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)

2016 Interim Report Summary

1. IMPORTANT NOTICE

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

Company profile

Stock abbreviation	晨鳴紙業	Stock Code	000488
Stock abbreviation	晨鳴B	Stock Code	200488
Stock abbreviation	Chenming Paper	Stock Code	1812
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited		
Contact persons and contact methods	Securities Affairs Representative	Securities Affairs Representative	Hong Kong Company Secretary
Name	Xiao Peng	Yuan Xikun	Poon Shiu Cheong
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2. MAJOR FINANCIAL DATA AND CHANGE OF SHAREHOLDERS

(1) Major financial data

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

☐ Yes √ No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	10,606,358,733.02	9,718,697,677.76	9.13%
Net profit attributable to shareholders of the Company (RMB)	939,164,870.60	276,388,070.51	239.80%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	741,811,083.82	174,462,219.94	325.20%
Net cash flows from operating activities (RMB)	-2,697,509,853.04	-2,222,755,634.73	-21.36%
Basic earnings per share (RMB per share)	0.45	0.14	221.43%
Diluted earnings per share (RMB per share)	0.45	0.14	221.43%
Rate of return on net assets on weighted average basis	5.89%	1.97%	3.92%
	As at the end of the reporting period	**As at the end of the prior year**	**Increase/decrease as at the end of the reporting period as compared to the end of the prior year**
Total assets (RMB)	86,628,494,212.59	77,961,699,547.59	11.12%
Net assets attributable to shareholders of the Company (RMB)	19,314,182,445.78	16,871,494,584.82	14.48%

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

Unit: Shares

Total number of shareholders of ordinary shares as at the end of the reporting period	**119,339, of which 93,187 were holders of A shares, 25,656 holders of B shares and 496 holders of H shares**					
Shareholdings of top ten shareholders of ordinary shares						
					Share pledged or locked-up	
Name of shareholders	**Nature of shareholders**	**Percentage of shareholding**	**Number of ordinary shares held**	**Number of Restricted ordinary shares held**	**Status of shares**	**Number**
SHOUGUANG CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.13%	293,003,657	0	Pledged	145,189,000
HKSCC NOMINEES LIMITED	Overseas legal person	13.74%	266,013,900	0	—	—
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	5.74%	111,217,683	0	—	—
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	2.07%	40,137,900	0	—	—
HUATAI SECURITIES CO., LTD.	Domestic non-state-owned legal person	1.22%	23,671,737	0	—	—
AGRICULTURAL BANK OF CHINA - XINHUA SECTOR ROTATION FLEXIBLE-DISPOSITION MIXED-TYPE SECURITIES INVESTMENT FUND	Others	0.55%	10,556,179	0	—	—
BOSERA FUNDS-BANK OF CHINA - PING AN LIFE INSURANCE - PING AN LIFE INSURANCE ENTRUSTED INVESTMENT NO.1 ASSET MANAGEMENT PLAN	Others	0.52%	10,000,000	0	—	—
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.44%	8,608,238	0	—	—
JIN Xing	Domestic nature person	0.41%	7,922,300	0	—	—
CHINA MERCHANTS BANK CO.,LTD - BOSERA SHS EXCELLENT ENTERPRISES HYBRID FUND	Others	0.36%	7,000,000	0	—	—
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.					

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

√ Applicable ☐ Not applicable

Total number of holders of preference shares as at the end of the reporting period	5	Total number of holders of preference shares s with restored voting right as at the end of the reporting period			0
Top ten holders of preference shares					
Name	Nature	Preference shareholding	Number of preference shares held	Share pledged or locked-up	
				Status of shares	Number
GUOXIN LEASING CO., LTD.	Domestic non-state-owned legal person	35.56%	8,000,000		
QILU BANK CO., LTD. — QILU BANK QUANXIN WEALTH MANAGEMENT PRODUCT SERIES	Others	26.67%	6,000,000		
LAIWU GUANGYANG INVESTMENT CO., LTD.	Domestic non-state-owned legal person	20.00%	4,500,000		
SHANDONG DONGTAI IMPORT AND EXPORT CO., LTD.	Domestic non-state-owned legal person	8.89%	2,000,000		
SHANDONG TAISHAN STEEL GROUP COMPANY LIMITED	Domestic non-state-owned legal person	8.89%	2,000,000		
Connected relationship or connected party relationship among the above shareholders	It is not aware that the above holders of preference shares are persons acting in concert and it is also not aware that the above shareholders of preference shares are connected with each other.				

