a true and fair view of the consolidated and company financial position of Shandong Chenming Paper Holdings Limited as at 31 December 2015 and of its consolidated and company operating results and cash flows for 2015.

Ruihua Certified Public Accountants
(special general partnership)
Beijing, China

PRC Certified Public Accountant: Wang Yan
Certified Public Accountant: Jing Chuanxuan
30 March 2016

II. Financial Statements

Unless otherwise stated, the unit in the financial statements of the financial report is: RMB

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

31 December 2015

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	8,984,326,016.01	5,475,658,186.10
Bills receivable	3,998,782,845.65	3,047,541,556.15
Accounts receivable	3,951,287,979.32	3,489,409,369.20
Prepayments	1,072,990,234.05	1,838,017,454.90
Other receivables	1,469,573,364.01	1,776,467,886.07
Inventories	5,210,917,891.42	5,420,740,468.60
Non-current assets due within one year	2,893,133,653.86	865,738,333.65
Other current assets	7,582,839,356.54	1,656,602,232.09
Total current assets	35,163,851,340.86	23,570,175,486.76
NON-CURRENT ASSETS:		
Available-for-sale financial assets	109,000,000.00	73,000,000.00
Long-term receivables	9,084,087,143.84	1,420,598,667.99
Long-term equity investments	70,492,256.38	36,087,848.12
Investment properties	15,996,931.87	17,735,187.91
Fixed assets	24,169,725,529.18	24,744,731,705.04
Construction in progress	5,829,619,258.48	3,709,270,828.53
Construction materials	14,662,116.76	22,955,982.38
Intangible assets	1,462,706,060.63	1,319,104,425.04
Goodwill	20,283,787.17	20,283,787.17
Long-term prepaid expenses	165,686,946.61	173,690,747.83
Deferred income tax assets	613,229,310.48	620,267,636.44
Other non-current assets	1,242,358,865.33	1,094,124,242.00
Total non-current assets	42,797,848,206.73	33,251,851,058.45
Total assets	77,961,699,547.59	56,822,026,545.21

XII Financial Report

Unit: RMB

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	24,755,535,672.86	20,470,296,592.92
Bills payable	3,281,599,412.31	1,598,110,792.85
Accounts payable	2,942,337,386.57	3,408,366,113.93
Advance receipts	180,504,227.01	270,056,726.88
Staff remuneration payables	205,840,694.03	153,926,042.30
Taxes payable	194,852,483.80	161,100,088.94
Interest payable	150,075,698.23	150,047,305.50
Other payables	1,158,567,353.38	783,790,884.61
Non-current liabilities due within one year	5,471,286,735.91	1,099,968,900.00
Other current liabilities	10,293,543,297.00	
Total current liabilities	48,634,142,961.10	28,095,663,447.93
NON-CURRENT LIABILITIES:		
Long-term borrowings	5,169,381,063.83	4,378,290,245.19
Bonds payable	3,788,539,249.59	5,777,131,308.01
Long-term payables	344,000,000.00	
Special payables	176,983,516.66	161,983,516.66
Deferred income	1,495,104,889.26	1,476,121,434.78
Other non-current liabilities	1,094,621,421.67	2,584,768,359.64
Total non-current liabilities	12,068,630,141.01	14,378,294,864.28
TOTAL LIABILITIES	60,702,773,102.11	42,473,958,312.21
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	2,582,800,000.00	
Including: Perpetual bonds	2,582,800,000.00	
Capital reserves	6,149,138,276.81	6,149,136,873.41
Other comprehensive income	-345,014,864.26	33,763,168.13
Surplus reserves	1,132,116,106.40	1,132,116,106.40
Retained profit	5,416,049,598.87	4,665,921,686.21
Total equity attributable to equity holders of the company	16,871,494,584.82	13,917,343,301.15
Minority interest	387,431,860.66	430,724,931.85
Total owners' equity	17,258,926,445.48	14,348,068,233.00
TOTAL LIABILITIES AND OWNERS' EQUITY	77,961,699,547.59	56,822,026,545.21

Legal Representative: Chen Hongguo

Financial controller: Dong Lianming

Head of the financial department: Li Dong

XII Financial Report

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	5,700,832,345.61	2,345,637,944.73
Bills receivable	1,279,192,805.78	3,516,397,335.06
Accounts receivable	2,054,668,707.47	3,503,819,172.94
Prepayments	354,158,061.49	1,734,892,571.69
Dividend receivable	200,000,000.00	
Other receivables	23,168,599,276.40	9,312,981,273.16
Inventories	770,515,314.04	824,854,551.21
Non-current assets due within one year		300,000,000.00
Other current assets	44,180,954.64	114,216,338.90
Total current assets	33,572,147,465.43	21,652,799,187.69
NON-CURRENT ASSETS:		
Available-for-sale financial assets	73,000,000.00	73,000,000.00
Long-term equity investments	13,526,953,706.49	12,370,935,132.02
Investment properties	15,996,931.87	17,735,187.91
Fixed assets	3,494,527,564.35	3,350,685,307.94
Construction in progress	39,945,237.44	323,543,539.92
Construction materials	1,480,399.83	1,564,277.42
Intangible assets	308,890,444.95	246,581,452.71
Deferred income tax assets	146,800,984.93	41,033,875.05
Other non-current assets	900,000,000.00	900,000,000.00
Total non-current assets	18,507,595,269.86	17,325,078,772.97
TOTAL ASSETS	52,079,742,735.29	38,977,877,960.66
CURRENT LIABILITIES:		
Short-term borrowings	7,288,876,600.43	9,143,654,360.01
Bills payable	1,095,500,000.00	680,548,319.01
Accounts payable	952,024,758.38	693,506,846.35
Advance receipts	735,151,335.79	1,724,744.50
Staff remuneration payables	84,950,702.67	75,683,362.25
Taxes payable	37,964,445.54	30,908,886.06
Interest payable	150,075,698.23	150,047,305.50
Other payables	4,342,643,198.14	4,141,133,979.84
Non-current liabilities due within one year	4,339,346,982.33	494,760,000.00
Other current liabilities	10,293,543,297.00	
Total current liabilities	29,320,077,018.51	15,411,967,803.52

XII Financial Report

Unit: RMB

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	1,051,891,417.64	867,832,035.94
Bonds payable	3,788,539,249.59	5,777,131,308.01
Deferred income	61,468,322.53	44,507,433.25
Other non-current liabilities	1,094,621,421.67	2,584,768,359.64
Total non-current liabilities	5,996,520,411.43	9,274,239,136.84
Total liabilities	35,316,597,429.94	24,686,206,940.36
OWNERS' EQUITY:		
Share capital	1,936,405,467.00	1,936,405,467.00
Other equity instruments	2,582,800,000.00	
Including: Perpetual bonds	2,582,800,000.00	
Capital reserves	5,938,840,660.10	5,938,839,256.70
Surplus reserves	1,119,926,524.49	1,119,926,524.49
Retained profit	5,185,172,653.76	5,296,499,772.11
TOTAL OWNERS' EQUITY	16,763,145,305.35	14,291,671,020.30
TOTAL LIABILITIES AND OWNERS' EQUITY	52,079,742,735.29	38,977,877,960.66

3. Consolidated Income Statement

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Total revenue	20,241,906,131.81	19,101,677,077.69
Including: Revenue	20,241,906,131.81	19,101,677,077.69
II. Total operating costs	19,203,692,799.70	19,011,530,814.45
Including: Operating costs	14,764,663,431.18	15,323,102,779.20
Business taxes and surcharges	133,046,735.23	91,030,073.05
Sales and distribution expenses	1,190,961,739.99	1,148,055,535.23
General and administrative expenses	1,384,652,496.82	1,160,542,907.39
Finance expenses	1,669,400,051.76	1,229,259,157.47
Loss on impairment of assets	60,968,344.72	59,540,362.11
Plus: Gain on change in fair value ("-" denotes loss)	-19,078,538.02	6,856,815.32
Investment income ("-" denotes loss)	88,715,519.36	69,035,637.19
Including: Investment income from associates and joint ventures	-15,595,591.74	-5,156,941.21

XII Financial Report

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
III. Operating profit ("-" denotes loss)	1,107,850,313.45	166,038,715.75
Plus: Non-operating income	311,005,804.35	410,311,345.82
Including: gains on disposal of non-current assets	15,395,550.60	86,153,319.82
Less: Non-operating expenses	8,687,132.75	15,341,778.28
Including: Loss on disposal of non-current assets	6,610,974.07	12,236,126.04
IV. Total profit ("-" denotes total loss)	1,410,168,985.05	561,008,283.29
Less: Income tax expenses	432,237,378.20	107,699,410.64
V. Net profit ("-" denotes net loss)	977,931,606.85	453,308,872.65
Net profit attributable to shareholders of the Company	1,021,224,678.04	505,204,384.73
Profit or loss of minority interest	-43,293,071.19	-51,895,512.08
VI. Net other comprehensive income after tax	-378,778,032.39	16,829,094.54
Net other comprehensive income after tax attributable to shareholders of the Company	-378,778,032.39	16,829,094.54
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-378,778,032.39	16,829,094.54
Exchange differences on translation of foreign operations	-378,778,032.39	16,829,094.54
VII. Total comprehensive income	599,153,574.46	470,137,967.19
Total comprehensive income attributable to shareholders of the Company	642,446,645.65	522,033,479.27
Total comprehensive income attributable to minority interest	-43,293,071.19	-51,895,512.08
VIII. Earnings per share:		
(I) Basic earnings per share	0.50	0.26
(II) Diluted earnings per share	0.50	0.26

Legal Representative: Chen Hongguo

Financial controller: Dong Lianming

Head of the financial department: Li Dong

XII Financial Report

4. Income statement of the Company

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Revenue	7,275,425,648.26	8,582,968,059.66
Less: Operating costs	5,993,094,498.52	7,012,489,036.44
Business taxes and surcharges	30,873,964.20	35,615,043.10
Selling and distribution expenses	279,731,973.48	298,701,273.17
General and administrative expenses	520,809,764.62	530,538,773.19
Finance expenses	1,216,334,728.73	934,446,118.52
Loss on impairment of assets	8,559,848.69	1,496,752.17
Plus: Gain on change in fair value ("-" denotes loss)		
Investment income ("-" denotes loss)	736,088,507.79	1,154,412,826.75
Including: Investment income from associates and joint ventures	-124,825.53	-82,608.18
II. Operating profit ("-" denotes loss)	-37,890,622.19	924,093,889.82
Plus: Non-operating income	94,645,725.12	135,734,906.06
Including: gains on disposal of non-current assets	8,005,303.35	1,152,350.23
Less: Non-operating expenses	2,752,565.78	4,750,252.63
Including: Loss on disposal of non-current assets	2,049,678.31	1,321,959.79
III. Total profit ("-" denotes total loss)	54,002,537.15	1,055,078,543.25
Less: Income tax expenses	-105,767,109.88	-23,951,712.53
IV. Net profit ("-" denotes net loss)	159,769,647.03	1,079,030,255.78
V. Net other comprehensive income after tax		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
VI. Total comprehensive income	159,769,647.03	1,079,030,255.78

XII Financial Report

5. Consolidated cash flow statement

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	18,577,236,564.74	17,314,976,594.80
Tax rebates received	6,453,340.46	9,544,605.83
Cash received relating to other operating activities	1,475,411,139.98	599,986,969.23
Subtotal of cash inflows from operating activities	20,059,101,045.18	17,924,508,169.86
Cash paid for goods and services	10,916,668,800.35	10,998,606,216.24
Cash paid to and for employees	884,488,245.20	833,795,827.84
Payments of taxes and surcharges	1,130,243,926.64	914,734,942.86
Cash paid relating to other operating activities	16,849,063,597.29	4,191,971,447.07
Subtotal of cash outflows from operating activities	29,780,464,569.48	16,939,108,434.01
Net cash flows from operating activities	-9,721,363,524.30	985,399,735.85
II. Cash flows from investing activities		
Cash received from investments	400,000,000.00	10,000,000.00
Cash received from investment income	104,311,111.10	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	21,902,837.86	24,814,839.75
Net cash received from disposal of subsidiaries and other business units		75,035,211.41
Cash received relating to other investing activities	115,612,200.00	913,066,062.47
Subtotal of cash inflows from investing activities	641,826,148.96	1,022,916,113.63
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	3,716,411,633.83	3,093,185,535.33
Cash paid on investments	386,000,000.00	3,000,000.00
Cash paid relating to other investing activities		1,000,000,000.00
Subtotal of cash outflows from investing activities	4,102,411,633.83	4,096,185,535.33
Net cash flows from investing activities	-3,460,585,484.87	-3,073,269,421.70

XII Financial Report

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from borrowings	29,939,346,034.63	25,487,820,197.15
Cash received relating to other financing activities	12,810,727,778.00	
Subtotal of cash inflows from financing activities	42,750,073,812.63	25,487,820,197.15
Cash repayments of amounts borrowed	24,268,356,896.67	13,879,691,315.16
Cash paid for dividend and profit distribution or interest payment	1,821,385,484.85	2,143,300,146.91
Cash paid relating to other financing activities	2,596,657,197.45	7,136,477,150.59
Subtotal of cash outflows from financing activities	28,686,399,578.97	23,159,468,612.66
Net cash flows from financing activities	14,063,674,233.66	2,328,351,584.49
IV. Effect of foreign exchange rate changes on cash and cash equivalents	30,285,407.97	9,082,033.70
V. Net increase in cash and cash equivalents	912,010,632.46	249,563,932.34
Plus: Balance of cash and cash equivalents as at the beginning of the period	976,096,861.30	726,532,928.96
VI. Balance of cash and cash equivalents as at the end of the period	1,888,107,493.76	976,096,861.30

6. Cash flow statement of the Company

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	10,435,713,825.07	7,434,789,634.68
Tax rebates received		
Cash received relating to other operating activities	718,326,790.53	5,667,186,748.15
Subtotal of cash inflows from operating activities	11,154,040,615.60	13,101,976,382.83
Cash paid for goods and services	3,904,089,290.80	7,976,726,938.55
Cash paid to and for employees	216,994,869.89	237,509,541.17
Payments of taxes and surcharges	136,546,983.94	325,272,919.29
Cash paid relating to other operating activities	12,871,669,400.73	312,133,309.30
Subtotal of cash outflows from operating activities	17,129,300,545.36	8,851,642,708.31
Net cash flows from operating activities	-5,975,259,929.76	4,250,333,674.52

XII Financial Report

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
II. Cash flows from investing activities:		
Cash received from investments	600,000,000.00	10,000,000.00
Cash received from investment income	736,213,333.32	1,073,924,052.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20,880,347.11	471,399.75
Cash received relating to other investing activities	20,482,200.00	102,928,415.14
Subtotal of cash inflows from investing activities	1,377,575,880.43	1,187,323,867.10
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	189,430,124.60	498,712,353.90
Cash paid on investments	1,456,143,400.00	1,951,889,592.00
Cash paid relating to other investing activities		1,000,000,000.00
Subtotal of cash outflows from investing activities	1,645,573,524.60	3,450,601,945.90
Net cash flows from investing activities	-267,997,644.17	-2,263,278,078.80
III. Cash flows from financing activities:		
Cash received from borrowings	11,958,735,442.42	13,143,235,684.08
Cash received relating to other financing activities	12,660,727,778.00	
Subtotal of cash inflows from financing activities	24,619,463,220.42	13,143,235,684.08
Cash repayments of amounts borrowed	13,355,042,909.56	8,704,359,885.67
Cash paid for dividend and profit distribution or interest payment	1,672,364,017.12	1,669,956,508.36
Cash paid relating to other financing activities	3,346,346,021.26	4,789,896,127.16
Subtotal of cash outflows from financing activities	18,373,752,947.94	15,164,212,521.19
Net cash flows from financing activities	6,245,710,272.48	-2,020,976,837.11
IV. Effect of foreign exchange rate changes on cash and cash equivalents	6,395,681.07	10,119,569.63
V. Net increase in cash and cash equivalents	8,848,379.62	-23,801,671.76
Plus: Balance of cash and cash equivalents as at the beginning of the period	40,590,357.33	64,392,029.09
VI. Balance of cash and cash equivalents as at the end of the period	49,438,736.95	40,590,357.33

7. Consolidated statement of changes in owners' equity Amounts for the reporting period

Unit: RMB

Item	For the reporting period												
	Equity attributable to shareholders of the Company												
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	Total owners' equity
			Perpetual bonds										
I.	Balance as at the end of the prior year	1,936,405,467.00			6,149,136,873.41		33,783,168.13		1,132,116,106.40		4,665,921,686.21	430,724,931.85	14,346,088,233.00
	Plus:												
	accounting policy change												
	Corrections of prior period errors												
	Business combination under common control												
II.	Balance as at the beginning of the year	1,936,405,467.00			6,149,136,873.41		33,783,168.13		1,132,116,106.40		4,665,921,686.21	430,724,931.85	14,346,088,233.00
III.	Changes in the period ("+" denotes increase)												
(I)	Total comprehensive income				1,403.40		-378,778,032.39				750,121,912.86	-43,283,071.19	2,910,888,212.48
(II)	Capital paid in and reduced by owners						-378,778,032.39				1,021,224,678.04	-43,283,071.19	588,153,574.46
1.	Ordinary shares paid by shareholders				1,403.40								2,582,801,403.40
2.	Capital paid by holders of other equity instruments												1,403.40
3.	Amounts of share-based payments recognised in owners' equity												2,582,800,000.00
(III)	Profit distribution												
1.	Transfer to surplus reserves										-271,096,765.38		-271,096,765.38
2.	Transfer to general risk provision												
3.	Distribution to owners (shareholders)												
(IV)	Transfer within owners' equity												
(V)	Special reserves												
(VI)	Others												
	Balance as at the end of the period	1,936,405,467.00			6,149,138,276.81		-345,014,864.26		1,132,116,106.40		5,410,495,98.87	387,431,880.66	17,258,826,445.48

XII Financial Report

Amounts for the prior period

Unit: RMB

Item	For the prior period Equity attributable to shareholders of the Company												
	Share capital	Preference shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	1,975,471,967.00				6,204,682,028.94	30,954,891.40	16,934,073.59		1,132,116,106.40		4,744,638,941.58	538,465,306.78	14,638,833,532.89
Plus:													
accounting policy change													
Corrections of prior period errors													
Business combination													
under common control													
II. Balance as at the beginning of the year	1,975,471,967.00				6,204,682,028.94	30,954,891.40	16,934,073.59		1,132,116,106.40		4,744,638,941.58	538,465,306.78	14,638,833,532.89
III. Changes in the period ("+" denotes increase)	-39,066,500.00				-55,545,155.53	-30,954,891.40	16,829,094.54				-75,717,255.37	-167,740,374.93	-280,285,239.89
(I) Total comprehensive income							16,829,094.54				505,204,384.73	-51,885,512.08	470,137,867.19
(II) Capital paid in and reduced by owners	-39,066,500.00				-55,545,155.53	-30,954,891.40						-61,913,669.40	-125,570,433.53
1. Ordinary shares paid													
by shareholders	-39,066,500.00				-55,545,155.53	-30,954,891.40						-61,913,669.40	-125,570,433.53
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised													
in owners' equity													
(III) Profit distribution											-580,921,640.10	-53,931,193.45	-634,852,833.55
1. Transfer to surplus reserves													
2. Transfer to general risk provision													
3. Distribution to owners													
(shareholders													
(IV) Transfer within owners' equity											-580,921,640.10	-53,931,193.45	-634,852,833.55
(V) Special reserves													
(VI) Others													
IV. Balance as at the end of the period	1,936,405,467.00				6,149,136,873.41		33,763,168.13		1,132,116,106.40		4,665,921,686.21	430,724,911.85	14,348,088,233.00

8. Statement of changes in equity of shareholders of the Company

Amounts for the reporting period

Unit: RMB

Item	For the reporting period								Total owners' equity	
	Share capital	Preference shares	Other equity instruments	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves		Retained profit
I. Balance as at the end of the prior year	1,336,405,467.00			5,393,839,256.70				1,119,926,524.49	5,296,439,772.11	14,291,671,020.30
Plus: accounting policy change										
Corrections of prior period errors										
II. Balance as at the beginning of the year	1,336,405,467.00			5,393,839,256.70				1,119,926,524.49	5,296,439,772.11	14,291,671,020.30
III. Changes in the period ("-" denotes decrease)										
(I) Total comprehensive income			2,582,800,000.00	1,403.40					-111,327,118.35	2,471,474,235.05
(II) Capital paid in and reduced by owners			2,582,800,000.00	1,403.40					159,769,647.03	159,769,647.03
1. Ordinary shares paid by shareholders				1,403.40					2,582,801,403.40	2,582,801,403.40
2. Capital paid by holders of other equity instruments				1,403.40						1,403.40
3. Amounts of share-based payments recognised in owners' equity			2,582,800,000.00							2,582,800,000.00
(III) Profit distribution										
1. Transfer to surplus reserves									-271,096,765.38	-271,096,765.38
2. Distribution to owners (shareholders)										
(IV) Transfer within owners' equity									-271,096,765.38	-271,096,765.38
(V) Special reserves										
(VI) Others										
IV. Balance as at the end of the period	1,336,405,467.00		2,582,800,000.00	5,393,840,660.10				1,119,926,524.49	5,185,172,653.76	16,763,145,305.35

XII Financial Report

Amounts for the prior period

Unit: RMB

Item	Share capital	Preference shares	Other equity instruments Perpetual bonds	Others	Prior period			Surplus reserves	Retained profit	Total owners' equity
					Capital reserves	Less: treasury shares	Other comprehensive income			
I. Balance as at the end of the prior year	1,975,471,967.00				6,005,426,779.17	30,954,891.40		1,119,926,524.49	4,798,391,156.43	13,888,261,535.69
Plus: accounting policy change										
Corrections of prior period errors										
II. Balance as at the beginning of the year	1,975,471,967.00				6,005,426,779.17	30,954,891.40		1,119,926,524.49	4,798,391,156.43	13,888,261,535.69
III. Changes in the period ("-" denotes decrease)										
(I) Total comprehensive income	-39,066,500.00				-66,597,522.47	-30,954,891.40			498,108,615.68	423,409,484.61
(II) Capital paid in and reduced by owners	-39,066,500.00				-66,597,522.47	-30,954,891.40			1,079,030,255.78	1,079,030,255.78
1. Ordinary shares paid by shareholders	-39,066,500.00				-66,597,522.47	-30,954,891.40			-74,699,131.07	-74,699,131.07
2. Capital paid by holders of other equity instruments					-66,597,522.47	-30,954,891.40				
3. Amounts of share-based payments recognized in owners' equity										
(III) Profit distribution										
1. Transfer to surplus reserves									-580,921,640.10	-580,921,640.10
2. Distribution to owners (shareholders)										
3. Others									-580,921,640.10	-580,921,640.10
(IV) Transfer within owners' equity										
(V) Special reserves										
(VI) Others										
IV. Balance as at the end of the period	1,936,405,467.00				5,938,839,256.70			1,119,926,524.49	5,296,499,772.11	14,291,671,020.30

XII Financial Report

III. General Information of the Company

Shandong Chenming Paper Holdings Limited (hereinafter referred to as the “Company”) was incorporated in May 1993 in Shouguang City, Shandong Province, with its headquarters at No. 2199 Nongsheng Road East, Shouguang City, Shandong Province.

The Company and its subsidiaries are principally engaged in processing and sale of paper products (including machine made paper and paper board), paper making raw materials and machinery; generation and sale of electric power and thermal power; forestry, saplings growing, processing and sale of timber; manufacturing, processing and sale of wood products; and manufacturing and sale of laminated boards and fortified wooden floorboards, marine engineering project investment, hotel service, equipment financial and operating leasing, etc.

The financial statements were considered and approved by the board of directors of the Company on 30 March 2015. According to the Articles of Association, these financial statements will be submitted to the general meeting for its approval.

Subsidiaries of the Company included in the scope of consolidation in 2015 totalled 51. For details, please refer to this Note IX “Equity in other entities”. The scope of consolidation of the Company during the year had 2 companies included compared to the prior year. For details, please refer to this Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

The Company’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-Basic Standards promulgated by the Ministry of Finance (Order of Ministry of Finance No. 33, as amended by Order of Ministry of Finance No. 76) and 41 specific accounting standards as promulgated and amended on and after 15 February 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 Company’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.

2. Going concern

No facts or circumstances comprise a material uncertainty about the Company’s going concern basis within 12 months since the end of the reporting period.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in conformity with the ASBEs, which truly and fully reflect the financial position of the Company as at 31 December 2015 and relevant information such as the operating results and cash flows of the Company for 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. Accounting period

The accounting periods of the Company are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full accounting year. The accounting year of the Company is from 1 January to 31 December of each calendar year.

3. Operating cycle

Ordinary operating cycle refers to the period from acquisition of assets used for processing by the Company until their realisation in cash or cash equivalents. The operating cycle of the Company lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

Our subsidiaries, including Zhanjiang Chenming Arboriculture Co., Ltd., Yangjiang Chenming Arboriculture Co., Ltd., Nanchang Chenming Arboriculture Co., Ltd., Huanggang Chenming Arboriculture Co., Ltd. and Chenming Arboriculture Co., Ltd., were engaged in arboriculture cultivating, plantation and sale. Their ordinary operating cycle lasts for over 1 year.

4. Reporting currency

The Company and its domestic subsidiaries recognise RMB as their reporting currency according to the primary economic environment in which they operate. The reporting currency of the Company and its domestic subsidiaries is Renminbi (“RMB”). Overseas subsidiaries of the Company recognise U.S. dollar (“USD” or “US\$”), Japanese yen (“JPY”) and Euro (“EUR”) as their respective reporting currency according to the general economic environment in which these subsidiaries operate. The Company prepares its financial statements in RMB.

5. Accounting treatment of business combination under common control and not under common control

Business combinations refer to the transactions or events in which two or more separate enterprises merged as a single reporting entity. Business combinations are divided into business combination under common control and not under common control.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

5. Accounting treatment of business combination under common control and not under common control (Cont'd)

(1) Business combination under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. The party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being merged. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred.

(2) Business combination not under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. Transaction cost attributable to equity or debt securities issued by the acquirer as consideration is included in the initial costs. Contingent consideration involved is charged to the combination cost at its fair value on the acquisition date, in the event that adjustment on the contingent consideration is required as a result of new or additional evidence in relation to circumstances existed on the acquisition date emerges within twelve months from the acquisition date, the combination goodwill shall also be adjusted. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (*Cont'd*)

5. Accounting treatment of business combination under common control and not under common control (*Cont'd*)

(2) Business combination not under common control (*Cont'd*)

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred tax assets due to non-fulfilment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognised in the profit or loss of the period.

For combination of business not under common control achieved by several transactions, these several transactions will be judged whether they belong to “transactions in a basket” in accordance with the judgement standards on “transactions in a basket” as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Rule of 51 to “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”(see Note V. 6 (2)). If they belong to “transactions in a basket”, they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note V. 13 “Long-term equity investments”, and if they do not belong to “transactions in a basket”, they are accounted for in separate financial statements and consolidated financial reports:

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquiree prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time of disposal (i.e. to be transferred to investment income for the period, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree).

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree (i.e. to be transferred to investment income at the acquisition date, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree) is transferred to investment income in the period of the acquisition date.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

6. Preparation of consolidated financial statements

(1) Basis for principle of determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The term “control” refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all of its subsidiaries. A subsidiary is an entity controlled by the Company.

The Company will conduct reassessment in the event there are changes in actual condition and situation causing changes in relevant elements involved in the definition of control above.

(2) Basis for preparation of the consolidated financial statements

Subsidiaries are consolidated from the date on which the Company obtains net assets and the effective control of decision making of production and operation and are deconsolidated from the date that such control ceases. For disposal of subsidiaries, the operating results and cash flows of such subsidiaries before the date of disposal are properly included into the consolidated income statement and consolidated cash flow statements; for disposal of subsidiaries during the reporting period, no adjustment shall be made to the opening balance of the consolidated balance sheet. For those subsidiaries acquired through business combination not under common control, the operating results and cash flows after the acquisition date have been properly included in the consolidated income statements and consolidated cash flow statements. No adjustments shall be made to the opening balance of the consolidated balance sheet and the comparative consolidated financial statements amount. For those subsidiaries acquired through business combination under common control, the operating results and cash flows from the beginning of the consolidation period to the consolidation date are also presented in the consolidated income statement and the consolidated cash flow statements. The comparative amounts presented in the consolidated financial statements are also adjusted accordingly.

The financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company in the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and the subsidiaries. For acquisition of subsidiaries arising from merger of entities not under same control, the financial statements of the subsidiaries will be adjusted according to the fair value of the identifiable net assets at the acquisition date.

All intra-company significant balances, transactions and unrealised profit are eliminated in the consolidated financial statements.

The shareholders' equity and the portion of the profit or loss for the period of the subsidiaries that are not attributable to the Company are presented under shareholders' equity and net profit in the consolidated financial statements as minority interests and net profit of minority interest respectively. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the “profit or loss of minority interest”. When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

6. Preparation of consolidated financial statements *(Cont'd)*

(2) Basis for preparation of the consolidated financial statements *(Cont'd)*

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i.e. to be transferred to investment income, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to “Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments” or “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. See Note V. 13 “Long-term equity investments” or Note V. 10 “Financial instruments” for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to “transactions in a basket”. Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of another transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in “partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary” (see Note V. 13 (2) ④) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

7. Classification of joint arrangements and accounting treatment for joint ventures

A joint arrangement refers to an arrangement of two or more parties have joint control. In accordance with the Company's rights and obligations under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations. Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement. Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

The Company treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note V. 13 (2) ② "long-term equity investments by using equity method of accounting".

The Company shall, as a joint venture, recognise the assets held and obligations assumed solely by the Company, and recognise assets held and obligations assumed jointly by the Company in appropriation to the share of the Company; recognise revenue from disposal of the share of joint operations of the Company; recognise fees solely occurred by Company and recognise fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets (the assets does not constitute a business, the same below) to or purchase assets from joint operations, the Company shall only recognise the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to the third party. If the occurrence of these assets meet the impairment loss of asset as set out in "Accounting Standard for Business Enterprises No. 8 – Asset Impairment", the Company shall recognise the full amount of this loss in relation to the Company invests in or sells assets to joint operations; the Company recognise the loss according to the Company's share of commitment in relation to the Company purchase assets from joint operations.

8. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Company which are readily convertible into known amounts of cash and which are subject to insignificant risk of value change.

9. Foreign currency operations and translation of statements denominated in foreign currency

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Company, when initially recognised, are translated into functional currency at the prevailing spot exchange rate on the date of exchange, i.e. the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same hereinafter, while the foreign currency exchange operations and transactions in connection with foreign currency exchange shall be translated into functional currency at the exchange rate actually adopted.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

9. Foreign currency operations and translation of statements denominated in foreign currency (Cont'd)

(2) Basis for translation of foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. All differences are included in the profit or loss in the period, except for: ① the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets that are qualified for capitalisation will be accounted for according to the principle of capitalisation; and ② exchange difference arising from change in balance of carrying amount other than amortised cost of available for sale foreign monetary items will be included in other comprehensive income.

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into "other comprehensive income"; disposal of foreign operations shall be included into profits and losses on disposal in the current period.

The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of reporting currency before and after the translation will be treated as changes in fair value (including changes in foreign exchange rates) and recognised in profit or loss for the period or recognised as other comprehensive income.

(3) Basis for translation of foreign currency financial statements

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into "other comprehensive income" under "translation reserve"; disposal of foreign operations shall be included into profits and losses on disposal in the current period.

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner's equity items except for "retained profit" are translated at the spot exchange rates at the dates on which such items arose; income and expenses items in the income statement are translated at the spot exchange rate at the date of transaction. The retained profit brought forward are reported at the prior year's closing balance; the retained profit as at the end of the year are presented after translated the profit appropriation items; differences between the aggregate of asset and liability items and owners' equity items are recognised as "translation differences arising on the translation of financial statements denominated in foreign currencies" in other comprehensive income. On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operations which has been included in owners' equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the spot exchange rate when it incurs. Effects arising from changes of exchange rate of cash shall be presented separately in the cash flow statements.

The opening balance and the prior year's figures are presented according to the translated amounts of the prior year.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

9. Foreign currency operations and translation of statements denominated in foreign currency *(Cont'd)*

(3) Basis for translation of foreign currency financial statements *(Cont'd)*

On disposal of the entire owners' equity in a foreign operation of the Company, or upon a loss of control over a foreign operation due to disposal of certain equity investment or other reasons, the Company transfers the exchange differences arising on translation of financial statements of this foreign operation attributable to owners' equity of parent company presented under owners' equity in the balance sheet, to profit or loss in the period in which the disposal took place.

In case of partial disposal of equity investment or other reason that result in reduction in shareholding in a foreign operation without losing control over it, the proportionate share of exchange differences arising from the translation of financial statements will be attributable to minority interests and will not recognised in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the exchange differences arising from the translation of financial statements of foreign operations is reclassified to profit or loss.

10. Financial instruments

Financial asset or financial liability will be recognised when the Company became one of the parties under a financial instrument contract. Financial assets and financial liabilities are initially recognised at fair value, except for equity instruments that are not quoted in an active market, the fair value of which cannot be reliably measured and over relevant investees of which the Company does not have control, joint control or significant influence, and debt financing instruments subsequently measured at amortised cost using the effective interest method. For financial assets and financial liabilities measured at fair value and whose changes are carried through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For financial assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognised.

(1) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organisations and price fixing service organisations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(2) Classification, recognition and measurement of financial assets

Conventionally traded financial assets shall be recognised and derecognised at the trading date. Financial assets shall be classified into loans and accounts receivable, available-for-sale financial assets and others for initial recognition.

① Loans and receivables

They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables are classified as loans and receivables by the Company.

Loans and receivables are measured subsequently at the amortised cost by using the effective interest rate method. Gains or losses incurred at the time of derecognition, impairment or amortisation are charged to profit or loss in the current period.

② Available-for-sale financial assets

Available-for-sale financial assets represent equity instruments over relevant investees of which the Company does not have control, joint control or significant influence.

Available-for-sale financial assets are subsequently measured at fair value. The gain or loss on change in fair value are recognised as other comprehensive income, except for impairment loss and exchange differences arising from foreign monetary financial assets and amortised cost which are accounted for through profit or loss for the current period. The financial assets will be transferred out of the financial assets on derecognition and accounted for through profit or loss for the current period. However, for equity investment of which the Company does not have control, joint control or significant influence, not quoted in an active market and the fair value of which cannot be measured reliably, their fair values are subsequently measured at cost.

Interests received from available-for-sale financial assets held and the cash dividends declared by the investee are recognised as investment income.

(3) Impairment of financial assets

In addition to financial assets at fair value through profit or loss for the current period, the Company reviews the book value of other financial assets at each balance sheet date and provides for impairment where there is objective evidence that financial assets are impaired.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in the collective assessment for impairment.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(3) Impairment of financial assets (Cont'd)

① Impairment of loans and receivables

The carrying amount of financial assets measured as costs or amortised costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognised as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognised shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortised cost as at the reversal date assuming there is no provision for impairment.

② Impairment of available-for-sale financial assets

In the event that decline in fair value of the available-for-sale equity instrument or fair value of the interest in the investee's identifiable net assets is regarded as "severe decline" or "non-temporary decline" on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument. In particular, "severe decline" refers to decline of over 20% in such fair value. "Non-temporary decline" refers to such fair value decreased continuously for more than 12 months. The continuous decreasing period is determined on the basis of the drop of such fair value accumulated over 10%.

When the available-for-sale financial assets impair, the accumulated loss originally included in the other comprehensive income arising from the decrease in fair value was transferred out and included in the profit or loss for the period. The accumulated loss that transferred out is the balance of the initial acquisition cost of asset, after deduction of the principal recovered, amortised amounts, current fair value and the impairment loss originally included in the profit or loss.

After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognised shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognised as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(4) Recognition and measurement of transfers of financial asset

Financial asset that satisfied any of the following criteria shall be derecognised: ① the contract right to receive the cash flows of the financial asset has terminated; ② the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and ③ the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not assign maintain substantially all the risk and return arising from the ownership of the financial asset.

When the entity does not either assign or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognises such financial asset and the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

If all criteria of recognition of transfer of financial assets are satisfied, the difference between the carrying amounts of the financial assets transferred, the consideration received from the transfer and the accumulated changes in fair value originally include in other comprehensive income shall be recognised in the profit or loss of the period.

If a part of the financial assets is qualified for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognised and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognised in profit or loss for the period: the sum of the consideration received and the carrying amount of the part that qualifies for derecognition and the aforementioned carrying amount.

For financial assets that are sold or transferred with recourse or endorsement, the Company need to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognised. If the risk and rewards of ownership of the financial asset have been retained, the financial assets shall not be derecognised. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company shall assess whether the control over the financial asset is retained, and the financial assets shall be accounting for according to the above paragraphs.

(5) Classification and measurement of financial liabilities

Financial liabilities are classified at initial recognition: financial liabilities recognised at fair value with changes carried through profit or loss and other financial liabilities. For financial liabilities measured at fair value with changes recognised in profit or loss of the current period, relevant transaction costs are directly recognised in profit or loss for the period. The amount is recognised initially at fair value and the subsequent changes in fair value will be recognised in profit or loss for the period. For other financial liabilities, relevant transaction costs are included in the amount initially recognised and subsequently measured at amortised cost using the effective interest method, and relevant gain or loss arising from derecognition or amortisation are included in current profit or loss.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

10. Financial instruments (Cont'd)

(6) Derecognition of financial liabilities

Financial liabilities are derecognised in full or in part only when the present obligation is discharged in full or in part. An agreement is entered between the Company (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognise the original financial liabilities as well as recognise the new financial liabilities.

When financial liabilities is derecognised in full or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including transferred non-cash assets or new financial liability) is recognised in profit or loss for the current period.

(7) Offset of Financial Assets and Financial Liabilities

If the Company owns the legitimate rights of offsetting the recognised financial assets and financial liabilities, which are enforceable currently, and the Company plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the financial assets and financial liabilities shall be reported in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

(8) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The issuance (including refinancing), repurchase, sale or cancellation of equity instruments by the Company is accounted for movement in equity. The Company does not recognise the movement in fair value of equity instruments. Transaction costs related to equity transactions are deducted from equity.

Various distributions (excluding dividends) made by the Company to holders of equity instruments reduces owners' equity. The Company does not recognise the movement in fair value of equity instruments.

11. Accounts receivable

Accounts receivable includes accounts receivable and other receivables etc.

(1) Basis for recognition and measurement of bad debt provision

The Company carries out an overall inspection on the carrying amount of accounts receivable on the balance sheet date. Where there arises any of the following objective evidences indicating that accounts receivable have been impaired, an impairment provision will be made: ① a serious financial difficulty occurs to the debtor; ② the debtor breaches any of the contractual stipulations (such as he fails to pay or delays the payment of interests or the principal); ③ the debtor will probably go bankrupt or carry out other financial reorganisations; ④ other objective evidences show that the accounts receivable are impaired.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision

- ① Recognition standard and method for making bad debt provision individually for individually significant accounts receivable

Accounts receivable of more than RMB1 million is recognised as individually significant accounts receivable by the Company.

For accounts receivable that is individually significant, the Company assesses such accounts receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognised are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

- ② Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio

A. Basis for determining the credit risk portfolio

The Company classifies its individually insignificant accounts receivable and individually significant but not impaired accounts receivable in accordance with their credit risk characteristics and relevance of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contracted terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.

Portfolios are determined according to the following basis:

Portfolio	Basis for determining the portfolio
Specific fund portfolio	A portfolio which is classified as a category on the basis of certain specific accounts receivable
Ageing portfolio	A portfolio which is classified as a category on the basis of credit risk features such as ageing

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

11. Accounts receivable (Cont'd)

(2) Method for making bad debt provision (Cont'd)

- ② Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio (Cont'd)

B. Method for making bad debt provision according to credit risk characteristics

When an impairment test is performed by means of a group, bad debt provision will be assessed and ascertained according to the structure of the group of accounts receivable and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses, prevailing economic condition and losses that are expected to incur in the group of accounts receivable.

Method for making bad debt provision for different portfolio:

Portfolio	Method for making provision
Specific fund portfolio	No bad debt provision provided
Ageing portfolio	Ageing analysis

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

Ageing	Ratio of accounts receivable provision (%)	Ratio of other accounts receivable provision (%)
Within 1 year (including 1 year)	5%	5%
1-2 years	10%	10%
2-3 years	20%	20%
Over 3 years	100%	100%

- ③ Accounts receivable individually insignificant but provided for bad debt separately

Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Company. If there is objective evidence indicating that the accounts receivable are impaired, then impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts, such as accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the accounts receivable indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

11. Accounts receivable *(Cont'd)*

(3) Reversal of provision for bad debts

If there are evidences indicating that the value of the account receivable is recovered and that recovery is connected to the event subsequent to the recognition of the loss, the impairment loss previously recognised will be reversed and recorded into profit or loss for the period. However, the carrying amount so reversed shall not exceed the amortised cost of the account receivable on the date of reversal on the assumption that no impairment loss has been made.

12. Inventories

(1) Classification of inventories

Inventories mainly include raw materials, work in progress, goods in stock, developing products and consumable biological assets etc.

(2) Pricing of inventories received and dispatched

Inventories are measured at their actual cost when obtained. Cost of an inventory consists of purchase costs, processing costs and other costs. When used and dispatched, inventories will be calculated with weighted average method.

The developing products of land development companies under the Company are initially measured at cost. The costs of developing products include preconstruction costs, expenditures for auxiliary facilities, expenses on construction and installation, borrowing costs incurred before the completion of the subject project and other related expenses during the course of the development. Once the inventories are delivered, the actual costs will be determined using specific measurement methods.

Consumable biological assets refer to biological assets held for sale which include growing timber. Consumable biological assets without a stock are stated at cost at initial recognition, and subsequently measured at fair value when there is a stock. Changes in fair values shall be recognised as profit or loss in the current period. The cost of self-planting, self-cultivating consumable biological assets is the necessary expenses directly attributable to such assets prior to canopy closure, including borrowing costs eligible for capitalisation. Subsequent expenses such as maintenance cost incurred after canopy closure shall be included in profit or loss for the current period.

The cost of consumable biological assets shall, at the time of harvest or disposal, be carried forward at carrying value using the batch averaging method.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

12. Inventories (Cont'd)

(3) Recognition of net realisable value of inventory and provision for inventory impairment

Net realisable value refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and taxes and levies in daily operation. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

At the balance sheet date, inventories are calculated at the lower of cost and net realisable value. Usually, provision for inventory impairment is made when the net realisable value is lower than the cost. Provisions for impairment of inventory shall be made according to the amount by which the cost of a single item exceeds its net realisable value. For large quantity and low value items of inventories, provision may be made based on categories of inventories. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

After making the provision for inventory impairment, in case the factors causing inventory impairment no longer exists, and the net realisable value of an inventory is higher than its book-value, the original provision for inventory impairment shall be transferred back and incorporated into the profit or loss for the current period.

(4) We implement permanent inventory system as our inventory stock taking system.

13. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Company is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note V. 10. "Financial instruments".

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (*Cont'd*)

13. Long-term equity investments (*Cont'd*)

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognised as a result of the previously held equity investment accounted for using equity method on the date of combination or recognised for available-for-sale financial assets will not be accounted for.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. For business combination resulted in an enterprise not under common control by acquiring equity of the acquiree under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as "transactions in a basket". If they belong to "transactions in a basket", these transactions will be accounted for a transaction in obtaining control. If they are not belong to "transactions in a basket", the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquiree and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

13. Long-term equity investments *(Cont'd)*

(1) Determination of investment cost *(Cont'd)*

Agent fees incurred by the absorbing party or acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognised based on the purchase cost actually paid by the Company in cash, the fair value of equity securities issued by the Company, the agreed value of investment contract or agreement, the fair value or original carrying amounts of the non-monetary asset exchange transaction which the asset will be transferred out of the Company, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost. For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the relevant cost for long-term equity investment shall be the aggregate of fair value of previously held equity investment and additional investment cost determined according to “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”.

(2) Subsequent measurement and method for profit or loss recognition

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. In addition, long-term equity investments with control on the investee are accounted for using cost method and record in the Company’s financial statements.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognised as the cash dividends or profits declared by the investee.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

13. Long-term equity investments (Cont'd)

(2) Subsequent measurement and method for profit or loss recognition (Cont'd)

② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Company's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Company shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognised accordingly. In respect of the transactions between the Company and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealised gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognised accordingly. However, any unrealised loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Company disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Company sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 "Business combination". All profit or loss related to the transaction shall be accounted for.

The Company's share of net losses of the investee shall be recognised to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Company has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Company shall resume recognising its share of profits after setting off against the share of unrecognised losses.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

13. Long-term equity investments *(Cont'd)*

(2) Subsequent measurement and method for profit or loss recognition

② Long-term equity investments accounted for using the equity method *(Cont'd)*

If there is debit variation in relation to the long-term equity investments in associates and joint venture held prior to first adoption of the Accounting Standards for Business Enterprises by the Company on 1 January 2007, the amounts amortised over the original residual term using the straight-line method is included in the profit or loss for the period.

③ Acquisition of minority interest

Upon the preparation of the consolidated financial statements, capital reserve is adjusted based on the difference between the additional long term equity investment from acquisition of minority interest and the share of net assets of the subsidiary attributable to the additional shareholding from the date of acquisition (or date of combination). In the case of insufficient capital surplus to offset impairment, retained earnings shall be adjusted.

④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a loss in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note V. 6. (2) "Preparation Method of the Consolidated Financial Statements".

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognised through profit or loss in the current period.

In respect of long-term equity investment accounted for using equity method with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners' equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognised for the movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment accounted for using cost method with the remaining equity interest after disposal also accounted for using cost method, other comprehensive income recognised using equity method or the recognition and measurement standard of financial instruments before obtaining control over the investee shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee, and transferred to profit or loss for the current period on pro rata basis. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period on pro rata basis.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

13. Long-term equity investments *(Cont'd)*

(2) Subsequent measurement and method for profit or loss recognition

④ Disposal of long-term equity investments *(Cont'd)*

In the event of loss of control over investee due to partial disposal of equity investment by the Company, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognised using equity method or the recognition and measurement standard of financial instruments before the Company obtained control over the investee, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when the control over investee is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment by the Company, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognised under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognised using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Company disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to "transactions in a basket", each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognised as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

14. Investment Property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Company and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Company adopts cost method for subsequent measurement of investment property, which is depreciated using the same policy as that for buildings.

The method for impaired test of investment property and measurement of impairment provision are detailed in Note V. 19 "Impairment of long-term assets".

In the event that an owner-occupied property or inventories is converted to an investment property (or vice versa), upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Investment property is measured at cost during its conversion. Upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. A fixed asset shall be initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

15. Fixed assets (Cont'd)

(2) Method for depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Method for depreciation	Useful lives of depreciation (Year)	Estimated residual value	Annual depreciation rate
Housing and building structure	Straight-line method	20-40	5.00%-10.00%	2.25%-4.75%
Machinery and equipment	Straight-line method	8-20	5.00%-10.00%	4.5%-11.88%
Transportation equipment	Straight-line method	5-8	5.00%-10.00%	11.25%-19.00%
Electronic equipment and others	Straight-line method	5	5.00%-10.00%	18.00%-19.00%

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the stage and in the condition expected at the end of its useful life.

(3) Methods of impairment test and provision of fixed assets

The method for impaired test of fixed assets and measurement of impairment provision are detailed in Note V. 19 "Impairment of long-term assets".

(4) Recognition and accounting method of fixed assets acquired under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. For fixed assets acquired under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

15. Fixed assets (Cont'd)

(5) Explanation on other matters

Subsequent expenditures incurred for a fixed asset shall be included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to Chenming Paper and the relevant cost can be measured reliably; meanwhile the carrying amount of the replaced part shall be derecognised. Other subsequent expenditures shall be charged to profit or loss when incurred.

Fixed assets are derecognised when there is no economic benefit arising from disposal or expected use or disposal of fixed assets. When a fixed asset is sold, transferred, retired or damaged, the Company shall recognise the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in accounting estimate.

16. Construction in progress

Construction in progress is recognised based on the actual construction cost, including all expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note V. 19 "Impairment of long-term asset".

17. Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalised as part of the cost of that asset; and capitalisation shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognised as expense in the period in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Company shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

17. Borrowing costs *(Cont'd)*

During the capitalisation period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalised. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

18. Intangible assets

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company.

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognised as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Other expenditures on an item asset shall be charged to profit or loss when incurred.

Land use right acquired shall normally be recognised as an intangible asset. Self-constructed buildings (e.g. plants), related land use right and the buildings shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use right and the buildings on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration shall be recognised in full as fixed assets.

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortised using the straight-line method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Company shall review the useful life of intangible asset with a finite useful life and the amortisation method applied at least at each financial year-end. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Company shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, Chenming Paper shall estimate the useful life of that asset and apply the accounting policies accordingly.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

18. Intangible assets (Cont'd)

(2) Research and development expenditure

Research and development expenditure of the Company was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase are recognised as profit or loss in the current period.

Expenses incurred during the development phase that satisfy the following conditions are recognised as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; and if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the research phase and the development phase cannot be distinguished separately, all development expenses incurred are accounted for in the profit or loss for the current period.

(3) Methods of impairment test and provision of intangible assets

The method for impaired test of intangible assets and measurement of impairment provision are detailed in Note V. 19 "Impairment of long-term assets".

19. Impairment of long-term asset

The Company will judge if there is any indication of impairment as at the balance sheet date in respect of noncurrent non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

19. Impairment of long-term asset (Cont'd)

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Company shall recognise an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

20. Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have incurred but that shall be amortised over the current period and subsequent periods of more than one year. Long-term prepaid expenses of the Company mainly include expenses on improvement of fixed assets and woodland rent. Long-term prepaid expenses are amortised over the estimated benefit period using the straight-line method.

21. Employee benefits

Staff remuneration of the Company mainly includes short-term staff remuneration, post-employment benefits and termination benefits, in which:

Short-term remuneration mainly includes salaries, bonuses, allowance and subsidies, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs and non-monetary welfare etc. Short-term remuneration incurred during the accounting period in which the Company's staff provided services for the Company is recognised as liability, and included in profit or loss for the current period or related asset costs. Of which, non-monetary welfare is measured at fair value.

Post-employment benefits mainly include defined contribution plan. Defined contribution plan mainly includes pension insurance premium and unemployment insurance premium. Relevant contribution amount is included in related asset costs or profit or loss for the current period during the period in which the expenses incurred.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

21. Employee benefits *(Cont'd)*

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognise employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; and the Company recognise cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. However, if the compensation for termination of employment is not expected to be fully paid within 12 months from the reporting period, it shall be accounted for other long-term staff remuneration.

The early retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the scheduled retirement date, shall be recognised (as compensation for termination of employment) in the current profit or loss by the Company if the recognition principles for provisions are satisfied.

The Company does not provide any other long-term employee benefit for its staff.

22. Accrued liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognised as accrued liabilities: (1) The obligation is a current obligation borne by the Company; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or some expenses incurred for settlement of accrued liabilities are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of accrued liabilities.

23. Revenue

(1) Revenue from sales of goods

Revenue is recognised when Chenming Paper has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs. Confirmation time for sales revenue: In terms of domestic sales, confirmation will be made on the day when goods are delivered to the clients. While in terms of overseas sales, confirmation will be made on the day when goods are loaded on board and declared.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates *(Cont'd)*

23. Revenue *(Cont'd)*

(2) Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognise the revenue from the rendering of services employing the percentage-of-completion method. The completion schedule of transaction concerning the rendering of services shall be ascertained according to the proportion of service costs incurred to the estimated total costs.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the enterprise; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognise the revenue from the rendering of services based on the cost of rendering services already incurred and expected to be compensated, and the cost of rendering services incurred shall be recognised as an expense for the current period. If the cost of rendering services is expected not to be compensated, it shall be recognised as an expense.

When a contract or agreement signed by the Company includes sales of goods and rendering of services, if sales of goods and rendering of services can be differentiated and separately measured, they will be recognised respectively. If sales of goods and rendering of services cannot be differentiated or cannot be separately measured, they will be recognised as sales of goods in full.

(3) Revenue from rendering of services

Revenue from rendering of services is recognised as income on the accrual basis in accordance with the underlying contracts or agreements.

(4) Interest income

Interest income is calculated based on the time during which the Company's monetary fund, and the effective interest rates.

24. Government grants

Government grants are transfer of monetary assets or non-monetary assets from the government to the Company at no consideration, excluding capital considerations from the government as an owner of the Company. Government grants are classified into government grants related to assets and government grants related to income. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

24. Government grants (Cont'd)

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognised immediately in profit or loss for the current period. Government grants are generally recognised when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Company will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under disclosure of government information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; and (3) the date of payment be specified in related documents and the payment thereof be covered by corresponding budget to ensure such grants will be paid on time as specified.

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant shall be recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognised in profit or loss for the current period; if there is no related deferred income, the repayment shall be recognised immediately in profit or loss for the current period.

25. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current income tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

25. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(2) Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognised as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognised for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Company recognises the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Company recognises the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: it is not probable that the temporary difference will reverse in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

Chenming Paper recognises a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, Chenming Paper shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

25. Deferred income tax assets/deferred income tax liabilities (Cont'd)

(3) Income tax expense

Income tax expense comprises current income tax expense and deferred income tax expense.

Current income tax expense (current income tax income) and deferred income tax expense (deferred income tax income) are included in profit or loss for the current period, except for: recognised as other comprehensive income or current income tax and deferred income tax related to transactions or events that are directly recognised in other comprehensive income or owners' equity, which are recognised directly in owners' equity, and deferred income tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

(4) Offset of income tax

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, the Company, at the same time, records the net amount after offsetting its current income tax assets and current income tax liabilities.

The Company was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

26. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. All other leases are classified as operating leases.

(1) Operating lease business with the Company recorded as lessee

Lease payment for operating lease is recognised as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is directly accounted in profit or loss for the current period. Contingent rent is recognised as profit or loss for the current period upon occurrence.

(2) Operating lease business with the Company recorded as lessor

Rental income is recognised in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalised when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period; the initial direct cost where the amount is fewer is included in the profit or loss for the period when incurred. Contingent rental is accounted for as profit or loss for the period in which it is incurred.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

26. Lease (Cont'd)

(3) Financing lease business with the Company recorded as lessee

On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognised as unrecognised financing expenses. In addition, initial direct costs attributable to leased items incurred during the process of lease negotiation and signing of lease agreement shall be included in the value of leased assets. The balance of minimum lease payment after deducting unrecognised financing expenses shall be accounted for long-term liability and long-term liability due within one year.

Unrecognised financing expenses shall be recognised as financing expenses for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

(4) Financing lease business with the Company recorded as lessor

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial direct costs at the beginning date of the lease. The unsecured balance shall be recorded. The aggregate of minimum lease receivable, initial direct costs and unsecured balance and the different between their present values shall be recognised as unrealised financing income. The balance of lease receivable after deducting unrecognised financing income shall be accounted for long-term debt and long-term debt due within one year.

Unrecognised financing income shall be recognised as financing income for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

27. Discontinued operation

Discontinued operation refers to the operation disposed or classified as held-for-sale by the Company and presented separately under operation segments and financial statements, which has fulfilled one of the following criteria: ① it represents an independent key operation or key operating region; ② it is part of the proposed disposal plan on an independent key operation or proposed disposal in key operating region; or ③ it only establishes for acquisition of subsidiary through disposal.

28. Repurchase of shares

Share repurchase consideration paid and transaction costs to reduce the owner's equity, repurchase, transfer or cancellation of Chenming Paper's shares, the gains or losses are not recognised.

In respect of transfer of treasury shares, the difference between the actual amount received and the carrying amount of treasury shares shall be included in capital reserve. When insufficient to dilute, capital reserve will be offset against the surplus reserve and retained profits. Treasury shares are cancelled at par value and by the number of shares cancelled to reduce the share capital. The difference between the book balance and the nominal value of the treasury shares shall be offset against the capital reserve. When insufficient to dilute, capital reserve will be offset against the surplus reserve and retained profits.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

29. Changes in Significant Accounting Policies and Estimates

(1) Changes in Accounting Policies

☐ Applicable ☒ Not applicable

(2) Changes in significant accounting estimates

☐ Applicable ☒ Not applicable

30. Comparative figures

Certain comparative figures for prior periods have been restated in conformity with the current year's financial statement presentation.

31. Critical accounting judgments and estimates

The Company needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately calculated during the application of the Company's accounting policies. Such judgments, estimates and assumptions are made based on the historical experiences of the Company's management and taking into account other relevant factors, which may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the outcome from such estimate uncertainties may differ from the current estimation of the Company's management, which may cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

The Company regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continued operation. A revision to accounting estimates is recognised in the period in which the estimate is revised if it only affects that period. A revision is recognised in the period of the revision and future periods if it affects both current and future periods.

At the balance sheet date, the critical areas where Company needs to make judgments, estimates and assumptions as to the items amount of financial statements are set out below:

(1) Classification of leases

The Company classifies its leases as operating lease and financing lease in accordance with "Accounting Standard for Business Enterprises No. 21 – Leases". When classifying leases, the management needs to analyse and judge whether all risks and returns relating to the ownership of leased out assets have transferred to the lessee, or whether the Company has obliged to all risks and returns relating to the ownership of leased assets.

(2) Provision for bad debts

The Company adopts the allowance method to account for bad debt loss under the accounting policies of accounts receivable. Impairment of accounts receivable is based on the recoverability of assessed accounts receivable. Given the management's judgment and estimate required for impairment of accounts receivable, the difference between the actual outcome and original estimate will affect the carrying amount of accounts receivable and provision and reversal of bad debts of accounts receivable during the estimate revision period.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

31. Critical accounting judgments and estimates (Cont'd)

(3) Allowance for inventories

Under the accounting policies of inventories and by measuring at the lower of cost and net realisable value, the Company makes allowance for inventories which have costs higher than net realisable value or become obsolete and slow-moving. Write-down of inventories to their net realisable values is based on the sale ability of the evaluated inventory and their net realisable values. Given the management's judgments and estimates required for inventory impairment on the basis of definite evidence, purpose of holding the inventories and other factors, the difference between the actual outcome and original estimate will affect the carrying amount of inventories and provision and reversal of bad debts of inventories allowance during the estimate revision period.

(4) Fair value of consumable biological assets

A consumable biological asset is measured at fair value when there is a stock. A stock is judged to be formed when the consumable biological asset - timber survives well after a growth period and the merchantable timber exceeds 0.8 cubic metres.

The fair value of a consumable biological asset is discounted using expected cash flow and estimated and measured using income approach.

(5) Impairment of available-for-sale financial assets

In respect of impairment of available-for-sale financial assets, whether impairment loss shall be recognised in income statement significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, the Company shall assess the excess of cost of the investee's identifiable net assets attributable to the investment over fair value and the duration.

(6) Provision for impairment of non-financial non-current assets

At the balance sheet date, the Company makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their carrying amount cannot be recovered.

When the carrying amount of an asset or asset groups is higher than the recoverable amount, being the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

The net amount of the fair value less costs of disposal is determined by making reference to the price in a sale agreement in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such assets (or asset groups) and the discount rate applied in calculating the discount. In estimating the recoverable amount, the Company may adopt all relevant materials including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

XII Financial Report

V. Significant Accounting Policies and Accounting Estimates (Cont'd)

31. Critical accounting judgments and estimates (Cont'd)

(6) Provision for impairment of non-financial non-current assets (Cont'd)

The test shall be performed at least once a year as to whether there is any impairment. This requires an estimate for the present value of the future cash flows of the asset groups or sets of asset groups to which goodwill is allocated. In estimating the present value of the future cash flows, the Company needs to estimate the cash flows generated from the future asset groups or sets of asset groups. Meanwhile, the present value of future cash flows is determined using an appropriately selected discount rate.

(7) Depreciation and amortisation

The Company shall provide depreciation and amortisation for investment properties, fixed assets and intangible assets over their useful lives and after taking into account of their residual value, using straight-line method. The Company shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Company according to its previous experience on the similar assets and estimated technical innovation. If there is any material change in the previously made estimate, the depreciation and amortisation will be adjusted over the future period.

(8) Deferred income tax assets

It is probable that all unused tax loss will be recognised as the deferred income tax assets to the extent there will be sufficient taxable profits against which the deductible loss is available. This requires the Company's management to apply numerous judgments to estimate the time and amount generated from the future taxable profits so as to determine the amount of deferred income tax assets with reference to the tax planning strategy.

(9) Income tax

There are some uncertainties in tax treatment and calculation for some transactions of the Company during its ordinary course of business. The approval from the tax authority is required for pre-tax expensing of some items. Any difference between the final recognition outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during their final recognition period.

VI. Taxation

1. Main Tax Types and Tax Rates

Tax type	Tax rate
Value added tax	17% for general and 13% for sales of gas and water. Value-added tax is computed on the difference after deduction of input value-added tax
Business tax	3%-5% of taxable revenue
Urban maintenance and construction tax	7% of actual payment of turnover tax
Enterprise income tax	25% of taxable income
Educational surcharges	3% of actual payment of turnover tax
Local educational surcharges	2% of actual payment of turnover tax

XII Financial Report

VI. Taxation (Cont'd)

2. Tax Incentives

(1) Enterprise Income Tax

In May 2015, the Company submitted the information for the renewal of the high and new technology enterprise status. On 10 December 2015, the Department of Science & Technology of Shandong Province, Shandong Province Finance Bureau, Shandong Provincial Office of SAT and Shandong Local Taxation Bureau issued the “The Notice on Proposed List of High and New Technology Enterprises in Shandong Province 2015” (Lu Ke Zi [2015] No. 154). The notice was available for 15 business days from 10 December 2015 and the Company was on the list. Prior to obtaining the approval of renewal of high and new technology enterprise certificate, the Company could not be certain on whether the renewal would succeed, and hence temporarily calculated the income tax expenses for the period at a statutory rate of 25% in accordance with the relevant requirements under the Law on Enterprise Income Tax. The period of public notice had passed and the Company expected the applicable tax rate would be 15% for the subsequent period in which relevant assets are recovered or relevant liabilities are settled, and thus it recognised the deferred income tax assets and deferred income tax expenses at a tax rate of 15%.

Pursuant to the requirements of Rule 27 of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and Rule 86 of Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), subsidiaries of Chenming Paper, namely, Zhanjiang Chenming Arboriculture Co., Ltd., Yangjiang Chenming Arboriculture Co., Ltd., Nanchang Chenming Arboriculture Co., Ltd., Huanggang Chenming Arboriculture Co., Ltd. and Chenming Arboriculture Co., Ltd. are engaged in arboriculture cultivating and thus exempt from corporate income tax.

Pursuant to the “Revenue Bill 2008” passed by The Legislative Council of the Hong Kong Special Administrative Region on 26 June 2008, Chenming (HK) Limited, a subsidiary of Chenming Paper, has been subject to a corporate income tax rate of 16.5% commencing 2008, and the applicable tax rate for 2015 was 16.5%.

Except for the above preferential policies, Chenming Paper and its remaining subsidiaries are subject to enterprise income tax rate of 25%.

(2) Value-added Tax (“VAT”) incentives

Pursuant to Cai Shui [1995] No. 44 “Circular on VAT Exemption for Certain Products Applying Integrated Use of Resources” issued by the State Administration of Taxation, enterprises engaged in utilisation of raw materials containing not less than 30% of coal gangue, stone coal, coal ash, bottom ash of coal boiler (excluding blast furnace water quenching residue) in the production of building material products shall be exempted from VAT. Zhanjiang Chenming New-style Wall Materials Co., Ltd., a subsidiary of the Company, utilises raw materials containing above 30% of coal ash in its production. It is thus qualified as an enterprise engaged in the utilisation of waste in production and is exempted from VAT in 2015.

Pursuant to the related requirements of the “Notice of the Ministry of Finance and the State Administration of Taxation on Issue Regarding Exemption from VAT for Certain Products that Comprehensively Utilize Resources” (Cai Shui [1995] No. 44) as issued by and the State Administration of Taxation and the document Cai Shui [2001] No. 72, Shandong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products that apply integrated use of resources and is subject to an immediate VAT refund policy.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	1,869,583.60	1,437,037.09
Bank deposit	1,886,237,910.16	974,659,824.21
Other monetary funds	7,096,218,522.25	4,499,561,324.80
Total	8,984,326,016.01	5,475,658,186.10
Of which: Total deposits in overseas banks	270,967,129.46	853,450,001.81

Notes:

- ① Other monetary funds of RMB2,647,639,732.52 (31 December 2014: RMB1,592,569,467.98) were the guarantee deposit for the application for bank acceptance with the banks by the Company.
- ② Other monetary funds of RMB1,146,136,561.08 (31 December 2014: RMB710,024,934.09) were the guarantee deposit for the application for letter of credit with the banks by the Company.
- ③ Other monetary funds of RMB2,982,301,007.86 (31 December 2014: RMB1,685,461,808.73) were the guarantee deposit for the application for guarantees with the banks by the Company.
- ④ Other monetary funds of RMB87,691,220.79 (31 December 2014: RMB473,405,114.00) were the guarantee deposit for the application for loans with the banks by the Company.
- ⑤ Other monetary funds of RMB232,450,000.00 (31 December 2014: RMB38,100,000.00) were the statutory reserve deposit at the People's Bank of China by Shandong Chenming Financial Leasing Co., Ltd., a subsidiary of the Company.

2. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	3,946,782,845.65	2,990,068,579.33
Commercial acceptance bills	52,000,000.00	57,472,976.82
Total	3,998,782,845.65	3,047,541,556.15

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

2. Bills receivable (Cont'd)

(2) Bills receivable of the Company pledged at the end of the period

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptance bills	1,632,382,759.87
Total	1,632,382,759.87

(3) Outstanding bills receivable endorsed or discounted by the Company as at the end of the period

Unit: RMB

Item	Derecognised amount as at the end of the period	Recognised amount as at the end of the period
Bank acceptance bills	5,284,549,559.35	
Total	5,284,549,559.35	

(4) Other explanation

As at 31 December 2015, bills with carrying amount of RMB389,088,621.98 (31 December 2014: RMB501,084,854.72) were pledged in exchange for short-term borrowings of RMB472,286,374.54. As at 31 December 2015, bills with carrying amount of RMB786,353,404.24 (31 December 2014: RMB222,426,123.97) were pledged for the issuance of acceptance bills and with carrying amount of RMB456,940,733.65 were pledged for the issuance of guarantees or letters of credit.

As at 31 December 2015, the accumulated bank acceptance bills issued by the Group to banks amounted to RMB3,861,622,115.19 (2014: RMB3,440,773,115.05), with discount expenses incurred of RMB65,559,613.69 (2014: RMB91,126,767.40). As at 31 December 2015, outstanding discounted bills receivable amounted to RMB1,296,249,121.66 (2014: RMB1,320,918,334.62).

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Book value	Amount	Opening balance		Book value
	Amount	Percentage	Amount	Percentage			Amount	Percentage	
Accounts receivable that are individually significant and provided for bad debts separately	40,000,101.94	0.94%	40,000,101.94	100.00%		48,363,962.78	1.29%	48,363,962.78	100.00%
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	4,216,225,669.00	99.06%	264,937,689.68	6.28%	3,951,287,979.32	3,705,668,686.18	98.71%	216,259,316.98	5.84%
Total	4,256,225,770.94	100.00%	304,937,791.62	7.16%	3,951,287,979.32	3,754,032,648.96	100.00%	264,623,279.76	7.05%

(2) Presentation of accounts receivable according to ageing analysis

Item	Closing balance		Ratio	Opening balance	
	Amount			Amount	Ratio
Within 1 year	4,018,053,411.50		94.41	3,570,601,097.55	95.11
1-2 years	84,364,713.97		1.98	72,933,462.12	1.94
2-3 years	61,707,230.54		1.45	21,679,196.79	0.58
Over 3 years	92,100,414.93		2.16	88,818,892.50	2.37
Total	4,256,225,770.94		100.00	3,754,032,648.96	100.00

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

The following is an ageing analysis based on the revenue recognizing date, net of impairment, as of the reporting date:

Ageing	Closing balance	Opening balance
Within 1 year	3,825,167,449.49	3,406,294,889.68
1-2 years	76,754,745.39	65,771,122.09
2-3 years	49,365,784.44	17,343,357.43
Total	3,951,287,979.32	3,489,409,369.20

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable (Cont'd)

(2) Presentation of accounts receivable according to ageing analysis (Cont'd)

The following is an ageing analysis of the overdue and uncollected accounts receivable beyond the credit period, net of impairment:

Ageing	Closing balance	Opening balance
Within 1 year	523,536,649.12	997,161,679.10
1-2 years	76,754,745.39	65,771,122.09
2- 3 years	49,365,784.44	17,343,357.43
Total	649,657,178.95	1,080,276,158.62

Based on the accounts receivable collection experience of the Group, the accounts receivable of over 3 years generally are uncollectable so the Company makes impairment provisions in full for the overdue receivables of over 3 years.

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

☒ Applicable ☐ Not applicable

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%	Overdue for a prolonged period and unlikely to be recovered
Beijing Huaxia Culture Media Co., Ltd.	9,825,843.00	9,825,843.00	100.00%	Overdue for a prolonged period and unlikely to be recovered
Jiangxi Longming Enterprise Co., Ltd.	1,763,987.74	1,763,987.74	100.00%	Overdue for a prolonged period and unlikely to be recovered
Nanchang Xingbo Paper Co., Ltd.	1,656,205.97	1,656,205.97	100.00%	Overdue for a prolonged period and unlikely to be recovered
Total	40,000,101.94	40,000,101.94	—	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable (Cont'd)

(2) Presentation of accounts receivable according to ageing analysis (Cont'd)

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

☒ Applicable ☐ Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance Bad debt provision	Percentage
Within 1 year			
Of which: within 3 months	3,306,839,885.37	165,341,994.28	5.00%
Within 4-6 months	380,674,785.23	19,033,739.27	5.00%
7-12 months	170,204,569.13	8,510,228.46	5.00%
Sub-total for within 1 year	3,857,719,239.73	192,885,962.01	5.00%
1-2 years	76,099,685.79	7,609,968.58	10.00%
2-3 years	61,707,230.54	12,341,446.10	20.00%
Over 3 years	52,100,312.99	52,100,312.99	100.00%
Total	4,047,626,469.05	264,937,689.68	6.55%

Explanation on the basis of recognition of the portfolio:

Accounts receivable using percentage of balance for making bad debt provision in the portfolio:

☐ Applicable ☒ Not applicable

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable (Cont'd)

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB51,842,675.79. The amount for bad debt provision recovered or reversed during the current period was RMB1,862,932.98. There is no significant reversal of bad debt provision.

(4) Particulars of accounts receivable actually written off during the reporting period

Accounts receivable actually written off during the reporting period amounted to RMB9,665,230.95. Particulars of significant accounts receivable written off:

Unit: RMB

Name of entity	Nature	Amount written off	Reason for written off	Written off procedure performed	Whether the amount is arising from connected transaction
Suzhou Tengjun Paper Co., Ltd.	Payment for goods	6,500,927.86	Overdue for a prolonged period and unlikely to be recovered	Approved by general manager	No
Qingdao City Convenience Media Co. Ltd.	Payment for goods	762,331.40	Overdue for a prolonged period and unlikely to be recovered	Approved by general manager	No
Shandong Golden Media Co. Ltd.	Payment for goods	682,436.20	Overdue for a prolonged period and unlikely to be recovered	Approved by general manager	No
Total	—	7,945,695.46	—	—	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

3. Accounts receivable (Cont'd)

(5) Top five accounts receivable according to closing balance of debtors

Name of entity	Nature	Amount due	Percentage (%)	Bad debt provision
Shanxi Printing Materials Company	Payment for goods	123,650,768.46	2.91	6,182,538.42
Anhui Time Source Corporation	Payment for goods	89,493,535.25	2.10	4,474,676.76
Beijing Foreign Languages Publishing and Paper Company	Payment for goods	67,744,837.61	1.59	3,387,241.88
Xinjiang Publishing & Printing Group	Payment for goods	52,721,611.83	1.24	2,636,080.59
Dongguan Huafa Paper Co., Ltd.	Payment for goods	51,267,700.43	1.20	2,563,385.02
Total		384,878,453.58	9.04	19,243,922.67

4. Prepayments

(1) Presentation of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amounts	Percentage	Amounts	Percentage
Within 1 year	811,178,883.71	75.60%	858,757,969.24	46.72%
1-2 years	261,811,350.34	24.40%	979,259,485.66	53.28%
Total	1,072,990,234.05	—	1,838,017,454.90	—

Note: Among significant prepayments overdue for more than 1 year, the prepayments to Jiangsu Xinhai Port Engineering Co., Ltd. of RMB99,980,000.00 were prepayments for the construction works for land development. The prepayments to each village of Huanggang City of RMB86,771,750.40 were prepaid deposits for woodland acquisition.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

4. Prepayments (Cont'd)

(2) Top five prepayment according to closing balance of prepaid parties

Name of entity	Amounts	Percentage (%)	Term	Reason for being unsettled
Zhanjiang Mingli Trading Co., Ltd	152,113,578.75	14.18	Within 1 year	Prepayments for goods according to the agreed contract
Jiangsu Xinhai Port Engineering Co., Ltd.	99,980,000.00	9.32	1-2 years	Prepayments for construction fee according to the agreed contract
Each village of Huanggang City	86,771,750.40	8.09	1-2 years	Deposits for woodland acquisition
Guangdong Lepeng Trading Co., Ltd.	80,100,050.91	7.47	Within 1 year	Prepayments for goods according to the agreed contract
Henan Xinyu International Pulp and Paper Co., Ltd.	43,591,736.67	4.06	Within 1 year	Prepayments for goods according to the agreed contract
Total	462,557,116.73	43.12		

5. Other receivables

(1) Disclosure of other receivables according to category

Unit: RMB

Category	Book balance		Closing balance		Book balance	Book balance		Opening balance		Book balance
	Amounts	Percentage	Amounts	Percentage		Amounts	Percentage	Amounts	Percentage	
Other receivables that are individually significant and are provided for bad debts separately	8,686,748.70	0.56%	8,686,748.70	100.00%		8,755,053.51	0.47%	8,755,053.51	100.00%	
Other receivables that are provided for bad debts on portfolio basis mbased on credit risk features	1,536,522,514.58	98.76%	66,949,150.57	4.36%	1,469,573,364.01	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 mfor bad debts separately	10,514,189.79	0.68%	10,514,189.79	100.00%		12,150,098.81	0.66%	12,150,098.81	100.00%	
Total	1,555,723,453.07	100.00%	86,150,089.06	5.54%	1,469,573,364.01	1,851,629,373.22	100.00%	75,161,487.15	4.06%	1,776,467,886.07

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

5. Other receivables (Cont'd)

(2) Presentation of other receivables according to ageing analysis

Item	Closing balance		Opening balance	
	Amounts	Percentage (%)	Amounts	Percentage (%)
Within 1 year	490,423,341.96	31.52	784,347,727.46	42.36
1-2 years	462,643,415.78	29.74	900,869,097.38	48.65
2-3 years	484,552,388.25	31.15	101,820,067.51	5.50
Over 3 years	118,104,307.08	7.59	64,592,480.87	3.49
Total	1,555,723,453.07	100.00	1,851,629,373.22	100.00

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

☒ Applicable ☐ Not applicable

Unit: RMB

Other receivable (by entity)	Other Receivables	Closing balance		Reason for provision
		Bad debt provision	Percentage	
Ahlstrom Finland	2,820,742.72	2,820,742.72	100.00%	Overdue for over 3 years and unlikely to be recovered
Qingdao Second Automotive and Transportation Logistics Branch Company	1,137,295.16	1,137,295.16	100.00%	Overdue for over 3 years and unlikely to be recovered
Elof Hansson Group of Sweden	1,344,717.78	1,344,717.78	100.00%	Overdue for over 3 years and unlikely to be recovered
Chuan Hua Precision Corporation of Taiwan	2,253,993.04	2,253,993.04	100.00%	Overdue for over 3 years and unlikely to be recovered
Zibo Kaihong Energy Co., Ltd.	1,130,000.00	1,130,000.00	100.00%	Overdue for over 3 years and unlikely to be recovered
Total	8,686,748.70	8,686,748.70	—	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

5. Other receivables (Cont'd)

(2) Presentation of other receivables according to ageing analysis (Cont'd)

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

☒ Applicable ☐ Not applicable

Unit: RMB

Ageing	Other Receivables	Closing balance Bad debt provision	Percentage
Items within 1 year			
Within 1 year	78,974,214.15	3,948,710.71	5.00%
Subtotal for within 1 year	78,974,214.15	3,948,710.71	5.00%
1-2 years	53,963,699.53	5,396,369.95	10.00%
2-3 years	25,178,445.85	5,035,689.17	20.00%
Over 3 years	52,568,380.74	52,568,380.74	100.00%
Total	210,684,740.27	66,949,150.57	31.78%

Explanation on the basis of recognition of the portfolio:

Other receivables using percentage of balance for making bad debt provision in the portfolio:

☐ Applicable ☒ Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

☒ Applicable ☐ Not applicable

Other receivables individually insignificant but provided for bad debt separately

Other receivables	Book balance	Bad debt provision	Percentage (%)	Reason for provision
Open credit	10,514,189.79	10,514,189.79	100.00	Overdue for over three years and are unlikely to be recovered
Total	10,514,189.79	10,514,189.79	100.00	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

5. Other receivables (Cont'd)

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the year amounted to RMB12,692,815.74. The amount for bad debt provision recovered or reversed during the year was RMB1,704,213.83. There is no significant reversal of bad debt provision.

(4) Particulars of accounts receivable actually written off during the reporting period

There are no other receivables written off or reversed during the reporting period.

(5) Top five other receivables according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivables	Closing balance of bad debt provision
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Non-equity investment under contract	1,310,041,477.38	Within 1 year, 1-2 years, 2-3 years and 3-4 years	84.21%	
Qingdao Chenming Nonghai Investment Co., Ltd.	Open credit	21,000,000.00	Within 1 year	1.35%	1,050,000.00
Guangdong Zhongtuo Construction Co., Ltd.	Open credit	15,200,000.00	1-2 years	0.98%	1,520,000.00
The Finance Bureau of Zhejiang	Prepayments for construction	13,114,963.35	1-2 years	0.84%	1,311,496.34
Jiangsu Xinhai Port Engineering Co., Ltd.	Interest on prepayments	10,330,966.70	Within 1 year	0.66%	516,548.34
Total	—	1,369,687,407.43	—	88.04%	4,398,044.68

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

6. Inventories

(1) Categories of inventories

Unit: RMB

Item	Closing balance		Opening balance		Book value
	Book balance	Impairment provision	Book balance	Impairment provision	
Raw materials	1,821,711,468.69		2,117,477,615.09		2,117,477,615.09
Work-in-process products	51,138,043.50		53,378,096.76		53,378,096.76
Goods in stock	1,520,091,660.50		1,539,604,250.80	5,319,730.37	1,534,284,520.43
Consumable biological assets	1,509,964,711.87		1,407,588,229.46		1,407,588,229.46
Developing products	308,012,006.86		308,012,006.86		308,012,006.86
Total	5,210,917,891.42		5,426,060,198.97	5,319,730.37	5,420,740,468.60

Notes: ① Consumable biological assets are measure at fair value. The fair value of timber increased by RMB7,133,175.05 due to acquisition, increased by RMB168,892,888.46 due to breeding, decreased by RMB19,078,538.02 due to change of fair value, and decreased by RMB54,571,043.08 due to disposal.

As of 31 December 2015, there was no significant difference between the fair value and cost of the timber planted during the year or unable to form a stock in the consumable biological assets so its carrying amount was taken as its fair value. The timber forming a stock was measured at fair value and its fair value was determined based on the valuation of Golden Standard & Headmen Appraisal and Advisory Co., Ltd. The consumable biological assets measured at carrying amount as their fair value amounted to RMB239,909,866.69 and the consumable biological assets measured at assessed value as their fair value amounted to RMB1,270,054,845.18.

② Based on the lumbering arrangement of the Company, it is expected that the amount realised for consumable biological assets upon lumbering after 1 year was approximately RMB1.3 billion.

(2) Impairment provision for inventories

Unit: RMB

Item	Opening balance	Increase for the period			Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others		
Goods in stock	5,319,730.37			5,319,730.37			
Total	5,319,730.37			5,319,730.37			

(3) Basis for impairment provision for inventories and reason for reversal or transfer during the year

Item	Basis of impairment provision for inventory	Reason for reversal of impairment provision for inventory during the year	Reason for transfer of impairment provision for inventory during the year
Goods in stock			Disposed

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

7. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	2,893,133,653.86	765,738,333.65
Entrusted loans due within one year		100,000,000.00
Total	2,893,133,653.86	865,738,333.65

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	1,371,201,848.52	1,545,685,356.01
Prepaid income tax	50,700,246.25	110,916,876.08
Receivables under financial lease due within one year	6,160,937,261.77	
Total	7,582,839,356.54	1,656,602,232.09

9. Available-for-sale financial assets

(1) Particulars of available-for-sale financial assets

Unit: RMB

Item	Book balance	Closing balance	Book value	Book balance	Opening balance	Book value
		Provision for impairment			Provision for impairment	
Available-for-sale equity instruments:	110,450,000.00	1,450,000.00	109,000,000.00	74,450,000.00	1,450,000.00	73,000,000.00
At cost	110,450,000.00	1,450,000.00	109,000,000.00	74,450,000.00	1,450,000.00	73,000,000.00
Total	110,450,000.00	1,450,000.00	109,000,000.00	74,450,000.00	1,450,000.00	73,000,000.00

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

9. Available-for-sale financial assets (Cont'd)

(2) Available-for-sale financial assets measured at cost as at the end of the period

Unit: RMB

Investee	Opening balance	Book balance		Closing balance	Opening balance	Provision for impairment		Closing balance	Equity interest in the investee held by the Company	Cash dividends for the period
		Increase for the period	Decrease for the period			Increase for the period	Decrease for the period			
QINGZHOU CHENMING DENATURATION AMYLUM CO., LTD.	900,000.00			900,000.00	900,000.00			900,000.00	30.00%	
SHANDONG PAPER MAKING & PRINTING ENTERPRISES CORPORATION	200,000.00			200,000.00	200,000.00			200,000.00	2.00%	
JINAN SHANGYOU COMMERCIAL COMPANY LIMITED	350,000.00			350,000.00	350,000.00			350,000.00	5.00%	
ZHEJIANG PROVINCE GUANGYU MEDIA PRINTING COMPANY LIMITED	2,000,000.00			2,000,000.00					9.96%	
SHOUGUANG MIHE WATER COMPANY LIMITED	20,000,000.00			20,000,000.00					19.46%	
ANHUI TIME SOURCE CORPORATION	1,000,000.00			1,000,000.00					10.00%	
SHANDONG HONGQIAO VENTURE CAPITAL CO., LTD.	50,000,000.00			50,000,000.00					16.67%	
SHANGHAI LEADBANK ASSET MANAGEMENT CO., LTD.		36,000,000.00		36,000,000.00					3.00%	
Total	74,450,000.00	36,000,000.00		110,450,000.00	1,450,000.00			1,450,000.00	—	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

9. Available-for-sale financial assets (Cont'd)

(3) Changes in impairment of available-for-sale assets during the reporting period

Unit: RMB

Type of available-for-sale assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Opening balance of provision for impairment	1,450,000.00		1,450,000.00
Provision made during the current period	0.00		0.00
Decrease for the current period	0.00		0.00
Closing balance of provision for impairment	1,450,000.00		1,450,000.00

10. Long-term receivables

Unit: RMB

Item	Book balance	Closing balance Provision for impairment	Book value	Book balance	Opening balance Provision for impairment	Book value	Range of discount rate (%)
Finance leasing payments	13,236,155,887.30		13,236,155,887.30	2,419,373,052.30		2,419,373,052.30	6.15-10.00
Less: unrealised finance income	1,258,935,089.60		1,258,935,089.60	233,036,050.66		233,036,050.66	
Less: non-current assets due within one year	2,893,133,653.86		2,893,133,653.86	765,738,333.65		765,738,333.65	
Total	9,084,087,143.84		9,084,087,143.84	1,420,598,667.99		1,420,598,667.99	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

11. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Increase/decrease for the period					Closing balance	Closing balance of provision
				Profit/loss of investment recognised under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared	Provision for impairment		
I. Joint venture										
Shouguang Chenming Huisen New Building Materials Co., Ltd.	2,999,787.98			-22,970.47					2,976,817.51	
Subtotal	2,999,787.98			-22,970.47					2,976,817.51	
II. Associate										
Arjo Wiggins Chenming Specialty Paper Co., Ltd.										
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	4,662,786.59			-445,096.34					4,217,690.25	
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.		300,000,000.00	300,000,000.00							
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)		50,000,000.00		343,241.28					50,343,241.28	
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	22,610,293.87			-15,458,011.25					7,152,282.62	
Jiangxi Chenming Port Co., Ltd.	5,814,979.68			-12,754.96					5,802,224.72	
Subtotal	33,088,060.14	350,000,000.00	300,000,000.00	-15,572,821.27					67,515,438.87	
Total	36,087,848.12	350,000,000.00	300,000,000.00	-15,595,591.74					70,492,256.38	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

12. Investment properties

(1) Investment properties measured at cost

√ Applicable □ Not applicable

Unit: RMB

Item	Housing and building structure	Land use right	Construction in progress	Total
I. Original carrying amount	38,291,395.70			38,291,395.70
1. Opening balance	38,291,395.70			38,291,395.70
2. Increase for the period				
3. Decrease for the period				
4. Closing balance	38,291,395.70			38,291,395.70
II. Accumulated depreciation and accumulated amortisation	20,556,207.79			20,556,207.79
1. Opening balance	20,556,207.79			20,556,207.79
2. Increase for the period	1,738,256.04			1,738,256.04
(1) Provision or amortisation	1,738,256.04			1,738,256.04
3. Decrease for the period				
4. Closing balance	22,294,463.83			22,294,463.83
III. Impairment provision				
1. Opening balance				
2. Increase for the period				
3. Decrease for the period				
4. Closing balance				
IV. Book value				
1. Closing carrying amount	15,996,931.87			15,996,931.87
2. Opening carrying amount	17,735,187.91			17,735,187.91

Note: All long-term equity investments are held by the Company on medium-term leases for 2-3 years and accounted for at cost.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

13. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount					
1. Opening balance	5,423,155,935.77	28,939,108,616.14	274,006,653.55	438,345,516.07	35,074,616,721.53
2. Increase for the period	620,273,393.75	1,985,662,355.63	24,292,971.28	18,020,865.88	2,648,249,586.54
(1) Acquisition		163,704,648.36	17,876,065.29	13,117,655.12	194,698,368.77
(2) Transferred from construction in progress	620,273,393.75	1,821,957,707.27	6,416,905.99	4,903,210.76	2,453,551,217.77
3. Decrease for the period	6,746,364.74	2,178,433,454.49	45,181,059.51	5,805,190.84	2,236,166,069.58
(1) Disposal or retirement	6,746,364.74	215,169,775.82	23,149,351.41	5,730,064.33	250,795,556.30
(2) Transferred to construction in progress		1,963,263,678.67	22,031,708.10	75,126.51	1,985,370,513.28
4. Closing balance	6,036,682,964.78	28,746,337,517.28	253,118,565.32	450,561,191.11	35,486,700,238.49
II. Accumulated depreciation					
1. Opening balance	929,355,284.32	9,040,169,521.06	111,557,530.65	222,582,680.46	10,303,665,016.49
2. Increase for the period	161,592,431.93	1,158,048,769.88	27,911,468.62	21,355,615.87	1,368,908,286.30
(1) Provision	161,592,431.93	1,158,048,769.88	27,911,468.62	21,355,615.87	1,368,908,286.30
3. Decrease for the period	5,368,419.37	320,439,175.33	25,430,174.69	4,360,824.09	355,598,593.48
(1) Disposal or retirement	5,368,419.37	120,573,907.22	19,182,508.15	4,309,752.74	149,434,587.48
(2) Transferred to construction in progress		199,865,268.11	6,247,666.54	51,071.35	206,164,006.00
4. Closing balance	1,085,579,296.88	9,877,779,115.61	114,038,824.58	239,577,472.24	11,316,974,709.31
III. Provision for impairment					
1. Opening balance	26,220,000.00				26,220,000.00
2. Increase for the period	0.00				0.00
3. Decrease for the period	26,220,000.00				26,220,000.00
(1) Disposal or retirement	26,220,000.00				26,220,000.00
4. Closing balance	0.00				0.00
IV. Book value					
1. Closing carrying amount	4,951,103,667.90	18,868,558,401.67	139,079,740.74	210,983,718.87	24,169,725,529.18
2. Opening carrying amount	4,467,580,651.45	19,898,939,095.08	162,449,122.90	215,762,835.61	24,744,731,705.04

Note: As at 31 December 2015, property, plant and equipment with carrying amount of approximately RMB4,567,649,044.39 (31 December 2014: carrying amount: RMB4,762,682,480.74) and land use rights with carrying amount of RMB309,070,530.88 (31 December 2014: RMB316,286,184.74) were pledged as collateral for the long-term borrowings of RMB2,304,159,268.89 and long-term borrowings due within one year of RMB281,218,900.00 (31 December 2014: RMB2,520,707,400.00 and RMB269,980,900.00) (Note VII. 32 and Note VII. 30).

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

13. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value	Remark
Housing and building structure	17,543,318.35	2,246,835.87		15,296,482.48	
Machinery and equipment	59,287,663.46	6,340,114.13		52,947,549.33	
Total	76,830,981.81	8,586,950.00		68,244,031.81	

(3) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Item	Book value	Reason for not yet obtaining property right certificates
Shandong Chenming Paper Holdings Limited	213,798,349.59	Processing with scheduled operation commencement not imminent
Shouguang Meilun Paper Co., Ltd.	722,730,467.47	Processing with scheduled operation commencement not imminent
Zhanjiang Chenming Pulp & Paper Co., Ltd.	1,473,805,159.70	Processing with scheduled operation commencement not imminent
Jilin Chenming Paper Co., Ltd.	515,950,575.00	Processing with scheduled operation commencement not imminent
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	80,814,984.60	Processing with scheduled operation commencement not imminent
Fuyu Chenming Paper Co., Ltd.	40,938,047.46	Processing with scheduled operation commencement not imminent
Jiangxi Chenming Paper Co., Ltd.	15,658,924.47	Processing with scheduled operation commencement not imminent
Total	3,063,696,508.29	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

14. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Railway project (the Company)				223,918,721.46		223,918,721.46
Desulphurisation, denitrification and de-dusted project of power plant (the Company and Meilun)				140,526,292.16		140,526,292.16
Biomass vaporisation project (Zhanjiang Chenming)				113,499,021.38		113,499,021.38
New small-sized paper cutting workshop (Zhanjiang Chenming)				94,353,419.69		94,353,419.69
MVR+ multi-effect evaporation plant project (Zhanjiang Chenming)				29,259,003.60		29,259,003.60
450 tonnes/day mechanical pulp project (Zhanjiang Chenming)				28,937,113.23		28,937,113.23
700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	142,846,027.30		142,846,027.30	142,846,027.30		142,846,027.30
600,000 tonne liquid packaging paper (Zhanjiang Chenming)	2,589,556,896.31		2,589,556,896.31			
190,000 tonne high-end cultural paper project (Zhanjiang Chenming)				950,143,385.07		950,143,385.07
Brick plant project (Jilin Chenming)				33,526,397.51		33,526,397.51
Food packaging paper project (Jiangxi Chenming)	1,299,929,248.95		1,299,929,248.95	919,552,099.41		919,552,099.41
BTMP renovation project (Jiangxi Chenming)	66,440,550.11		66,440,550.11	41,214,162.60		41,214,162.60
Mid-water renovation project (Jiangxi Chenming)	39,199,277.27		39,199,277.27	16,903,145.03		16,903,145.03
Power plant electro-elimination reconstruction project (Jiangxi Chenming)	10,641,025.68		10,641,025.68			
7800 paper machine press section upgrade (Jiangxi Chenming)				12,435,133.15		12,435,133.15
Denitrification project (Qianneng Electric Power)				41,968,651.72		41,968,651.72
Magnesite mining (Haicheng Haiming)	542,134,749.27		542,134,749.27	474,178,142.31		474,178,142.31
Forestry pulp integration project (Huanggang Chenming)	660,485,661.78		660,485,661.78	319,549,872.05		319,549,872.05
Chemical pulp project (Meilun)	259,738,841.00		259,738,841.00	9,205,391.81		9,205,391.81
Others	218,646,980.81		218,646,980.81	117,254,849.05		117,254,849.05
Total	5,829,619,258.48		5,829,619,258.48	3,709,270,828.53		3,709,270,828.53

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

14. Construction in progress (Cont'd)

(2) Changes in material construction in progress projects for the period

Unit: RMB

Item name	Budget	Opening balance	Increase for the period	Transfer to fixed asset for the period	Other deductions for the period	Closing balance	Accumulated investment to budget	Construction in progress	Accumulated capitalised interest	Of which capitalised interest amount for the period	Capitalisation rate of the interest amount for the period	Source of fund
Railway project (the Company)	240,000,000.00	223,918,721.46	109,681,381.76	333,600,103.22			139.00%	Complete	12,381,635.90	4,584,000.16	6.00%	Self-raised and borrowings
Desulphurisation, denitrification and de-dusted project of power plant (the Company and Mellun)	143,000,000.00	140,526,282.16	2,275,084.90	142,801,377.06			99.86%	Complete	5,668,663.46	1,715,828.08	6.00%	Self-raised and borrowings
Biomass vaporisation (Zhanjiang Chenming)	263,000,000.00	113,499,021.38	35,000,588.85	148,499,620.23			56.46%	Complete	1,243,711.25			Self-raised and borrowings
New small-sized paper cutting workshop (Zhanjiang Chenming)	111,000,000.00	94,353,419.69	61,301,193.43	155,654,613.12			140.23%	Complete	405,359.41			Self-raised and borrowings
MVR+ multi-effect evaporation plant project (Zhanjiang Chenming)	80,000,000.00	29,259,003.60	38,759,337.86	68,018,341.46			85.02%	Complete	1,662,831.95	1,662,831.95	5.15%	Self-raised and borrowings
450 tonnes/day mechanical pulp project (Zhanjiang Chenming)	230,000,000.00	28,937,113.23	174,853,400.00	203,790,513.23			88.60%	Complete	2,048,063.28	2,048,063.28	5.05%	Self-raised and borrowings
700,000 tonne pulp equipment upgrade (Zhanjiang Chenming)	270,000,000.00	142,846,027.30				142,846,027.30	52.91%	52.91%	9,939,148.74			Self-raised and borrowings
600,000 tonne liquid packaging paper (Zhanjiang Chenming)	3,800,000,000.00		2,589,556,886.31			2,589,556,886.31	68.15%	68.15%	4,679,353.07	4,679,353.07	5.07%	Self-raised and borrowings
190,000 tonne high-end cultural paper project (Zhanjiang Chenming)	1,220,000,000.00	950,143,385.07	267,283,730.72	1,217,427,115.79			99.79%	Completed	20,002,587.77	18,030,805.43	4.96%	Self-raised and borrowings
Brick plant project (Jilin Chenming)	36,000,000.00	33,526,387.51	650,615.58	34,177,013.09			94.94%	Completed				Self-raised
Food packaging paper project (Jiangxi Chenming)	1,248,000,000.00	919,532,089.41	380,377,149.54			1,299,929,248.95	104.16%	99.00%	77,290,546.22	55,282,373.98	4.98%	Self-raised and borrowings
BTMP renovation project (Jiangxi Chenming)	97,000,000.00	41,214,162.60	25,226,387.51			66,440,550.11	68.50%	68.50%	5,171,237.33	3,550,861.02	4.98%	Self-raised and borrowings
Mid-water renovation project (Jiangxi Chenming)	39,000,000.00	16,903,145.03	22,296,132.24			39,199,277.27	100.51%	99.00%	1,284,522.71	1,144,413.11	4.98%	Self-raised and borrowings
Power plant electro-elimination reconstruction project (Jiangxi Chenming)	12,000,000.00		10,641,025.68			10,641,025.68	88.68%	88.68%				Self-raised
7800 paper machine press section upgrade (Jiangxi Chenming)	16,000,000.00	12,435,133.15		12,435,133.15			77.72%	Complete				Self-raised
Denitrification project (Qiannong Electric Power)	42,000,000.00	41,968,651.72		41,968,651.72			99.93%	Complete				Self-raised
Magnetite mining (Haicheng Haiming)	700,000,000.00	474,178,142.31	67,956,606.96			542,134,749.27	77.45%	77.45%	42,986,133.18	19,384,710.22	5.34%	Self-raised and borrowings
Forestry pulp integration project (Huanggang Chenming)	3,485,000,000.00	319,549,872.05	340,935,789.73			660,485,661.78	18.95%	18.95%	17,298,149.07	5,382,431.43	5.40%	Self-raised and borrowings
Chemical pulp project (Mellun)	3,000,000,000.00	9,205,381.81	250,533,449.19			259,738,841.00	8.66%	8.66%	588,774.36	588,774.36	5.00%	Self-raised and borrowings
Others		117,254,849.05	196,570,867.46	95,178,735.70		218,645,980.81			795,227.87	459,522.63	5.00%	Self-raised and borrowings
Total	15,032,000,000.00	3,709,270,828.53	4,573,889,647.72	2,453,551,217.77		5,829,619,258.48	—	—	203,446,945.57	118,483,968.72	—	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

15. Materials for project

Unit: RMB

Item	Closing balance	Opening balance
Special materials	14,128,489.39	22,810,138.46
Special equipment	533,627.37	145,843.92
Total	14,662,116.76	22,955,982.38

16. Intangible assets

Unit: RMB

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	1,521,545,407.58	21,645,247.47	1,543,190,655.05
2. Increase for the period	176,008,913.16	915,000.00	176,923,913.16
(1) Acquisition	176,008,913.16	915,000.00	176,923,913.16
3. Decrease for the period	0.00	0.00	0.00
4. Closing balance	1,697,554,320.74	22,560,247.47	1,720,114,568.21
II. Accumulated amortisation			
1. Opening balance	207,729,903.04	16,356,326.97	224,086,230.01
2. Increase for the period	32,285,167.06	1,037,110.51	33,322,277.57
(1) Provision	32,285,167.06	1,037,110.51	33,322,277.57
3. Decrease for the period	0.00	0.00	0.00
4. Closing balance	240,015,070.10	17,393,437.48	257,408,507.58
III. Impairment provision			
1. Opening balance			
2. Increase for the period			
3. Decrease for the period			
4. Closing balance			
IV. Book value			
1. Closing book value	1,457,539,250.64	5,166,809.99	1,462,706,060.63
2. Opening book value	1,313,815,504.54	5,288,920.50	1,319,104,425.04

Note: (1) On 31 December 2015, land use rights of carrying amount of RMB309,070,530.88 (31 December 2014: RMB316,286,184.74) and ownership of property, plant and equipment of carrying amount of RMB4,567,649,044.39 (31 December 2014: carrying amount of RMB4,762,682,480.74) was restricted, as collateral for long-term borrowings of RMB2,304,159,268.89 (31 December 2014: RMB2,520,707,400.00) (Note VII. 32) and long-term borrowings due within one year of RMB281,218,900.00 (31 December 2014: RMB269,980,900.00) (see Note VII. 30 for details). The amortisation of such land use rights in 2015 amounted to RMB7,215,654.36 (2014: RMB7,215,654.36).

(2) The state-owned land use rights obtained by the Company in China were in compliance with PRC laws with a term of grant of 40-50 years upon receipt.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

17. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57
Total	20,283,787.17			20,283,787.17

(2) Provision for impairment of goodwill

Goodwill arose from business combination not under common control during prior years.

On the balance sheet date, the management of the Company assessed the recoverable amount of cash-generating unit which results in goodwill, in order to determine whether to make provision for impairment loss accordingly. The recoverable amount of cash-generating unit was determined based on the estimated cash flow in the financial budget for the next five years by the management, and the time value of currency was estimated using the discount rate of 8.32% (2014: 8.32%). Results of impairment test showed that no provision for impairment loss was necessary to be made for goodwill.

18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Woodland expenses	161,793,438.27	248,312.00	6,977,965.16	522,849.42	154,540,935.69
Others	11,897,309.56		751,298.64		11,146,010.92
Total	173,690,747.83	248,312.00	7,729,263.80	522,849.42	165,686,946.61

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

19. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	384,938,613.04	89,456,807.32	340,772,888.98	79,501,792.10
Unrealised profit arising from intra-group transactions	130,647,470.24	32,661,867.55	110,493,658.36	27,623,414.59
Deductible loss	1,733,079,653.85	406,220,680.25	1,858,290,693.47	451,519,833.69
Outstanding payables	251,138,009.64	50,233,974.39	106,430,519.52	20,362,747.08
Deferred income	169,293,123.08	34,655,980.97	184,861,975.76	41,259,848.98
Total	2,669,096,869.85	613,229,310.48	2,600,849,736.09	620,267,636.44

(2) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	36,714,728.52	31,495,183.10
Deductible loss	505,399,608.89	457,830,039.77
Total	542,114,337.41	489,325,222.87

Note: As there are uncertainties about the sufficiency of taxable profit in the future, no deductible temporary difference and deductible loss have been recognised for deferred income tax assets.

(3) Expiry of deductible loss of unrecognised deferred income tax assets falls in the periods as follows

Unit: RMB

Year	Closing amount	Opening amount	Remark
2015		37,886,444.37	
2016	56,787,869.12	59,767,165.56	
2017	115,377,328.84	116,596,801.25	
2018	135,000,510.29	140,521,936.04	
2019	95,618,971.48	103,057,692.55	
2020	102,614,929.16		
Total	505,399,608.89	457,830,039.77	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

20. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loans	900,000,000.00	1,000,000,000.00
Prepayments of properties	310,234,623.33	162,000,000.00
Prepayments of land	32,124,242.00	32,124,242.00
Less: portion due within one year (see Note VII. 7)		100,000,000.00
Total	1,242,358,865.33	1,094,124,242.00

21. Particulars of provision for impairment of assets

Item	Opening balance	Provision for the year	Decrease for the year			Closing balance
			Reversal	Write-off	Others	
I. Provisions for bad debts	339,784,766.91	64,535,491.53	3,567,146.81	9,665,230.95		391,087,880.68
II. Provisions for inventory impairment	5,319,730.37			5,319,730.37		
III. Provisions for impairment of available-for-sale financial assets	1,450,000.00					1,450,000.00
IV. Provisions for impairment of fixed assets	26,220,000.00			26,220,000.00		
Total	372,774,497.28	64,535,491.53	3,567,146.81	41,204,961.32		392,537,880.68

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

22. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	472,286,374.54	584,082,701.72
Guarantee borrowings	10,240,162,328.25	9,628,636,791.99
Credit borrowings	8,312,516,970.07	7,317,577,099.21
Discounted borrowings	5,730,570,000.00	2,940,000,000.00
Total	24,755,535,672.86	20,470,296,592.92

- Note: (1) For classification and amount of secured assets in respect of pledged borrowings, please see Note VII.1 and Note VII. 2.
- (2) All guaranteed borrowings were borrowings of the subsidiaries guaranteed by the Company. Please refer to Note XII.5(2) for details of maturity of the above guarantees.
- (3) Discounted borrowings refer to discounted bills payable, which are transferred to short-term borrowings at the end of the period.
- (4) The Group had no short-term borrowings due and outstanding.

23. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bills	3,281,599,412.31	1,598,110,792.85
Total	3,281,599,412.31	1,598,110,792.85

Unpaid bills payable due as at the end of the period amounted to nil.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,485,701,891.02	2,965,990,209.36
1-2 years	308,215,762.61	228,866,967.30
2-3years	69,577,394.46	112,980,731.55
Over 3 years	78,842,338.48	100,528,205.72
Total	2,942,337,386.57	3,408,366,113.93

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
FORESTRY TASMANIA	27,995,705.76	Not overdue
JIANGSU NEW CENTURY JIANGNAN ENVIRONMENTAL PROTECTION LTD	10,247,536.71	Not overdue
SHANGHAI CLEAR SCIENCE & TECHNOLOGY CO.,LTD	8,698,502.60	Not overdue
FUJIAN INDUSTRIAL EQUIPMENT INSTALLATION CO. LTD SANMIN BRANCH	5,525,547.66	Not overdue
HARBIN BOILER COMPANY LIMITED	5,142,951.54	Not overdue
Total	57,610,244.27	—

25. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	150,907,190.21	255,718,680.43
1-2 years	29,597,036.80	14,338,046.45
Total	180,504,227.01	270,056,726.88

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

25. Advance receipts (Cont'd)

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
YONG YI ADHESIVE (ZHONGSHAN) CO. LTD.	1,384,668.41	No delivery requirement from the counterparty
ZHEJIANG PRINTING GROUP CO., LTD.	4,215,279.00	No delivery requirement from the counterparty
DONGGUAN LIANFU PACKAGING MATERIALS CO., LTD.	1,507,087.14	No delivery requirement from the counterparty
Total	7,107,034.55	—

26. Staff remuneration payables

(1) Particulars of Staff remuneration payables

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	152,531,447.83	861,178,514.89	808,732,143.34	204,977,819.38
II. Retirement benefit plan – defined contribution scheme	1,382,519.32	83,020,429.57	83,552,149.39	850,799.50
III. Lay off welfare	12,075.15	1,336,769.68	1,336,769.68	12,075.15
Total	153,926,042.30	945,535,714.14	893,621,062.41	205,840,694.03

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

26. Staff remuneration payables (Cont'd)

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	96,539,011.57	710,623,564.61	652,746,634.33	154,415,941.85
2. Staff welfare		52,396,060.18	52,396,060.18	
3. Social insurance premium	8,257,271.23	34,610,088.04	38,214,923.97	4,652,435.30
Of which: Medical insurance premium	7,283,773.84	25,565,379.84	29,210,358.27	3,638,795.41
Work-related injury insurance premium	5,552.06	5,639,975.04	5,610,154.53	35,372.57
Maternity insurance premium	967,945.33	3,404,733.16	3,394,411.17	978,267.32
4. Housing provident funds	7,688,871.47	51,978,436.07	55,206,360.18	4,460,947.36
5. Union funds and workers education	21,241,698.02	11,264,215.06	9,842,100.19	22,663,812.89
6. Short paid leave	18,804,595.54	306,150.93	326,064.49	18,784,681.98
Total	152,531,447.83	861,178,514.89	808,732,143.34	204,977,819.38

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	1,303,789.76	77,742,746.45	78,286,351.25	760,184.96
2. Unemployment insurance	78,729.56	5,277,683.12	5,265,798.14	90,614.54
Total	1,382,519.32	83,020,429.57	83,552,149.39	850,799.50

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

27. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	43,110,126.98	27,861,717.80
Business tax	5,019,330.14	5,993,146.04
Enterprise income tax	121,532,520.76	88,084,906.73
Individual income tax	953,632.02	14,783,877.45
Urban maintenance and construction tax	3,274,749.38	2,479,631.43
Land use tax	9,620,892.06	11,103,517.24
Property tax	5,856,496.06	6,146,726.60
Educational surcharges and others	3,940,435.85	2,397,509.16
Stamp duty	1,544,300.55	2,249,056.49
Total	194,852,483.80	161,100,088.94

28. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	62,445,615.01	62,417,222.24
Interest on medium-term notes	27,455,083.22	27,455,083.26
Interest on privately placed bonds	60,175,000.00	60,175,000.00
Total	150,075,698.23	150,047,305.50

29. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	970,782,931.89	578,321,880.79
1-2 years	132,987,693.44	149,759,077.76
2-3 years	16,970,120.00	20,710,865.78
Over 3 years	37,826,608.05	34,999,060.28
Total	1,158,567,353.38	783,790,884.61

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

29. Other payables (Cont'd)

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or not carried forward
LIAONING BEIHAI INDUSTRIES GROUP CO., LTD.	39,795,308.88	Debt investments as agreed by shareholders of subsidiaries
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT COMPANY LIMITED	37,230,586.11	Debt investments as agreed by shareholders of subsidiaries
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding
Total	85,825,894.99	—

30. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year (Note VII. 32)	1,975,300,816.32	1,099,968,900.00
Bonds payable due within 1 year (Note VII. 33)	1,997,824,337.74	
Privately placed bonds due within 1 year (Note VII. 37)	1,498,161,581.85	
Total	5,471,286,735.91	1,099,968,900.00

31. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term commercial paper	10,293,543,297.00	
Total	10,293,543,297.00	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

31. Other current liabilities (Cont'd)

Increase/decrease in short-term commercial papers payable:

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance
15 Lu Chenming CP001	1,800,000,000.00	2015/4/23	365 days	1,792,800,000.00		1,792,800,000.00	57,270,000.00	5,400,000.00		1,855,470,000.00
15 Lu Chenming CP002	1,800,000,000.00	2015/4/27	365 days	1,794,600,000.00		1,794,600,000.00	61,250,000.00	3,600,000.00		1,859,450,000.00
15 Lu Chenming SCP001	1,500,000,000.00	2015/7/6	270 days	1,497,750,000.00		1,497,750,000.00	34,308,333.34	1,750,000.00		1,533,808,333.34
15 Lu Chenming SCP002	1,000,000,000.00	2015/8/7	220 days	998,777,778.00		998,777,778.00	15,435,000.00	873,015.00		1,015,085,793.00
15 Lu Chenming SCP003	1,000,000,000.00	2015/8/24	270 days	998,500,000.00		998,500,000.00	14,336,111.10	833,335.00		1,013,669,446.10
15 Lu Chenming SCP004	1,000,000,000.00	2015/10/20	270 days	998,500,000.00		998,500,000.00	7,644,722.23	500,001.00		1,006,644,723.23
15 Lu Chenming SCP005	1,000,000,000.00	2015/11/5	270 days	998,500,000.00		998,500,000.00	5,985,000.00	333,334.00		1,004,818,334.00
15 Lu Chenming SCP006	1,000,000,000.00	2015/11/10	270 days	998,500,000.00		998,500,000.00	5,763,333.33	333,334.00		1,004,596,667.33
Total	-	-	-	10,077,927,778.00		10,077,927,778.00	201,992,500.00	13,623,019.00		10,293,543,297.00

32. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,585,378,168.89	2,790,688,300.00
Guarantee borrowings	3,206,495,675.32	1,274,978,809.25
Credit borrowings	1,352,808,035.94	1,412,592,035.94
Including: long-term borrowings due within 1 year (see Note VII. 30)	-1,975,300,816.32	-1,099,968,900.00
Total	5,169,381,063.83	4,378,290,245.19

Note: (1) For the asset group of pledges of secured borrowings, please refer to Note VII.13 and Note VII.16.

(2) All guaranteed borrowings were borrowings of the subsidiaries guaranteed by the Company. Please refer to Note XII.5(2) for details of maturity of the above guarantees.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
11 Chenming debt		1,993,899,974.62
12 Chenming debt	3,788,539,249.59	3,783,231,333.39
Total	3,788,539,249.59	5,777,131,308.01

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance
11-year Chenming debt	2,000,000,000.00	2011/07/06	5 years	1,982,000,000.00	1,993,899,974.62		119,000,000.00	3,324,363.12	119,000,000.00	1,997,824,337.74
12-year Chenming debt	3,800,000,000.00	2012/12/26	5 years	3,773,400,000.00	3,783,231,333.39		214,700,000.00	5,307,916.20	214,700,000.00	3,788,539,249.59
Less: due within one year (Note VIII. 30)										1,997,824,337.74
Total	-	-	-	5,755,400,000.00	5,777,131,308.01		333,700,000.00	9,232,279.32	333,700,000.00	3,788,539,249.59

34. Long-term payables

(1) By nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	194,000,000.00	
Specific capital for China Development	150,000,000.00	
Of which: due within two to five years	294,000,000.00	
due after five years	50,000,000.00	
Total	344,000,000.00	

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

35. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Huanggang Chenming integrated forestry, pulp and paper project	161,983,516.66	15,000,000.00		176,983,516.66	
Total	161,983,516.66	15,000,000.00		176,983,516.66	—

During the year, a special grant of RMB15,000,000.00 for the integrated forestry, pulp and paper project of Huanggang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Company, from the Finance Bureau of Huanggang City was accounted for as special accounts payable according to the Provisional Measures for Special Government Grant of Huanggang Chenming integrated Forestry, Pulp and Paper Project.

36. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	1,476,121,434.78	100,612,200.00	81,628,745.52	1,495,104,889.26	
Total	1,476,121,434.78	100,612,200.00	81,628,745.52	1,495,104,889.26	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

36. Deferred income (Cont'd)

Items in respect of government grant:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Include in non-operating income for the period	Other Changes	Closing balance	Asset-related/ income-related
Special subsidy funds for environmental protection	1,001,623,109.60		52,675,171.00		948,947,938.60	Asset-related
Project fund for National technological support scheme	5,832,271.70		164,700.00		5,667,571.70	Asset-related
Special subsidy fund for Songhuajiang environmental protection project	25,883,079.72		1,030,000.08		24,853,079.64	Asset-related
Modification of alkaline recycling system	4,700,609.23				4,700,609.23	Asset-related
Sewage treatment and water conservation reconfiguration project	10,918,732.67	2,000,000.00	1,070,731.68		11,848,000.99	Asset-related
Financial grants for technological modification project	114,303,225.21	50,000,000.00	9,319,701.70		154,983,523.51	Asset-related
Zhanjiang integrated forestry, pulp and paper project	266,329,668.36	24,700,000.00	12,754,200.34		278,275,468.02	Asset-related
Interest Subsidy	30,907,617.74	23,708,000.00	4,156,453.36		50,459,164.38	Asset-related
Railway line change compensation	14,250,000.00				14,250,000.00	Asset-related
Others	1,373,120.55	204,200.00	457,787.36		1,119,533.19	Asset-related
Total	1,476,121,434.78	100,612,200.00	81,628,745.52		1,495,104,889.26	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

37. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	1,094,621,421.67	1,091,270,700.55
Privately placed bonds	1,498,161,581.85	1,493,497,659.09
Including: maturing within one year	1,500,000,000.00	
maturing within 1 - 2 years	1,100,000,000.00	1,500,000,000.00
maturing within 2 -5 years		1,100,000,000.00
issue costs not amortised	-7,216,996.48	-15,231,640.36
Less: the portion maturing within one year (Note VII. 30)	1,498,161,581.85	
Total	1,094,621,421.67	2,584,768,359.64

38. Share capital

Item	Opening balance	Increase/decrease for the year	Closing balance
RMB ordinary shares (A shares)	1,113,278,456.00		1,113,278,456.00
Domestic listed foreign shares (B shares)	470,923,511.00		470,923,511.00
Overseas listed foreign shares (H shares)	352,203,500.00		352,203,500.00
Total number of shares	1,936,405,467.00		1,936,405,467.00

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

39. Other equity instruments – perpetual bonds

Outstanding financial instruments	Opening balance	Increase during the year	Decrease during the year	Closing balance
15 Lu Chenming MMTN001		1,291,900,000.00		1,291,900,000.00
15 Lu Chenming MMTN001		1,290,900,000.00		1,290,900,000.00
Total		2,582,800,000.00		2,582,800,000.00

Note (1) Particulars of issue: The Company issued medium-term notes amounting to RMB2.6 billion on 6 July and 8 September 2015 at a coupon rate of 6.00% and 5.78%. The proceeds net of issue costs amounted to RMB2,582.8000 million.

Note (2) Particulars of the notes as perpetual bonds

The notes are debts without a defined maturity date and will continue indefinitely until the exercise of the right of redemption by the Company.

The Company has the right to defer any payment of interest.

The right of redemption of the notes is vested with the Company so that it is up to the Company to decide whether to redeem or not.

Based on the above, the notes do not contain any term giving rise to any contractual obligation to deliver cash or other financial assets to any other entity, or to exchange any financial asset or financial liability with any other entity under potential adverse circumstances. Consequently, they were eligible to be recognised and accounted for as equity instruments and included under other equity instruments – perpetual bonds.

40. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	5,478,814,366.20	1,403.40		5,478,815,769.60
Other capital reserves	670,322,507.21			670,322,507.21
Total	6,149,136,873.41	1,403.40		6,149,138,276.81

Note: The Company received income arising from disposal of odd lots for equity distributions by China Securities Depository and Clearing Co., Ltd, with capital premium under capital reserves up by RMB1,403.40.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

41. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	During the period		Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
				Less: income tax expenses				
Other comprehensive income to be reclassified to profit or loss in subsequent periods	33,763,168.13	-378,778,032.39				-378,778,032.39		-345,014,864.26
Exchange differences on translation of foreign operations	33,763,168.13	-378,778,032.39				-378,778,032.39		-345,014,864.26
Total other comprehensive income	33,763,168.13	-378,778,032.39				-378,778,032.39		-345,014,864.26

42. Surplus reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	1,132,116,106.40			1,132,116,106.40
Total	1,132,116,106.40			1,132,116,106.40

Note: Pursuant to the Companies Law and the Articles of Association, the Company transferred 10% of the net profit to the statutory surplus reserves. There was no need to transfer if the accumulated amounts of the statutory reserves exceeded 50% of the Company's registered capital.

The Company can transfer the discretionary surplus reserve upon the transfer of statutory surplus reserve. Once approved, the discretionary surplus reserve can be used to offset loss for prior years or increase the share capital.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

43. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior year before adjustment	4,665,921,686.21	4,741,638,941.58
Retained profit as at the beginning of the year after adjustment	4,665,921,686.21	4,741,638,941.58
Plus: Net profit for year attributable to shareholders of the parent company	1,021,224,678.04	505,204,384.73
Ordinary dividend payable	271,096,765.38	580,921,640.10
Retained profit as at the end of the period	5,416,049,598.87	4,665,921,686.21

Note:

(1) Profit distribution:

According to the 2014 Profit Distribution Plan which was approved at the 2015 annual general meeting of the Company on 15 May 2015, the Company paid a cash dividend of RMB0.14 per share (2014: RMB0.30 per share) to all shareholders, amounting to RMB271,096,765.38 (2014: RMB580,921,640.10) based on the number of the shares as at the dividend distribution registration date of 1,936,405,467.00 shares.

(2) Appropriation of surplus reserve by subsidiaries during the reporting period

In 2015, subsidiaries of the Company appropriated surplus reserve of RMB56,372,502.96, of which RMB56,372,502.96 was attributable to the Company.

44. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	20,060,774,786.74	14,693,179,492.87	18,998,422,868.69	15,276,153,607.54
Other activities	181,131,345.07	71,483,938.31	103,254,209.00	46,949,171.66
Total	20,241,906,131.81	14,764,663,431.18	19,101,677,077.69	15,323,102,779.20

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

44. Revenue and operating costs (Cont'd)

(2) Principal activities (by industry)

Industry name	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
I. Machine-made paper	18,072,997,652.53	13,935,285,230.54	17,975,118,165.42	14,590,759,989.08
II. Electricity and steam	437,772,691.42	277,931,321.75	513,786,969.44	346,919,674.07
III. Construction materials	223,266,272.44	176,662,730.54	225,322,331.60	180,981,974.32
IV. Paper chemicals	124,008,406.45	102,039,011.48	59,945,519.46	54,847,129.21
V. Hotel	27,136,077.49	6,188,002.55	26,793,066.32	5,434,372.02
VI. Financial leasing	1,084,860,187.11	127,769,086.46	86,657,969.85	14,960,182.54
VII. Others	90,733,499.30	67,304,109.55	110,798,846.60	82,250,286.30
Total	20,060,774,786.74	14,693,179,492.87	18,998,422,868.69	15,276,153,607.54

(3) Principal activities (by products under machine-made paper)

Product name	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Light weight coated paper	612,237,436.63	515,155,387.78	693,819,246.02	602,872,005.81
Duplex press paper	4,460,441,279.15	3,359,857,786.59	2,967,684,563.34	2,361,726,555.66
Writing paper	289,489,121.26	236,603,150.06	211,560,370.68	159,961,258.19
Coated paper	4,365,890,220.92	3,258,280,750.13	4,428,510,204.03	3,602,836,734.87
Newsprint paper	970,297,912.12	819,429,101.14	1,091,419,636.72	816,390,508.43
Paperboard	183,744,883.99	174,790,766.95	754,167,430.95	715,607,309.32
White paper board	1,915,153,293.25	1,463,666,571.72	1,991,690,191.45	1,620,353,693.26
Electrostatic paper	1,580,897,670.32	1,043,674,436.61	1,742,073,088.67	1,309,377,091.22
Other machine-made papers	3,694,845,834.89	3,063,827,279.56	4,094,193,433.56	3,401,634,832.32
Total	18,072,997,652.53	13,935,285,230.54	17,975,118,165.42	14,590,759,989.08

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

44. Revenue and operating costs (Cont'd)

(4) Principal activities (by geographical areas under machine-made paper)

Region	Amount for the year		Amount for the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	14,262,273,601.63	11,202,087,734.99	14,552,115,907.65	11,488,109,021.61
Other countries and regions	3,810,724,050.90	2,733,197,495.55	3,423,002,257.77	3,102,650,967.47
Total	18,072,997,652.53	13,935,285,230.54	17,975,118,165.42	14,590,759,989.08

(5) Revenue from top 5 customers

Period	Total revenue from top 5 customers	Percentage of the total revenue in the same period (%)
2015	1,362,000,050.80	6.73
2014	1,420,196,436.91	7.43

45. Business taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Business tax	57,971,415.46	32,145,655.62
Urban maintenance and construction tax	39,811,578.29	31,769,524.59
Educational surcharges	29,762,311.83	22,655,151.08
Water engineering funds	5,421,903.84	4,395,872.20
Others	79,525.81	63,869.56
Total	133,046,735.23	91,030,073.05

Note: For details of payment standards for business taxes and surcharges, please see Note VI. Tax.

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

46. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages	149,119,158.11	120,719,398.48
Depreciation expenses	15,169,981.24	13,399,540.68
Office expenses	7,092,267.78	6,221,988.78
Travel expenses	29,039,476.77	34,664,069.53
Selling commissions	13,581,805.18	6,653,665.56
Transportation expenses	809,717,276.42	793,007,171.93
Cargo handling charges	18,220,233.14	20,458,378.39
Rental expenses	8,599,544.24	9,437,945.50
Hospitality expenses	67,545,878.65	64,557,863.44
Warehouse expenses	3,489,930.81	4,339,299.19
Others	69,386,187.65	74,596,213.75
Total	1,190,961,739.99	1,148,055,535.23

47. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	218,901,004.21	152,205,135.11
Welfare expenses	45,052,606.63	37,236,019.36
Labour insurance premium	12,390,793.58	10,824,798.38
Insurance premium	21,120,324.07	18,767,977.72
Depreciation expenses	62,330,981.98	54,439,941.88
Waste disposal expenses	20,000,681.81	24,663,623.70
Hospitality expenses	30,988,178.17	24,289,958.40
Amortisation of intangible assets	29,913,688.61	32,028,062.78
Technological development expenses	649,368,119.76	469,826,539.65
Tax	113,047,766.76	108,339,551.67
Production interruption loss	54,186,908.78	26,068,427.32
Repair fees	20,952,667.27	25,947,612.69
Audit fees	2,600,000.00	2,600,000.00
Others	103,798,775.19	173,305,258.73
Total	1,384,652,496.82	1,160,542,907.39

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

48. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	1,910,752,596.26	1,540,167,178.31
Less: interest income	376,655,680.35	232,604,192.19
Less: capitalised interest amount	190,070,482.43	185,230,554.68
Foreign exchange gains and losses	151,474,839.76	26,067,912.64
Bank charges	173,898,778.52	80,858,813.39
Total	1,669,400,051.76	1,229,259,157.47

Other particulars:

Interest expenses	2015	2014
Interests on bank loans, overdrafts and other loans which require to be fully repaid within 5 years	927,200,426.19	954,007,544.33
Other interest expenses	1,172,941,025.92	1,106,872,842.55
Total	2,100,141,452.11	2,060,880,386.88

49. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
I. Loss on bad debts	60,968,344.72	54,220,631.74
II. Loss on inventory impairment		5,319,730.37
Total	60,968,344.72	59,540,362.11

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

50. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Consumable biological assets measured at fair value	-19,078,538.02	6,856,815.32
Total	-19,078,538.02	6,856,815.32

51. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	-15,595,591.74	-5,156,941.21
Investment gain on disposal of long-term equity investments	9,533,333.33	-8,516,933.29
Investment gain on disposal of available-for-sale financial assets		-124,070.12
Income on external entrusted loans	94,777,777.77	82,833,581.81
Total	88,715,519.36	69,035,637.19

52. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total gain on disposal of non-current assets	15,395,550.60	86,153,319.82	15,395,550.60
Of which: Gain on disposal of fixed assets	15,395,550.60	2,388,902.38	15,395,550.60
Gain on disposal of intangible assets		83,764,417.44	
Gain on debt restructuring	32,089,863.80	1,725,797.17	32,089,863.80
Government grants	251,169,920.24	269,545,217.93	244,716,579.78
Compensation on Wuhan relocation for operation suspension		27,551,586.08	
Compensation on Jilin relocation for operation suspension		12,467,512.55	
Others	12,350,469.71	12,867,912.27	12,350,469.71
Total	311,005,804.35	410,311,345.82	304,522,463.89

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

52. Non-operating income (Cont'd)

Government grants included in profit or loss for the period:

Grants item	Amount for the year	Amount for the prior year
Amortised deferred income (Note VII. 36)	81,628,745.52	59,434,500.08
Grants income	163,087,834.26	200,566,112.02
Value-added tax refund	6,453,340.46	9,544,605.83
Total	251,169,920.24	269,545,217.93

53. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total loss on disposal of non-current assets	6,610,974.07	12,236,126.04	6,610,974.07
Of which: loss on disposal of fixed assets	6,610,974.07	12,236,126.04	6,610,974.07
Donation	600,000.00	1,000,000.00	600,000.00
Others	1,476,158.68	2,105,652.24	1,476,158.68
Total	8,687,132.75	15,341,778.28	8,687,132.75

54. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	425,199,052.24	220,708,140.68
Deferred income tax expenses	7,038,325.96	-113,008,730.04
Total	432,237,378.20	107,699,410.64

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

54. Income tax expenses (Cont'd)

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	1,410,168,985.05
Income tax expenses calculated at statutory/applicable tax rates	352,542,246.26
Effect of different tax rates applicable to subsidiaries	
Effect of adjustments for income tax for prior periods	109,897.34
Effect of income not subject to tax	44,987,113.12
Effect of costs, expenses and loss not deductible for tax purposes	23,336,523.73
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	-3,723,696.10
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	62,310,912.85
Effect of additional deductible expenses	-47,325,619.00
Income tax expenses	432,237,378.20

55. Other comprehensive income

For details, please see Note 41.

56. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Default penalty and fine	13,944,286.08	7,462,262.25
Finance expenses – Interest income	376,655,680.35	232,604,192.19
Income-related government grants	160,087,834.26	200,566,112.02
Open credit and other income	268,723,339.29	159,354,402.77
Deposit of Leasing Company	653,000,000.00	
Total	1,475,411,139.98	599,986,969.23

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

56. Items on statements of cash flow (Cont'd)

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Financial institutions charge	173,898,778.52	80,858,813.39
Business hospitality expenses	98,534,056.82	88,847,821.84
Travel expenses	39,928,059.43	47,576,695.91
Office expenses	12,769,202.02	12,520,690.32
Transportation expenses	788,768,624.75	767,726,460.95
Rental expenses	14,619,838.83	14,350,343.74
Waste disposal expenses	20,992,253.21	24,663,623.70
Insurance premium	22,110,976.94	18,767,977.72
Repair expenses	20,952,667.27	30,372,618.50
Cargo handling charges	18,220,233.14	20,458,378.39
Intermediary service expenses	5,698,026.64	5,207,318.09
Net increase in principal receivables relating to finance lease business	15,432,476,248.91	2,624,793,605.97
Others	200,094,630.81	455,827,098.55
Total	16,849,063,597.29	4,191,971,447.07

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Special subsidy funds received		161,983,516.66
Demolition and relocation compensation received		590,920,000.00
Asset-related government grants	100,612,200.00	77,328,964.00
Interest income on entrusted loans		82,833,581.81
Subsidy for Huanggang Project	15,000,000.00	
Total	115,612,200.00	913,066,062.47

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

56. Items on statements of cash flow (Cont'd)

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Entrusted loans		1,000,000,000.00
Total		1,000,000,000.00

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Short-term commercial paper	10,077,927,778.00	
Perpetual bonds	2,582,800,000.00	
Special funds for China Development Bank	150,000,000.00	
Total	12,810,727,778.00	

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of long-term payables		60,000,000.00
Repayment of short-term commercial paper		3,800,000,000.00
Repayment of Chenming Hong Kong debt		500,000,000.00
Increase in restricted bank deposits for the period	2,596,657,197.45	2,678,364,459.52
Acquisition of minority interests by Power		23,413,560.00
Repurchase of H shares		74,699,131.07
Total	2,596,657,197.45	7,136,477,150.59

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

57. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	—	—
Net profit	977,931,606.85	453,308,872.65
Plus: Provision for impairment of assets	60,968,344.72	59,540,362.11
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	1,370,646,542.34	1,402,497,083.69
Amortisation of intangible assets	33,322,277.57	33,890,044.27
Amortisation of long-term prepaid expenses	7,729,263.80	7,147,733.73
Loss on disposal of fixed assets, intangible assets and other long-term assets ("—" denotes gain)	-8,784,576.53	-73,917,193.78
Loss on changes in fair value ("—" denotes gain)	19,078,538.02	-6,856,815.32
Finance expenses ("—" denotes gain)	1,690,396,705.85	1,345,854,589.93
Investment loss ("—" denotes gain)	-88,715,519.36	-69,035,637.19
Decrease in deferred income tax assets ("—" denotes increase)	7,038,325.96	-113,008,730.04
Decrease in inventories ("—" denotes increase)	267,650,283.24	-270,691,002.10
Decrease in operating receivables ("—" denotes increase)	-16,218,923,038.36	-3,401,693,697.79
Increase in operating payables ("—" denotes decrease)	2,160,297,721.60	1,618,364,125.69
Net cash flows from operating activities	-9,721,363,524.30	985,399,735.85
2. Major investing and financing activities not involving cash settlements:	—	—
3. Net change in cash and cash equivalents:	—	—
Closing balance of cash	1,888,107,493.76	976,096,861.30
Less: Opening balance of cash	976,096,861.30	726,532,928.96
Net increase in cash and cash equivalents	912,010,632.46	249,563,932.34

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

57. Supplementary information on cash flow statement (Cont'd)

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	1,888,107,493.76	976,096,861.30
Of which: Treasury cash	1,869,583.60	1,437,037.09
Bank deposit that can be used for payment at any time	1,886,237,910.16	974,659,824.21
III. Balance of cash and cash equivalent as at end of period	1,888,107,493.76	976,096,861.30

Note: ① As at 31 December 2015, restricted monetary funds amounted to RMB7,096,218,522.25 (31 December 2014: RMB4,499,561,324.80).

② Restricted cash and cash equivalents is not included in cash.

58. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	7,096,218,522.24	As pledges for bank borrowings, guarantee deposits for bank acceptance bills and letter of credit deposits, and deposit reserves (Note VII. 1)
Bills receivable	1,632,382,759.87	As collaterals for short-term borrowings, bills payable, letters of guarantee and letters of credit (Note VII.2)
Fixed assets	4,567,649,044.39	As collaterals for bank borrowings (Note VII. 13)
Intangible assets	309,070,530.88	As collaterals for bank borrowings (Note VII. 16)
Total	13,605,320,857.38	—

XII Financial Report

VII. Notes to items of the Consolidated Financial Statements (Cont'd)

59. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Of which: USD	51,069,532.36	6.4936	331,625,115.33
EUR	7,947,328.89	7.0952	56,387,887.94
HKD	534,867.26	0.83778	448,101.09
GBP	54,546.14	9.6159	524,510.23
Korean Won	249,160,472.00	0.005513	1,373,621.68
JPY	23,974,104.00	0.053875	1,291,604.85
Accounts receivable			
Of which: USD	43,803,710.99	6.4936	284,443,777.68
EUR	3,858,481.21	7.0952	27,376,695.88
JPY	160,088,298.00	0.053875	8,624,757.05
Accounts payable			
Of which: USD	41,015,284.86	6.4936	266,336,853.77
EUR	328,355.01	7.0952	2,329,744.47
Short-term borrowings			
Of which: USD	786,738,503.19	6.4936	5,108,765,144.31
EUR	284,134,864.20	7.0952	2,015,993,688.47
Long-term borrowings			
Of which: USD	274,986,000.00	6.4936	1,785,649,089.60
EUR	204,690,000.00	7.0952	1,452,316,488.00
Non-current liabilities due within one year			
Of which: USD	193,000,000.00	6.4936	1,253,264,800.00

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, reporting currency and basis. Reasons shall be disclosed if there is any change in the reporting currency.

√ Applicable ☐ Not applicable

Name of subsidiary	Principal place of business	Place of incorporation	Reporting currency
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD
Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW

XII Financial Report

VIII. Change in scope of consolidation

Newly established subsidiaries

Name	Month of incorporation	Scope of business	Registered capital	Shareholding	Remarks
Jinan Chenming Investment Management Co., Ltd.	2015.01	Investment with self-owned assets, investment management, investment consultation, corporate management consultation, commercial information consultation, and creative planning service etc.	100,000,000.00	100%	To be established by the subsidiary Chenming (HK) as approved at the fourth extraordinary meeting of the seventh session of the Board.
Chenming Paper Korea Co., Ltd.	2015.04	Sales of machine-made paper	USD1 million	100%	To be established by the subsidiary Chenming (HK) as approved at the fourth extraordinary meeting of the seventh session of the Board.

(Cont'd)

Name	Closing net assets	Net profit for the year
Jinan Chenming Investment Management Co., Ltd.	100,173,810.09	173,810.09
Chenming Paper Korea Co., Ltd.	6,044,251.82	-347,992.47
Total	106,218,061.91	-174,182.38

XII Financial Report

IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	Wuhan, China	Wuhan, China	Paper manufacture	50.93%		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang, China	Shouguang, China	Power	100.00%		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer, China	Hailaer, China	Paper manufacture	75.00%		Establishment
Haicheng Haiming Mining Co., Ltd.	Haicheng, China	Haicheng, China	Mining	60.00%		Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang, China	Nanchang, China	Paper manufacture	51.00%	49.00%	Establishment
Jilin Chenming Paper Co., Ltd.	Jilin, China	Jilin, China	Paper manufacture	100.00%		Merger and acquisition
Shandong Grand View Hotel Co., Ltd.	Shouguang, China	Shouguang, China	Catering	70.00%		Establishment
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Paper manufacture	100.00%		Establishment
Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	Trade of paper	100.00%		Establishment
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang, China	Shouguang, China	Transportation	100.00%		Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper manufacture	75.00%		Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu, China	Fuyu, China	Paper manufacture	100.00%		Establishment
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang, China	Huanggang, China	Pulp	100.00%		Establishment
Huanggang Chenming Arboriculture Co., Ltd.	Huanggang, China	Huanggang, China	Arboriculture	100.00%		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper manufacture	100.00%		Establishment
Shouguang Shun Da Customs Declaration Co, Ltd.	Shouguang, China	Shouguang, China	Customs declaration	100.00%		Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang, China	Shouguang, China	Sales of paper	100.00%		Establishment
Chenming International Co., Ltd.	Los Angeles, the United States	Los Angeles, the United States	Trade of paper	100.00%		Establishment
Shouguang Chenming Hongxin Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging	100.00%		Establishment
Shouguang Chenming Industrial Logistics Co., Ltd.	Shouguang, China	Shouguang, China	Logistics	100.00%		Establishment
Shouguang Chenming Jiatai Property Management Co., Ltd.	Shouguang, China	Shouguang, China	Property management	100.00%		Establishment

XII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang, China	Shouguang, China	Import and export trade	100.00%		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang, China	Shouguang, China	Machinery manufacturing	100.00%		Establishment
Japan Chenming Paper Co., Ltd.	Tokyo, Japan	Tokyo, Japan	Trade of paper	100.00%		Establishment
Chenming GmbH	Hamburg, Germany	Hamburg, Germany	Trade of paper	100.00%		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Printing and packaging	100.00%		Merger and acquisition
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	Fuyu, China	Fuyu, China	Sales of paper	100.00%		Establishment
Shandong Chenming Group Finance Co., Ltd.	Jinan, China	Jinan, China	Finance	80.00%	20.00%	Establishment
Chenming Arboriculture Co., Ltd.	Wuhan, China	Wuhan, China	Arboriculture	100.00%		Establishment
Qingdao Chenming International Logistics Co., Ltd.	Qingdao, China	Qingdao, China	Logistics	30.00%	70.00%	Establishment
Jinan Chenming Investment Management Co., Ltd.	Jinan, China	Jinan, China	Investment management	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	Sales of paper	100.00%		Establishment
Zhanjiang Chenming Arboriculture Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Arboriculture		100.00%	Establishment
Yangjiang Chenming Arboriculture Co., Ltd.	Yangjiang, China	Yangjiang, China	Arboriculture		100.00%	Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Investment		51.00%	Merger and acquisition
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Pulp		100.00%	Establishment
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Zhanjiang, China	Zhanjiang, China	Wall materials		100.00%	Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan, China	Wuhan, China	Electric Power		51.00%	Establishment
Jilin Chenming Machinery Manufacturing Co., Limited	Jilin, China	Jilin, China	Machinery manufacturing		100.00%	Establishment
Jilin Chenming New-style Wall Materials Co., Ltd.	Jilin, China	Jilin, China	Wall Materials		100.00%	Establishment
Shouguang Chenming Cement Co., Limited	Shouguang, China	Shouguang, China	Cement		100.00%	Establishment
Shandong Chenming Panels Co., Ltd.	Shouguang, China	Shouguang, China	Panel		100.00%	Merger and acquisition

XII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(1) Constitution of the Group (Cont'd)

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Shandong Chenming Floor Board Co., Ltd.	Shouguang, China	Shouguang, China	Floor board		100.00%	Merger and acquisition
Nanchang Chenming Arboriculture Co., Ltd.	Nanchang, China	Nanchang, China	Arboriculture		100.00%	Establishment
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang, China	Shouguang, China	Packaging		100.00%	Merger and acquisition
Shouguang Xinyuan Coal Co., Ltd.	Shouguang, China	Shouguang, China	Coal		100.00%	Merger and acquisition
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang, China	Shouguang, China	Purchase and sales of waste and obsolete materials		100.00%	Merger and acquisition
Shouguang Wei Yuan Logistics Company Limited	Shouguang, China	Shouguang, China	Logistics		100.00%	Merger and acquisition
Wuxi Song Ling Paper Co., Ltd.	Wuxi, China	Wuxi, China	Paper manufacture		100.00%	Merger and acquisition
Shandong Chenming Investment Limited	Jinan, China	Jinan, China	Investment		100.00%	Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan, China	Jinan, China	Financial leasing		100.00%	Establishment

XII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name	Minority interests	Gain or loss attributable to minority interests during the period	Dividend to minority interests declared during the period	Closing balance of minority interests
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	49.07%	-30,976,674.52		161,018,478.42
Shouguang Chenming Art Paper Co., Ltd.	25.00%	-693,101.24		31,274,818.47
Shandong Grand View Hotel Co., Ltd.	30.00%	-6,096,073.95		-29,088,942.13
Hailaer Chenming Paper Co., Ltd.	25.00%	-3,417,780.07		11,628,676.65
Haicheng Haiming Mining Co., Ltd.	40.00%			96,000,000.00
Guangdong Huirui Investment Co., Ltd.	49.00%	-2,109,441.41		116,598,829.25
Total		-43,293,071.19		387,431,860.66

(3) Key financial information of major non-wholly owned subsidiaries

Unit: RMB

Name	Current assets	Non-current assets	Closing balance				Current assets	Non-current assets	Opening balance			
			Total assets	Current liabilities	Non-current liabilities	Total liabilities			Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	2,007,256,202.41	1,380,850,115.36	3,388,106,317.77	2,774,652,401.54	329,704,558.79	3,104,356,960.33	1,559,637,606.19	1,419,006,574.94	2,978,644,181.13	2,821,126,071.09	8,505,849.24	2,829,631,920.33
Shouguang Chenming Art Paper Co., Ltd.	348,616,114.49	775,158,813.32	1,123,776,927.81	998,677,653.92		998,677,653.92	294,635,745.00	819,868,366.27	1,114,504,111.27	986,632,432.45		986,632,432.45
Shandong Grand View Hotel Co., Ltd.	12,366,917.52	227,377,776.55	239,744,694.07	336,707,834.51		336,707,834.51	11,107,146.29	229,688,471.01	240,795,617.30	317,438,511.24		317,438,511.24
Hailaer Chenming Paper Co., Ltd.	23,595,841.82	28,431,683.32	52,027,525.14	5,512,818.55		5,512,818.55	22,876,608.35	41,823,416.58	64,702,024.93	4,516,198.05		4,516,198.05
Haicheng Haiming Mining Co., Ltd.	11,123,328.76	678,152,169.96	690,275,498.72	450,275,498.72		450,275,498.72	7,833,989.36	486,500,236.27	494,334,225.63	254,334,225.63		254,334,225.63
Guangdong Huirui Investment Co., Ltd.	429,746,302.55	402,131.87	430,148,434.42	14,211,640.04	177,980,000.00	192,191,640.04	1,170,282,476.52	626,555.39	1,170,919,031.91	10,657,255.05	918,000,000.00	928,657,255.05

XII Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

(3) Key financial information of major non-wholly owned subsidiaries (Cont'd)

Unit: RMB

Name	Amounts during the year				Amounts during the prior year			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	1,109,193,960.70	-65,262,903.36	-65,262,903.36	-326,014,851.95	928,484,990.10	-104,818,502.18	-104,818,502.18	-166,091,569.03
Shouguang Chenming Art Paper Co., Ltd.	620,022,538.30	-2,772,404.93	-2,772,404.93	194,874,455.71	454,978,226.98	-3,586,034.71	-3,586,034.71	86,244,090.82
Shandong Grand View Hotel Co., Ltd.	34,262,339.14	-20,320,246.50	-20,320,246.50	4,025,704.06	34,406,006.96	-19,312,204.99	-19,312,204.99	-80,881,267.27
Hailaer Chenming Paper Co., Ltd.		-13,671,120.29	-13,671,120.29	-11,123,133.00		-1,038,734.15	-1,038,734.15	2,441.87
Haicheng Haiming Mining Co., Ltd.				76,226,073.35				6,848,946.00
Guangdong Huirui Investment Co., Ltd.		-4,304,982.48	-4,304,982.48	-12,023,537.82		-11,919,324.22	-11,919,324.22	-117,757,282.06

2. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint ventures and associates	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang, China	Shouguang, China	Construction materials	50.00%		Equity method
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	Shouguang, China	Shouguang, China	Paper making	30.00%		Equity method
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Nanchang, China	Nanchang, China	Printing	21.16%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai, China	Zhuhai, China	Investment management	33.33%		Equity method
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Wuhan, China	Wuhan, China	Real estate development	40.00%		Equity method
Jiangxi Chenming Port Co., Ltd.	Nanchang, China	Nanchang, China	Handling and transportation of goods and storage	40.00%		Equity method

XII Financial Report

IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(2) Key financial information of major joint ventures

	Unit: RMB	
	Closing balance/amounts during the year	Opening balance/amounts during the prior year
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.
Current assets	5,729,672.61	4,493,895.83
Of which: Cash and cash equivalents	52,995.32	2,450,044.70
Non-current assets	12,036,429.24	1,613,798.14
Total assets	17,766,101.85	6,107,693.97
Current liabilities	11,812,466.81	108,118.00
Total liabilities	11,812,466.81	108,118.00
Equity interest attributable to		
shareholders of the parent company	5,953,635.04	5,999,575.97
Share of net assets based on shareholding	2,976,817.52	2,999,787.99
Carrying amount of investment in joint ventures	2,976,817.52	2,999,787.99
Revenue	329,743.67	
Finance expenses	-127.50	-7,037.86
Net profit	-45,940.93	-424.03
Total comprehensive income	-45,940.93	-424.03

XII Financial Report

IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(3) Key financial information of major associates

Unit: RMB

	Closing balance/amounts during the year				Opening balance/amounts during the prior year			
	Zhuhai Dechen							
	New Third							
	Board Equity							
	Jiangxi Jiangbao	Investment Fund	Wuhan		Jiangxi	Wuhan		
	Media Colour	Company (Limited	Chenming		Jiangxi	Chenming		
	Printing Co. Ltd.	Partnership)	Wan Xing Real		Chenming	Wan Xing Real		
			Estate Co., Ltd.		Port Co., Ltd.	Estate Co., Ltd.		Jiangxi
								Chenming
								Port Co., Ltd.
Current assets	24,151,413.58	75,285,532.03	1,511,430,436.81	10,285,611.08	34,431,533.02	1,157,970,131.09		8,473,980.97
Non-current assets	14,157,621.78	25,760,000.00	2,891,556.01	45,773,293.56	17,470,498.79	11,277,947.09		47,257,698.90
Total assets	38,309,035.36	101,045,532.03	1,514,321,992.82	56,058,904.64	51,902,031.81	1,169,248,078.18		55,731,679.87
Current liabilities	18,376,661.74	5,705.20	314,361,519.98	41,553,342.83	29,866,178.33	593,911,543.51		41,194,230.66
Non-current liabilities			1,152,550,550.91			518,810,800.00		
Total liabilities	18,376,661.74	5,705.20	1,466,912,070.89	41,553,342.83	29,866,178.33	1,112,722,343.51		41,194,230.66
Shareholders' equity	19,932,373.62	101,039,826.83	47,409,921.93	14,505,561.81	22,035,853.48	56,525,734.67		14,537,449.21
Share of net assets based								
on shareholding	4,217,690.26	50,519,913.42	18,963,968.77	5,802,224.72	4,662,786.59	22,610,293.87		5,814,979.68
– Unrealised profit								
arising from								
intra-group								
transactions			-11,811,686.15					
– Others		-176,672.13						
Carrying amount of								
investment in associates	4,217,690.26	50,343,241.28	7,152,282.62	5,802,224.72	4,662,786.59	22,610,293.87		5,814,979.68
Revenue	21,450,057.79		261,784,437.00	43,828,917.16	22,626,028.80			2,786,061.08
Net profit	-2,103,479.86	1,029,826.83	-9,115,812.74	-31,887.40	-389,395.82	-12,153,281.78		-532,550.79
Total comprehensive								
income	-2,103,479.86	1,029,826.83	-9,115,812.74	-31,887.40	-389,395.82	-12,153,281.78		-532,550.79

XII Financial Report

IX. Interest in other entities (Cont'd)

2. Interest in joint arrangements or associates (Cont'd)

(4) Excess loss of joint ventures or associates

Unit: RMB

Name	Accumulated unrecognised loss incurred for prior periods	Unrecognised loss (or share of net profit) for the period	Accumulated unrecognised loss as at the end of the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	7,308,869.16		7,308,869.16

X. Risk relating to financial instruments

Principal financial instruments of the Company include equity investments, debt investments, loans, receivables, payables and others, further information of which are set out in relevant items of this note XII. Risks relating to these financial instruments and relevant risk management policies of the Company are described below. The management of the Company manage and control the risk exposures to ensure they are under control.

The Company adopts sensitivity analysis techniques to analyse the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

1. Objective and policies of risk management

The objective of the risk management of the Company is to maintain an appropriate balance between risks and return so as to minimise the negative effects of risks on the Company's operating results in order to maximise the benefits of the shareholders and other stakeholders. Based on such objective, the principal strategy of the Company's risk management is to identify and analyse all types of risks of the Company, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus controlling the risk exposures within a prescribed level.

XII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Objective and policies of risk management (Cont'd)

(1) Market risk

① Foreign exchange risk

Foreign exchange risk describes the risk of loss arising from variation of the exchange rate. The Company is primarily exposed to risks relating to USD, EUR, HKD and JPY. Save for several subsidiaries of the Company whose purchases and sales are denominated in USD, EUR, HKD and JPY, other principal activities of the Company are settled in RMB. As at 31 December 2015, except for the following assets and liabilities whose balance were denominated in USD, EUR, HKD and JPY, the Company adopted RMB to present the balance of its assets and liabilities. The foreign exchange risks arising from assets and liabilities denominated in foreign currencies may affect the operating results of the Company.

Financial assets and financial liabilities denominated in foreign currencies held by the Company as at 31 December 2015 and 31 December 2014 were translated into RMB as follows:

31 December 2015

Items	USD	EUR	HKD	JPY	GBP	Korean Won
Financial assets denominated in foreign currencies-						
Monetary funds	331,625,115.33	56,387,887.94	448,101.09	1,291,604.85	524,510.23	1,373,621.68
Accounts receivable	284,443,777.68	27,376,695.88		8,624,757.05		
Sub-total	616,068,893.01	83,764,583.82	448,101.09	9,916,361.90	524,510.23	1,373,621.68
Financial liabilities denominated in foreign currencies-						
Short-term borrowings	5,108,765,144.31	2,015,993,688.47				
Accounts payable	266,336,853.77	2,329,744.47				
Non-current liabilities due within one year	1,253,264,800.00					
Long-term borrowings	1,785,649,089.60	1,452,316,488.00				
Sub-total	8,414,015,887.68	3,470,639,920.94				

XII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Objective and policies of risk management (Cont'd)

(1) Market risk (Cont'd)

① Foreign exchange risk (Cont'd)

31 December 2014

Items	USD	EUR	HKD	JPY	AUD
Financial assets denominated in foreign currencies-					
Monetary funds	353,564,562.71	5,407,399.49	226,069.29	8,057,716.22	0.05
Accounts receivable	265,981,124.37	6,793,469.88		24,326,124.96	
Sub-total	619,545,687.08	12,200,869.37	226,069.29	32,383,841.18	0.05
Financial liabilities denominated in foreign currencies-					
Short-term borrowings	7,356,869,468.98	291,802,384.43		83,221,020.00	
Accounts payable	1,105,383,772.24	534,515,076.88			
Non-current liabilities due within one year	575,186,000.00				
Long-term borrowings	2,689,830,809.25				
Sub-total	11,727,270,050.47	826,317,461.31		83,221,020.00	

The Company has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Company. The Company has not taken any measures to avoid foreign exchange risk at present.

Exchange rate risk sensitivity analysis:

Exchange rate risk - sensitivity analysis assumes that there is a high level of effectiveness in hedging both net investment in foreign operations and cash flow. Based on the assumptions, with other factors unchanged, the exchange rate might float within a reasonable range, and has the following before tax effect on profit or loss and shareholders' equity for the current period:

Currency	Exchange rate change	For the year Effect on profit	For the prior year Effect on profit
USD	5% appreciation against RMB	-389,897,349.73	-555,386,218.17
USD	5% devaluation against RMB	389,897,349.73	555,386,218.17
EUR	5% appreciation against RMB	-169,343,766.86	-40,705,829.60
EUR	5% devaluation against RMB	169,343,766.86	40,705,829.60
GBP	5% appreciation against RMB	26,225.51	
GBP	5% devaluation against RMB	-26,225.51	
HKD	5% appreciation against RMB	22,405.05	11,303.46
HKD	5% devaluation against RMB	-22,405.05	-11,303.46
JYP	5% appreciation against RMB	495,818.10	-2,541,858.94
JYP	5% devaluation against RMB	-495,818.10	2,541,858.94
Korean Won	5% appreciation against RMB	68,681.08	
Korean Won	5% devaluation against RMB	-68,681.08	

XII Financial Report

X. Risk relating to financial instruments *(Cont'd)*

1. Objective and policies of risk management *(Cont'd)*

(1) Market risk *(Cont'd)*

② Interest rate risk

The interest rate risk of the Company arises from the interest bearing debt such as bank loans and bonds payable. Variable-rate financial liabilities make the Company exposes to cash flow interest rate risk. Fixed-rate financial liabilities make the Company exposes to fair value interest rate risk. The Company determines the proportion between fixed-rate and variable-rate contracts based on the prevailing market environment. As at 31 December 2015, the interest bearing debts of the Company mainly consisted of variable-rate borrowings contracts in RMB and USD amounting to RMB31,900,217,553.01 (31 December 2014: RMB25,948,555,738.11), and fixed-rate interest rate contracts in RMB amounting to RMB18.5 billion (31 December 2014: RMB8.4 billion).

The finance department of the headquarters of the Company continuously monitors the interest rate level of the Group. When the interest rate increases, the cost of the new interest bearing debts and the outstanding interest expenses incurred by the variable-rate interest bearing debts of the Company will increase, thereby having a material adverse effect on the financial results of the Company. The management will make timely adjustment based on the latest market conditions. Directors of the Company believe that the change in future interest rate will not have significant adverse effect on the operating results of the Company.

On 31 December 2015, if the interest rate of the interest bearing debts increases or decrease by 10% with all other variables held constant, the profit for the year would have increased or decreased by approximately RMB102,670,407.04 (2014: RMB70,147,828.58) mainly due to the increase and decrease of the interest expenses.

(2) Credit risk

The Company manages the credit risk by portfolio. Credit risk mainly arises from bank deposit, accounts receivable, other receivables and bills receivable. The majority of the Company's cash at banks are deposited in state-owned banks and other medium or large listed banks. All of the bills receivable are bank acceptance and commercial acceptance bills of higher credit rating. There is no significant credit risk in the opinion of the Company and no significant loss will be incurred due to default by counterparties. Sales are settled through the combination of advance receipts and credit. Customers are granted a credit period through a strict credit approval system. The Company has set up a department specialising in reviewing the credibility of the trade customers regularly, thereby reasonably controlling the credit line and term of each trade customer, recovering amounts in arrears on a timely basis and examining the recoverable amounts in respect of accounts receivables one by one and making corresponding bad debt provisions in full at the end of the period. As a result, there is no significant credit risk in trade customers.

The management of the Company believe that no significant loss will be incurred due to default by the aforesaid parties.

XII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Objective and policies of risk management (Cont'd)

(3) Liquidity risk

The Company maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Company and to reduce the effect of cash flow movements. The management of the Company monitors the usage of bank borrowings, and ensures compliance with borrowing agreements.

The Company considers bank loans as its primary source of fund. As at 31 December 2015, unutilised bank loans of the Company amounted to RMB27,554,473,800.00 (31 December 2014: RMB24,687,355,704.86).

Each subsidiary of the Company is responsible for its own cash flows forecast. The finance department of the headquarter continuously monitors the short-term and long-term funding requirement at the group level based on the consolidated cash flow forecast of each subsidiary, thereby ensuring a sufficient cash reserve. The department continues to monitor the compliance with borrowing agreements and obtains sufficient facilities from major financial institutions to satisfy the short-term and long-term funding requirement.

As at the balance sheet date, the contracted cash flows of various financial assets and financial liabilities of the Company are set out according to the maturity date as follows:

31 December 2015

Item	Within one year	One to two years	Two to five years	Over five years	Total
Financial assets					
Monetary funds	8,984,326,016.01				8,984,326,016.01
Bills receivable	3,998,782,845.65				3,998,782,845.65
Accounts receivable	4,256,225,770.94				4,256,225,770.94
Other receivables	1,555,723,453.07				1,555,723,453.07
Prepayments	1,072,990,234.05				1,072,990,234.05
Non-current assets due within one year	2,893,133,653.86				2,893,133,653.86
Other current assets	6,160,937,261.77				6,160,937,261.77
Long-term receivables		4,211,845,587.73	6,131,176,645.71		10,343,022,233.44
Other non-current assets		900,000,000.00			900,000,000.00
Sub-total	28,922,119,235.35	5,111,845,587.73	6,131,176,645.71		40,165,141,468.79
Financial liabilities					
Short-term borrowings	24,755,535,672.86				24,755,535,672.86
Bills payable	3,281,599,412.31				3,281,599,412.31
Accounts payable	2,942,337,386.57				2,942,337,386.57
Advance receipts	180,504,227.01				180,504,227.01
Other payables	1,158,567,353.38				1,158,567,353.38
Non-current liabilities due within one year	1,975,300,816.32				1,975,300,816.32
Long-term borrowings		1,553,541,829.60	2,815,501,765.34	800,337,468.89	5,169,381,063.83
Bonds payable	2,000,000,000.00	3,800,000,000.00			5,800,000,000.00
Long-term payables			294,000,000.00	50,000,000.00	344,000,000.00
Medium-term notes		1,100,000,000.00			1,100,000,000.00
Private placing bond	1,500,000,000.00				1,500,000,000.00
Short-term commercial paper	10,100,000,000.00				10,100,000,000.00
Sub-total	47,893,844,868.45	6,453,541,829.60	3,109,501,765.34	850,337,468.89	58,307,225,932.28

(Cont'd)

XII Financial Report

X. Risk relating to financial instruments (Cont'd)

1. Objective and policies of risk management (Cont'd)

(3) Liquidity risk (Cont'd)

31 December 2014

Item	Within one year	One to two years	Two to five years	Over five years	Total
Financial assets					
Monetary funds	5,475,658,186.10				5,475,658,186.10
Bills receivable	3,047,541,556.15				3,047,541,556.15
Accounts receivable	3,754,032,648.96				3,754,032,648.96
Other receivables	1,851,629,373.22				1,851,629,373.22
Prepayments	1,838,017,454.90				1,838,017,454.90
Non-current assets due within one year	865,738,333.65				865,738,333.65
Long-term receivables		620,460,274.14	1,033,174,444.51		1,653,634,718.65
Other non-current assets			900,000,000.00		900,000,000.00
Sub-total	16,832,617,552.98	620,460,274.14	1,933,174,444.51		19,386,252,271.63
Financial liabilities					
Short-term borrowings	20,470,296,592.92				20,470,296,592.92
Bills payable	1,598,110,792.85				1,598,110,792.85
Accounts payable	3,408,366,113.93				3,408,366,113.93
Advance receipts	270,056,726.88				270,056,726.88
Other payables	783,790,884.61				783,790,884.61
Non-current liabilities due within one year	1,099,968,900.00				1,099,968,900.00
Long-term borrowings		1,725,485,400.00	1,485,450,209.25	1,167,354,635.94	4,378,290,245.19
Bonds payable		2,000,000,000.00	3,800,000,000.00		5,800,000,000.00
Medium-term notes			1,100,000,000.00		1,100,000,000.00
Private placing bond		1,500,000,000.00			1,500,000,000.00
Short-term commercial paper					
Sub-total	27,630,590,011.19	5,225,485,400.00	6,385,450,209.25	1,167,354,635.94	40,408,880,256.38

An analysis of the repayment of bank borrowings and bonds payable is as follows:

	Closing balance		Opening balance	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Borrowings with the last repayment date within five years	31,099,880,084.12	8,400,000,000.00	24,781,201,102.17	8,400,000,000.00
Borrowings with the last repayment date after five years	800,337,468.89		1,167,354,635.94	
Total	31,900,217,553.01	8,400,000,000.00	25,948,555,738.11	8,400,000,000.00

XII Financial Report

X. Risk relating to financial instruments (Cont'd)

2. Transfer of financial assets

Financial assets transferred and ceased to be recognised but with involvement of the transferor

During the year, the Company discounted bank acceptance of RMB3,861,622,115.19 (last year: RMB3,440,773,115.05). As key risks such as interest rate risk and rewards of the acceptance had been transferred to relevant banks, the Company ceased to recognise the discounted acceptance not yet due. Pursuant to discount agreements, the banks were entitled to require the Company to settle any balance of such acceptance if not accepted when due, and the Company therefore had on-going involvement with them. As at 31 December 2015, discounted bank acceptance not yet due amounted to RMB1,296,249,121.66 (31 December 2014: RMB1,320,918,334.62).

XI. Fair value

1. Fair value of assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement at fair value	—	—	—	—
1. Consumable biological assets		1,509,964,711.87	1,509,964,711.87	
Total assets continuously measured at fair value		1,509,964,711.87	1,509,964,711.87	
II. Non-continuous measurement at fair value	—	—	—	—

2. Level 3 continuous and non-continuous measurement, valuation techniques and qualification and quantification of key inputs

The Company adopts the income method in determining the fair value of its consumable biological assets. Under the income method, the valuation is arrived at based on the aggregate expected future profit estimates from forest resources discounted to their present values at an applicable rate which is usually equivalent to yield prevailing in the forestry industry.

Key inputs of the method includes expected annual income and discount rate.

Expected annual profit = expected annual income - expected total input

Expected annual income = expected output x expected sales price

Expected output = based on normal output of the Company's logging

Expected sales price = normal sales price of the Company in 2015

Expected total input is based on total historic input of saplings growing of the Company up to logging.

Discount rate is 10.83%, based on the yield prevailing in the industry.

XII Financial Report

XI. Fair value (Cont'd)

3. Level 3 continuous measurement, adjustment between opening and closing value and sensitivity of unobservable inputs

Opening carrying amount	1,407,588,229.46
Sapling increase during the year	176,026,063.51
Sales decrease during the year	54,571,043.08
Change in fair value through profit or loss for the year	-19,078,538.02
Closing carrying amount	1,509,964,711.87

The Company adopts sensitivity analysis techniques to analyse the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

Item	Change in discount rate	For the year		For the prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Consumable biological assets	Increase of 1 percentage point	-41,987,625.64	-41,987,625.64	-35,404,804.28	-35,404,804.28
Consumable biological assets	Decrease of 1 percentage point	45,237,516.15	45,237,516.15	37,847,549.58	37,847,549.58
Consumable biological assets	1% increase in price	16,198,936.84	16,198,936.84	16,524,599.37	16,524,599.37
Consumable biological assets	1% decrease in price	-16,198,936.88	-16,198,936.88	-16,570,068.38	-16,570,068.38

4. Fair value of financial assets and financial liabilities not measured at fair value

① Financial instruments not measured at fair value

The financial assets and liabilities not measured at fair value mainly consist of: accounts receivable, short-term borrowings, accounts payable, long-term borrowings, bonds payable and long-term payables.

Except the financial liabilities below, the carrying amount of other financial assets and liabilities not measured at fair value deviates from the fair value by a small amount.

	Closing balance		Opening balance	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
– Bonds payable	8,379,146,590.85	8,400,000,000.00	8,361,899,667.65	8,400,000,000.00
Level		1		1

For long-term borrowings, long-term payables and bonds payable, their fair value is determined by the present value of the contracted future cash flows discounted by the interest rate which is comparable in terms of credit rating and offers substantially same cash flows on equal conditions in the market.

② As at 31 December 2015, the Company had no financial instruments measured at fair value (31 December 2014: Nil).

XII Financial Report

XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Shouguang Chenming Holdings Co., Ltd.	Shouguang City	Investment in manufacture of paper, electricity, steam, arboriculture	1,685,420,000	18.84%	18.84%

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office. As of the date of this report, the largest shareholder of the Company, Shouguang Chenming Holdings Co., Ltd. increased its shareholding in the Company to 20.35%.

2. Subsidiaries of the Company

Please refer to Note IX. 1. Interest in subsidiaries for details.

3. Joint ventures and associates of the Company

Please refer to Note IX. 3. Interest in joint arrangements or associates for details.

Balance of related party transaction between the Company and its joint ventures or associates during the period or prior periods are as follows:

Name of joint ventures or associates	Relation
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	An associate of the Company
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	An associate of the Company
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	An associate of the Company
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Company

4. Other related parties

Name of other related parties	Relation
Jiangxi Chenming Natural Gas Co., Ltd.	A company invested by the senior management of the Company
Anhui Time Source Corporation	A subsidiary
Shouguang Hengtai Enterprise Investment Company Limited	A company invested by the senior management of the Company
Qingdao Chenming Nonghai Investment Co., Ltd.	A subsidiary of Shouguang Hengtai Enterprise Investment Company Limited

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amounts during the period	Transaction facility approved	Whether the transaction facility is exceeded	Amounts during the prior period
Jiangxi Chenming Natural Gas Co., Ltd.	Procurement of natural gas	123,255,310.36	320,000,000.00	No	

Table on sales of goods/provision of services

Unit: RMB

Related party	Details of related party transactions	Amounts during the period	Amount for the prior period
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	Sales of paper	1,512,721.99	524,885.20
Anhui Time Source Corporation	Sales of paper	348,929,757.23	291,246,150.84

(2) Guarantee

The Company as guarantor

Unit: RMB

Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	29 September 2015	23 September 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	7 December 2015	7 December 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	75,000,000.00	10 July 2015	5 January 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	16 July 2015	12 January 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	30 July 2015	29 July 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	75,000,000.00	5 August 2015	4 July 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,000,000.00	26 October 2015	25 October 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 November 2015	29 November 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 November 2015	29 November 2016	No

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	23 August 2015	22 August 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	3 July 2015	3 July 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	23 July 2015	22 July 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	82,000,000.00	3 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	29 June 2015	28 June 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	72,000,000.00	27 November 2015	26 November 2017	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	64,936,000.00	16 June 2014	15 June 2016	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	92,209,120.00	5 June 2015	21 May 2020	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	62,987,920.00	29 June 2015	28 June 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	519,488,000.00	16 October 2014	26 August 2016	No
Shandong Chenming Financial Leasing Co., Ltd.	130,430,449.60	28 November 2014	27 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	475,378,400.00	25 May 2015	26 March 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	118,418,888.00	30 November 2015	10 November 2018	No
Shandong Chenming Financial Leasing Co., Ltd.	289,653,200.00	30 November 2015	2 November 2017	No
Shandong Chenming Financial Leasing Co., Ltd.	567,615,297.72	21 December 2015	16 December 2018	No
Huanggang Chenming Arboriculture Co., Ltd.	15,000,000.00	20 April 2015	20 April 2016	No
Huanggang Chenming Arboriculture Co., Ltd.	30,000,000.00	26 August 2015	26 August 2016	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	17 August 2015	26 June 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	17 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	15,000,000.00	17 August 2015	26 March 2018	No

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Huanggang Chenming Pulp & Paper Co., Ltd.	5,000,000.00	14 December 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	14 December 2015	26 June 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 September 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	14 December 2015	26 December 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	14 December 2015	26 March 2019	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,455,200.00	7 August 2015	26 June 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	45,455,200.00	7 August 2015	26 December 2017	No
Huanggang Chenming Pulp & Paper Co., Ltd.	32,468,000.00	7 August 2015	26 March 2018	No
Huanggang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	30 December 2015	29 December 2018	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	6 January 2015	5 January 2016	No
Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	19 January 2015	19 January 2016	No
Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	29 October 2015	29 October 2016	No
Jiangxi Chenming Paper Co., Ltd.	50,000,000.00	4 November 2015	4 November 2016	No
Jiangxi Chenming Paper Co., Ltd.	3,092,543.67	26 November 2015	25 May 2016	No
Jiangxi Chenming Paper Co., Ltd.	20,389,904.00	21 September 2015	18 March 2016	No
Jiangxi Chenming Paper Co., Ltd.	4,545,520.00	16 October 2015	25 May 2016	No
Jiangxi Chenming Paper Co., Ltd.	33,702,306.35	29 October 2015	26 April 2016	No
Jiangxi Chenming Paper Co., Ltd.	18,868,968.01	27 November 2015	25 May 2016	No
Shouguang Meilun Paper Co., Ltd.	113,662,704.99	22 July 2015	18 January 2016	No
Shouguang Meilun Paper Co., Ltd.	200,000,000.00	4 August 2015	29 January 2016	No
Shandong Chenming Paper Sales Co., Ltd.	452,975,498.70	16 November 2015	13 May 2016	No
Shandong Chenming Paper Sales Co., Ltd.	499,848,266.34	11 December 2015	7 June 2016	No
Shandong Chenming Paper Sales Co., Ltd.	500,380,087.53	18 December 2015	14 June 2016	No
Shandong Chenming Paper Sales Co., Ltd.	250,000,000.00	22 September 2015	21 March 2016	No
Shandong Chenming Paper Sales Co., Ltd.	228,081,117.46	6 July 2015	4 January 2016	No

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Party being guaranteed	Amounts under guarantee	Starting date of guarantee	Expiry date of guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Sales Co., Ltd.	104,329,247.51	18 August 2015	14 February 2016	No
Shandong Chenming Paper Sales Co., Ltd.	219,047,987.67	7 September 2015	29 February 2016	No
Shandong Chenming Paper Sales Co., Ltd.	148,084,998.36	17 September 2015	15 March 2016	No
Shandong Chenming Paper Sales Co., Ltd.	174,184,825.23	13 November 2015	11 May 2016	No
Shandong Chenming Paper Sales Co., Ltd.	254,042,551.00	20 November 2015	18 May 2016	No
Shandong Chenming Paper Sales Co., Ltd.	208,893,365.10	6 November 2015	4 May 2016	No
Shandong Chenming Paper Sales Co., Ltd.	121,276,637.12	13 November 2015	11 May 2016	No
Chenming (HK) Limited	233,444,920.00	2 April 2014	26 February 2016	No
Chenming (HK) Limited	181,820,800.00	1 August 2015	4 January 2016	No
Chenming (HK) Limited	91,494,824.00	10 February 2015	5 February 2016	No
Chenming (HK) Limited	102,598,880.00	26 March 2015	18 March 2016	No
Chenming (HK) Limited	238,315,120.00	7 May 2015	28 April 2016	No
Chenming (HK) Limited	238,315,120.00	23 July 2015	14 April 2016	No
Chenming (HK) Limited	214,288,800.00	8 July 2015	29 June 2016	No
Chenming (HK) Limited	188,314,400.00	12 August 2015	30 June 2016	No
Chenming (HK) Limited	236,302,104.00	22 October 2015	15 August 2016	No
Chenming (HK) Limited	189,028,696.00	28 August 2015	19 August 2016	No
Chenming (HK) Limited	188,309,205.12	9 October 2015	26 September 2016	No
Chenming (HK) Limited	189,028,696.00	22 October 2015	13 October 2016	No
Chenming (HK) Limited	190,911,840.00	11 November 2015	21 October 2016	No
Chenming (HK) Limited	190,197,544.00	18 November 2015	4 November 2016	No
Chenming (HK) Limited	91,754,568.00	19 November 2015	7 November 2016	No
Chenming (HK) Limited	229,224,080.00	11 December 2015	2 December 2016	No
Chenming (HK) Limited	45,455,200.00	11 December 2015	1 December 2016	No
Chenming (HK) Limited	192,279,926.00	10 March 2015	19 February 2016	No
Chenming (HK) Limited	104,476,823.28	27 April 2015	7 April 2016	No
Chenming (HK) Limited	185,468,533.76	29 December 2015	15 December 2016	No

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(3) Related parties loans

Unit: RMB

Related party	Loan amount	Starting date	Expiry date	Explanation
Loan to				
Shouguang Chenming Huisen				
New-style Construction				
Materials Co., Ltd.	2,200,000.00	19 April 2015	19 April 2018	Borrowings
Wuhan Chenming Wan Xing	283,797,544.91	5 January 2014	5 January 2017	Expenditure for real estate
Real Estate Co., Ltd.				development to be undertaken by
				the Company under agreement

(4) Distribution band of remuneration of key management staff

① Distribution band of remuneration of key management staff

Band of annual remuneration	Amounts during the year	Amounts during the prior year
Total	RMB20.6861 million	RMB22.8378 million
Of which: (number of staff in each band of amount)		
RMB4.80-5.20 million	1	1
RMB3.60-4.00 million		
RMB3.20-3.60 million		1
RMB2.80-3.20 million	1	1
RMB2.40-2.80 million		
RMB2.00-2.40 million	1	
RMB1.60-2.00 million	3	1
RMB1.20-1.60 million	1	2
RMB0.80-1.20 million	1	4
Below RMB0.80 million	16	15

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(4) Distribution band of remuneration of key management staff (Cont'd)

② Breakdown of remuneration of key management staff

Key management staff	Amounts during the year			Total
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Zhang Zhiyuan	5.00			5.00
Wang Aiguo	5.00			5.00
Zhang Hong	5.00			5.00
Pan Ailing	5.00			5.00
Sub-total of Independent Non-executive Directors	20.00			20.00
Yang Guihua	5.00			5.00
Wang Xiaoqun	5.00			5.00
Sub-total of Non-executive Directors	10.00			10.00
Chen Hongguo	493.97	4.24	1.79	500.00
Yin Tongyuan	293.97	4.24	1.79	300.00
Li Feng	70.67	4.24	1.79	76.70
Geng Guanglin	140.98	4.24	1.79	147.01
Hou Huancai	28.14	4.24	1.79	34.17
Zhou Shaohua	161.75	6.03	2.03	169.81
Sub-total of Executive Directors	1,189.48	27.23	10.98	1,227.69
Gao Junjie	24.35	4.24	1.79	30.38
Wang Ju	0.43	0.50	0.25	1.18
Yang Hongqin	15.83	2.38	1.01	19.22
Yin Qixiang	2.50			2.50
Guo Guangyao	2.50			2.50
Total of Supervisors	45.61	7.12	3.05	55.78
Sub-total of other senior management	737.05	12.72	5.37	755.14
Total	2,002.14	47.07	19.40	2,068.61

(Cont'd)

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(4) Distribution band of remuneration of key management staff (Cont'd)

② Breakdown of remuneration of key management staff (Cont'd)

Key management staff	Amounts during the prior year			Total
	Basic annual remuneration	Social welfare contribution	Payments of housing funds	
Zhang Zhiyuan	5.00			5.00
Wang Aiguo	5.00			5.00
Zhang Hong	5.00			5.00
Pan Ailing	5.00			5.00
Sub-total of Independent Non-executive Directors	20.00			20.00
Cui Youping	1.67			1.67
Yang Guihua	3.33			3.33
Wang Xiaoqun	5.00			5.00
Sub-total of Non-executive Directors	10.00			10.00
Chen Hongguo	494.57	3.82	1.61	500.00
Yin Tongyuan	294.57	3.82	1.61	300.00
Li Feng	112.31	3.82	1.61	117.74
Geng Guanglin	133.58	3.82	1.61	139.01
Hou Huancai	48.89	3.82	1.61	54.32
Zhou Shaohua	105.99	1.62	1.64	109.25
Sub-total of Executive Directors	1,189.91	20.72	9.69	1,220.32
Gao Junjie	32.41	3.82	1.61	37.84
Wang Ju	4.99	2.58	1.09	8.66
Yang Hongqin	15.42	2.42	1.02	18.86
Yin Qixiang	2.50			2.50
Guo Guangyao	2.50			2.50
Total of Supervisors	57.82	8.82	3.72	70.36
Sub-total of other senior management	942.31	14.62	6.17	963.10
Total	2,220.04	44.16	19.58	2,283.78

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

5. Related party transactions (Cont'd)

(4) Distribution band of remuneration of key management staff (Cont'd)

- ③ The five highest paid individuals of the Company during the year comprised of 3 directors and 2 other senior management of the Company. The remuneration band of the 2 senior management were RMB2.00-2.40 million and RMB1.60-2.00 million, respectively.

A. Remuneration of the five highest paid individuals

Item	Amounts during the year (RMB'0,000)	Amounts during the prior year (RMB'0,000)
Basic annual remuneration	1,313.16	1,442.83
Provident fund	9.19	4.83
Social welfare contribution	22.99	11.46
Total	1,345.34	1,459.12

B. Distribution band of remuneration of the five highest paid individuals

Band of annual remuneration	Number of individuals during the year	Number of individuals during the prior year
RMB4.80-5.20 million	1	1
RMB3.20-3.60 million		1
RMB2.80-3.20 million	1	1
RMB2.40-2.80 million		
RMB2.00-2.40 million	1	
RMB1.60-2.00 million	2	1
RMB1.20-1.60 million		1

- ④ During the year, no other emoluments were paid by the Company to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors waived any emoluments during the year.

XII Financial Report

XII. Related parties and related party transactions (Cont'd)

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Anhui Time Source Corporation	89,493,535.25	4,474,676.76	53,968,115.20	2,698,405.76
	Jiangxi Jiangbao Media Colour Printing Co. Ltd.	1,393,760.56	69,688.03		
Prepayments	Jiangxi Chenming Natural Gas Co., Ltd.	8,900,712.18			
Other receivables	Arjo Wiggins	1,290,901.12	1,290,901.12	1,290,901.12	1,290,901.12
	Chenming Specialty Paper Co., Ltd.				
	Wuhan Chenming	1,310,041,477.38		959,825,877.41	
	Wan Xing Real Estate Co., Ltd.				
	Qingdao Chenming Nonghai Investment Co., Ltd.	21,000,000.00	1,050,000.00		
	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	2,200,000.00	110,000.00		

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Other payables	Shouguang Hengtai Enterprise Investment Company Limited	37,230,586.11	23,572,279.17
	Shouguang Chenming Holdings Co., Ltd.		209,980,923.16

XII Financial Report

XIII. Undertaking and contingency

1. Significant commitments

Significant commitments as at the balance sheet date

(1) Capital commitment

Item	Closing balance	Opening balance
Contracted but not yet recognised in the financial statements		
Commitments in relation to acquisition and construction of long-term assets	5,914,302,136.38	1,862,762,913.64
Huirui BT Project	2,500,000,000.00	3,000,000,000.00
Total	8,414,302,136.38	4,862,762,913.64

(2) Operating lease commitments

As at the balance sheet date, the Company entered into irrevocable operating lease contracts with external companies as follows:

Item	Closing balance	Opening balance
Minimum lease payments under irrevocable operating leases:		
The first year after balance sheet date	25,657,919.75	16,835,729.16
The second year after balance sheet date	14,982,757.03	14,161,003.48
The third year after balance sheet date	15,251,731.80	14,443,483.94
In the years thereafter	557,568,931.29	560,010,105.37
Total	613,461,339.87	605,450,321.95

2. Contingency

(1) Significant contingencies as at balance sheet date

As of 31 December 2015, there was no significant contingency that required to be disclosed by the Company.

(2) In case there was no significant contingency that required to be disclosed by the Company, please specify

There was no significant contingency that required to be disclosed by the Company.

XIV. Post-balance sheet date events

1. Issuance of preference shares

According to the approval at the 2015 first extraordinary general meeting of the Company and the Approval of the Non-Public Issuance of Preference Shares of Shandong Chenming Paper Holdings Limited (Zheng Jian Xu Ke [2015] No. 2130) from the China Securities Regulatory Commission, the first tranche under the non-public issuance of 45.00 million preference shares of the Company shall be not less than 22.50 million shares. On 16 March 2016, 22.50 million preference shares were issued at the issue price of RMB100 per share with an aggregate face value of RMB2,250.0000 million. On 17 March 2016, the Company received the proceeds from the issuance of preference shares of RMB2,238.7500 million net of issuance expenses such as underwriting fees and sponsor fees amounting to RMB11.2500 million.

2. Profit distribution

On 30 March 2016, the seventh session of the Board of the Company convened the thirteenth meeting and approved the 2015 profit distribution plan to pay a cash dividend of RMB0.3 per share, subject to approval at a general meeting pursuant to the articles of association of the Company.

XII Financial Report

XV. Other material matters

1. Segment information

(1) Basis for determination and accounting policies

The Company determined the reporting segments and disclosed the segments information according to the requirements of Accounting Standards for Business Enterprises Interpretation No.3 in 2015, and the Company no longer adopted the requirements of Accounting Standards for Business Enterprises No.35 – Segment Reporting which was related to the determination of the geographical segment and business segments, and the requirements of disclosure of segment information of the primary reporting format and the secondary reporting format.

According to the internal organisation structure, the requirement of management and the internal reporting system of the Company, the operating businesses of the Company are categorised into 4 reporting segments, such categorisation is based on the categories of primary products. The management of the Group evaluates the financial results of such reporting segments on a regular basis, in order to allocate the resources and evaluate their results. The primary products or services provided by each reporting segment of the Company include machine-made paper, construction materials, financial services and others.

The information from the reporting segments is disclosed in accordance with the accounting policies and measurement standards adopted by each of the reporting segment when reporting to the management, which are consistent with the accounting policies and measurement standards adopted in the preparation of the financial statements.

(2) Segment revenue

Amounts unit: RMB'0,000

Item	Machine-made paper		Construction materials		Financial services	
	The year	Prior year	The year	Prior year	The year	Prior year
Revenue from external transactions	1,807,299.76	1,848,890.51	22,326.63	22,532.24	130,515.20	15,872.50
Revenue from inter-segment transactions			2.38	2,525.66	19,400.51	5,860.77
Total segment revenue	1,807,299.76	1,848,890.51	22,329.01	25,057.90	149,915.71	21,733.27
Operating costs	1,555,505.27	1,630,008.13	20,117.45	22,056.91	59,737.21	10,115.44
Segment operating profit	251,794.49	218,882.38	2,211.56	3,000.99	90,178.50	11,617.83

(Cont'd)

XII Financial Report

XV. Other material matters (Cont'd)

1. Segment information (Cont'd)

(2) Segment revenue (Cont'd)

Amounts unit: RMB'0,000

Item	Others		Elimination among each segment		Total	
	The year	Prior year	The year	Prior year	The year	Prior year
Revenue from external transactions	64,049.02	22,872.46			2,024,190.61	1,910,167.71
Revenue from inter-segment transactions	90,335.67	105,465.77	109,738.56	113,852.20	0.00	
Total segment revenue	154,384.69	128,338.23	109,738.56	113,852.20	2,024,190.61	1,910,167.71
Operating costs	121,359.80	124,780.31	109,738.56	113,852.20	1,646,981.17	1,673,108.59
Segment operating profit	33,024.89	3,557.92			377,209.44	237,059.12
Reconciliation items						
General and administrative expenses					52,080.98	53,053.87
Finance expenses					191,075.26	135,493.66
Profit or loss from change in fair value					1,907.85	-685.68
Investment income					-8,871.55	-6,903.56
Total profit					141,016.90	56,100.83
Income tax					43,223.74	10,769.94
Net profit					97,793.16	45,330.89

(3) Segment assets and liabilities

Amounts unit: RMB'0,000

Item	Machine-made paper		Construction materials		Financial services	
	The year	Prior year	The year	Prior year	The year	Prior year
Segment assets	7,146,088.61	5,347,923.04	41,187.61	32,786.34	2,834,786.49	697,897.44
Segment liabilities	6,298,368.77	4,401,098.35	22,294.88	14,567.35	2,071,176.12	318,817.73

(Cont'd)

Amounts unit: RMB'0,000

Item	Others		Elimination among each segment		Total	
	The year	Prior year	The year	Prior year	The year	Prior year
Segment assets	427,353.86	403,957.60	2,653,246.62	800,361.76	7,796,169.95	5,682,202.65
Segment liabilities	331,684.16	313,274.16	2,653,246.62	800,361.76	6,070,277.31	4,247,395.83

XII Financial Report

XVI. Notes to major financial statement items of the parent company

1. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amounts	Percentage	Amounts	Percentage		Amounts	Percentage	Amounts	Percentage	
Accounts receivable that are provided for bad debts on portfolio basis based on credit risk features	2,059,434,721.08	100.00%	4,766,013.61	0.23%	2,054,668,707.47	3,507,799,132.77	100.00%	3,979,959.83	0.11%	3,503,819,172.94
Total	2,059,434,721.08	100.00%	4,766,013.61	0.23%	2,054,668,707.47	3,507,799,132.77	100.00%	3,979,959.83	0.11%	3,503,819,172.94

(2) Presentation of accounts receivable according to ageing analysis

Item	Closing balance		Opening balance	
	Amounts	Percentage (%)	Amounts	Percentage (%)
Within 1 year	2,055,526,430.68	99.81	3,495,979,313.49	99.66
1 to 2 years			7,904,239.12	0.23
2 to 3 years				
Over 3 years	3,908,290.40	0.19	3,915,580.16	0.11
Total	2,059,434,721.08	100.00	3,507,799,132.77	100.00

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

☐ Applicable ☒ Not applicable

Accounts receivable using ageing analysis for making bad debt provision in the portfolio:

☒ Applicable ☐ Not applicable

Unit: RMB

Ageing	Accounts receivable	Closing balance Provision for bad debts	Ratio
Items under within 1 year			
Within 1 year	17,154,464.15	857,723.21	5.00%
Sub-total of within 1 year	17,154,464.15	857,723.21	5.00%
Over 3 years	3,908,290.40	3,908,290.40	100.00%
Total	21,062,754.55	4,766,013.61	22.63%

Accounts receivable using percentage of amount outstanding for making bad debt provision in the portfolio:

☐ Applicable ☒ Not applicable

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

1. Accounts receivable (Cont'd)

(3) Bad debt provision made, recovered or reversed during the reporting period

The amount of bad debt provision made for the current period amounted to RMB786,053.78. The amount of bad debt provision recovered or reversed during the current period was RMB0.00.

(4) There has been no accounts receivable written off during the reporting period.

(5) Top five accounts receivable based on closing balance by debtor

Name of entity	Nature of accounts receivable	Outstanding balance	Percentage (%)	Bad debt provision
Shouguang Meilun Paper Co., Ltd.	Payment for goods	1,542,408,081.96	74.89	
Shouguang Chenming Art Paper Co., Ltd.	Payment for goods	322,492,574.30	15.66	
Chenming GmbH	Payment for goods	81,673,060.32	3.97	
Chenming (HK) Limited	Payment for goods	36,356,382.29	1.77	
Chenming International Co., Ltd.	Payment for goods	29,908,785.03	1.45	
Total		2,012,838,883.90	97.74	

Note: During the year, top five accounts receivable of the Company based on closing balance by debtor were all due from related parties within the scope of consolidation.

2. Other receivables

(1) Other receivables by category

Unit: RMB

Category	Book balance		Closing balance		Carrying amount	Book balance		Opening balance		Carrying amount
	Amounts	Percentage	Amounts	Percentage		Amounts	Percentage	Amounts	Percentage	
Other receivables that are individually significant and are provided for bad debts separately	8,686,748.70	0.04%	8,686,748.70	100.00%		8,755,053.51	0.08%	8,755,053.51	100.00%	
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	23,209,997,904.45	99.92%	41,386,626.05	0.18%	23,168,599,276.40	9,344,901,892.47	99.78%	31,920,619.31	0.34%	9,312,981,273.16
Other receivables that are individually insignificant but are provided for bad debts separately	10,514,189.79	0.05%	10,514,189.79	100.00%		12,150,098.81	0.13%	12,150,098.81	100.00%	
Total	23,229,198,842.94	100.00%	60,589,566.54	0.26%	23,168,599,276.40	9,365,807,044.79	100.00%	52,825,771.63	0.56%	9,312,981,273.16

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(2) Presentation of other receivables according to ageing analysis (Cont'd)

Item	Closing balance		Opening balance	
	Amounts	Percentage (%)	Amounts	Percentage (%)
Within 1 year	22,140,971,799.69	95.32	8,869,930,319.01	94.71
1 to 2 years	1,016,626,362.97	4.38	441,932,482.93	4.72
2 to 3 years	17,100,940.15	0.07	4,383,728.11	0.04
Over 3 years	54,499,740.13	0.23	49,560,514.74	0.53
Total	23,229,198,842.94	100.00	9,365,807,044.79	100.00

Note: As at the end of the period, prepayments of over 2 years amounting to RMB58,184,208.13 were reclassified as other receivables due to cessation of being prepayable.

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

☒ Applicable ☐ Not applicable

Unit: RMB

Other receivables (by unit)	Other receivables	Closing balance		Reasons for provision
		Bad debt provision	Provision percentage	
Open credit	8,686,748.70	8,686,748.70	100.00%	Open credit of over three years and are unlikely to be recovered
Total	8,686,748.70	8,686,748.70	—	—

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

☒ Applicable ☐ Not applicable

Unit: RMB

Age	Other receivables	Closing balance	
		Bad debt provision	Provision percentage
Items under within 1 year			
Within 1 year	35,166,448.10	1,758,322.41	5.00%
Sub-total of within 1 year	35,166,448.10	1,758,322.41	5.00%
1 to 2 years	9,611,362.97	961,136.30	10.00%
2 to 3 years	16,901,838.52	3,380,367.70	20.00%
Over 3 years	35,298,801.64	35,298,801.64	100.00%
Total	96,978,451.23	41,398,628.05	42.69%

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(2) Presentation of other receivables according to ageing analysis (Cont'd)

Other receivables using percentage of balance for making bad debt provision in the portfolio:

☐ Applicable ☒ Not applicable

Other receivables that are individually insignificant but are provided for bad debts separately as at the end of the year

Other receivables	Book balance	Bad debt provision	Percentage (%)	Reasons for provision
Open credit	10,514,189.79	10,514,189.79	100.00	Open credit of over three years and are unlikely to be recovered
Total	10,514,189.79	10,514,189.79	100.00	

(3) Bad debt provision made, recovered or reversed during the reporting period

The amount of bad debt provision made for the current period amounted to RMB9,478,008.74. The amount of bad debt provision recovered or reversed during the current period was RMB1,704,213.83.

(4) There were no other receivables written off during the reporting period.

(5) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	23,140,656,481.38	9,281,801,884.62
Transfer from prepayments of over 2 years	58,184,208.13	43,702,281.34
Litigation fee	15,897,356.61	16,227,195.35
Others	4,921,066.16	8,027,052.53
Customs duty	4,643,201.73	10,140,824.70
Borrowings	3,867,928.93	4,909,206.25
Deposits	1,028,600.00	998,600.00
Total	23,229,198,842.94	9,365,807,044.79

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

2. Other receivables (Cont'd)

(6) Top five other receivables based on closing balance by debtor

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of total closing balance of other receivables	Closing balance of bad debt provision
Shouguang Meilun Paper Co., Ltd.	Open credit	17,152,461,417.45		73.84%	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Open credit	1,753,863,561.70		7.55%	
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Open credit	1,007,015,000.00		4.34%	
Jiangxi Chenming Paper Co., Ltd.	Open credit	756,918,874.66		3.26%	
Haicheng Haiming Mining Co., Ltd.	Open credit	354,860,864.95		1.52%	
Total	—	21,025,119,718.76	—	90.51%	

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance Impairment provision	Book value	Book balance	Opening balance Impairment provision	Book value
Interest in subsidiaries	13,469,415,957.45		13,469,415,957.45	12,363,272,557.45		12,363,272,557.45
Interest in associates and joint ventures	57,537,749.04		57,537,749.04	7,662,574.57		7,662,574.57
Total	13,526,953,706.49		13,526,953,706.49	12,370,935,132.02		12,370,935,132.02

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

3. Long-term equity investments (Cont'd)

(1) Interest in subsidiaries

Unit: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43			157,810,117.43		
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	202,824,716.34			202,824,716.34		
Hailaer Chenming Paper Co., Ltd.	12,000,000.00			12,000,000.00		
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40			822,867,646.40		
Shandong Grand View Hotel Co., Ltd.	80,500,000.00			80,500,000.00		
Jilin Chenming Paper Co., Ltd.	1,501,350,000.00			1,501,350,000.00		
Zhanjiang Chenming Pulp & Paper Co., Ltd.	3,000,000,000.00			3,000,000,000.00		
Chenming (HK) Limited	183,472,902.00			183,472,902.00		
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00			10,000,000.00		
Fuyu Chenming Paper Co., Ltd.	208,000,000.00			208,000,000.00		
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80			113,616,063.80		
Huanggang Chenming Arboriculture Co., Ltd.	70,000,000.00			70,000,000.00		
Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	1,000,000,000.00		1,200,000,000.00		

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

3. Long-term equity investments (Cont'd)

(1) Interest in subsidiaries (Cont'd)

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provision for the period	Closing balance of impairment provision
Shouguang Meilun Paper Co., Ltd.	4,646,349,570.28			4,646,349,570.28		
Chenming International Co., Ltd.	19,861,955.00			19,861,955.00		
Shouguang Shun Da Customs Declaration Co., Ltd.	1,500,000.00			1,500,000.00		
Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00			100,000,000.00		
Shouguang Chenming Import and Export Trade Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Jiatai Property Management Co., Ltd.	1,000,000.00			1,000,000.00		
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00			2,000,000.00		
Shouguang Chenming Industrial Logistics Co., Ltd.	10,000,000.00			10,000,000.00		
Shouguang Chenming Hongxin Packaging Co., Ltd.	1,000,000.00			1,000,000.00		
Japan Chenming Paper Co., Ltd.	9,306,351.20			9,306,351.20		
Haicheng Haiming Mining Co., Ltd.	144,000,000.00			144,000,000.00		
Chenming GmbH	4,083,235.00			4,083,235.00		
Shouguang Hongxiang Printing and Packaging Co., Ltd.	2,730,000.00			2,730,000.00		
Shandong Chenming Paper Group (Fuyu) Sales Co., Ltd.	1,000,000.00			1,000,000.00		
Shandong Chenming Group MFinance Co., Ltd.	800,000,000.00			800,000,000.00		
Chenming Arboriculture Co., Ltd.	45,000,000.00			45,000,000.00		
Qingdao Chenming International Logistics Co., Ltd.	3,000,000.00			3,000,000.00		
Jinan Chenming Investment Management Co., Ltd.		100,000,000.00		100,000,000.00		
Chenming Paper Korea Co., Ltd.		6,143,400.00		6,143,400.00		
Total	12,363,272,557.45	1,106,143,400.00		13,469,415,957.45		

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

3. Long-term equity investments (Cont'd)

(2) Interest in associates and joint ventures

Unit: RMB

Investee	Opening balance	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance	Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest						
I. Joint venture												
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	2,999,787.98			-22,970.47							2,976,817.51	
Sub-total	2,999,787.98			-22,970.47							2,976,817.51	
II. Associates												
Arijo Wiggins Chenming Specialty Paper Co., Ltd.												
Jiangxi Jiangbao Media Colour Printing Co. Ltd.	4,682,786.59			-445,096.34							4,217,690.25	
Shanghai Zhongneng Enterprise Development (Group) Co., Ltd.		300,000,000.00	300,000,000.00									
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)		50,000,000.00		343,241.28							50,343,241.28	
Sub-total	4,682,786.59	350,000,000.00	300,000,000.00	-101,855.06							54,560,931.53	
Total	7,682,574.57	350,000,000.00	300,000,000.00	-124,825.53							57,537,749.04	

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

4. Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

Item	Amounts during the period		Amounts during the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	6,432,663,278.11	5,198,230,774.68	6,988,901,803.37	5,462,982,348.69
Other activities	842,762,370.15	794,863,723.84	1,594,066,256.29	1,549,506,687.75
Total	7,275,425,648.26	5,993,094,498.52	8,582,968,059.66	7,012,489,036.44

(2) Principal activities (by industry)

Industry	Amounts during the year		Amounts during the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Machine-made paper	6,254,209,430.04	5,078,759,596.33	6,035,746,457.60	4,827,440,373.01
Electricity and steam	178,453,848.07	119,471,178.35	953,155,345.77	635,541,975.68
Total	6,432,663,278.11	5,198,230,774.68	6,988,901,803.37	5,462,982,348.69

(3) Principal activities (by geographical areas of machine-made paper)

Region	Amounts during the year		Amounts during the prior year	
	Revenue	Operating costs	Revenue	Operating costs
Mainland China	5,900,523,116.11	4,713,351,792.07	5,634,561,396.87	4,504,466,944.37
Other countries and regions	353,686,313.93	365,407,804.26	401,185,060.73	322,973,428.64
Total	6,254,209,430.04	5,078,759,596.33	6,035,746,457.60	4,827,440,373.01

(4) Revenue from top 5 customers of the Company

Period	Total revenue from top 5 customers	Percentage of the revenue for the period (%)
2015	6,236,807,420.88	85.72
2014	6,029,194,239.19	70.25

XII Financial Report

XVI. Notes to major financial statement items of the parent company (Cont'd)

5. Investment income

Item	Unit: RMB	
	Amounts during the period	Amounts during the prior period
Income from long-term equity investments accounted for using the cost method	631,000,000.00	1,073,924,052.21
Income from long-term equity investments accounted for using the equity method	-124,825.53	-82,608.18
Investment gain on disposal of long-term equity investments	9,533,333.33	-7,242,462.00
Investment gain from available-for-sale financial assets held		-124,070.12
Interest income from entrusted loans	95,679,999.99	87,937,914.84
Total	736,088,507.79	1,154,412,826.75

XVII. Supplementary information

1. Breakdown of extraordinary gains and losses for the current period

☒ Applicable ☐ Not applicable

Item	Unit: RMB	
	Amount	Remark
Profit or loss from disposal of non-current assets	18,317,909.85	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	244,716,579.78	
Gain and loss from debt restructuring	32,089,863.80	
Gain or loss on external entrusted loans	94,777,777.77	
Non-operating gains and losses other than the above items	10,274,311.04	
Gain or loss from change in fair value of consumable biological assets adopting fair value method for follow-up measurements	-19,078,538.02	
Less: Effect of income tax	76,729,624.38	
Effect of minority interest	3,034,961.43	
Total	301,333,318.41	—

Notes for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Extraordinary Gains or Losses defined as its recurring gain or loss items.

☐ Applicable ☒ Not applicable

XII Financial Report

XVII. Supplementary information (Cont'd)

2. Returns on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	6.73%	0.50	0.50
Net profit after extraordinary gains and losses attributable to ordinary shareholders of the Company	4.62%	0.34	0.34

Note: Net profit attributable to ordinary shareholders of the Company excluded the effect of interest payment deferred and accumulated to subsequent periods or perpetual bonds under other equity instruments. When calculating earnings per share, the interests incurred but not declared for perpetual bonds from the value date up to 31 December 2015 are deducted.

Item	Profit for the reporting period
Net profit attributable to the Company	1,021,224,678.04
Less: Effect of cumulative interests of perpetual bonds	61,506,739.73
Net profit attributable to ordinary shareholders of the Company	959,717,938.31

3. Difference in accounting data under domestic and overseas accounting standards

- (1) Differences between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report

☐ Applicable ☒ Not applicable

- (2) Differences between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report

☐ Applicable ☒ Not applicable

XIII Documents Available for Inspection

- I. The financial statements signed and sealed by the legal representative, financial representative and head of the financial department of the Company;
- II. The original copy of the auditors' report which is sealed by the accounting firm and signed and sealed by the certified public accountant;
- III. The original copies of all of the documents and announcements of the Company disclosed in the designated newspaper and on the website as approved by China Securities Regulatory Commission during the reporting period;
- IV. The annual report disclosed on the website of the Stock Exchange of Hong Kong Limited;
- V. Other related information.

Shandong Chenming Paper Holdings Limited
30 March 2016