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

Change in controlling shareholders during the reporting period

☐ Applicable √ Not applicable

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

Change in beneficial controllers during the reporting period

☐ Applicable √ Not applicable

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the situation of oversupply in the paper making industry continued on the whole, but the difference between supply and demand narrowed. Efforts to reduce excess capacity and inventories in the industry paid off. The downward trend in raw material costs had a greater positive effect on the industry in terms of profit with a turning point in earnings indicating a clear bottoming out. In the medium to long run, by virtue the supply-side reform, environmental protection standards will be higher, small and medium-sized production capacity will accelerate to phase out, industry concentration will be further enhanced, and the performance of the paper making industry is expected to continue to improve.

During the reporting period, the Company adhered to the main goal of "developing 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 competiveness 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.

During the reporting period, the Company completed the production of machine-made paper of 2.13 million tonnes with sales of 2.09 million tonnes and achieved revenue of RMB10.606 billion, representing a year-on-year increase of 9.13%. The Company recorded operating costs of RMB7,264 million, representing a year-on-year decrease of 1.44%. Total profit and net profit attributable to equity holders of the Company were RMB1,233 million and RMB939 million respectively, representing year on year increases of 188.69% and 239.80% respectively. As at 30 June 2016, the financial segment experienced rapid development across businesses with ever improving management systems and effective risk preventions. Financial leasing contracts of Chenming Leasing amounted to RMB29,454,821,300, which increased by 21.97% from the end of 2015.

During the reporting period, the Company cooperated with a first-class domestic management consulting company, and leveraged the strength of an external think tank to find out problems in its business management. As a result, practicable plans for improvement were developed, business management was strengthened and overall management was improved.

Through the measures such as adjusting product structure, boosting overseas sales, raising selling prices and making investment in places with close proximity, the efficiency of the Company was higher. Through the measures such as supporting strategic customers, boosting barter transaction volume, securing contracts, and strengthening control of cash in transit, the appropriation of funds was reduced. The Company continued to accelerate the process in relation to collateral security to strengthen risk management and control.

The Company fully boosted production efficiency through enhanced refining management. It aimed at a higher market share of high value-added products to optimise the product structure by developing products with competiveness, such as wine label, logistics label and liquid packaging paper. The Company also adjusted the structure of pulp materials, upgraded production process, and utilised new raw materials to promote technological progress.

During the reporting period, due to enhanced project management, Zhanjiang Chenming's 600,000-tonne liquid packaging paper project entered the equipment installation and calibration stage with trial operation going to take place at the end of August. This 600,000-tonne liquid packaging paper project has the widest width, fastest speed and largest production capacity for a single machine in the world. With various technical indicators reaching world-class standard, it will quickly become a new profit growth point of the Company. At the same time, the Company actively pushed on projects such as Haiming's mining project, Huanggang Chenming's integrated forestry, pulp and paper project, and Shouguang Meilun's 400,000-tonne chemical pulp project.

During the reporting period, The Company strengthened financing management. The Financial Leasing Company focused on risk control. It actively explored for quality customers and sought to increase the direct credit lines of domestic banks. The Company enhanced 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 actively solicited interbank credit extension and diversified its interbank product offerings in order to increase efficiency. At the same time, the Company provided liquidity support to corporate operation and lowered the operating and financing costs, thus creating financial value.

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

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/ decrease	Reason for the change
Revenue	10,606,358,733.02	9,718,697,677.76	9.13%	Sales of paper products increased and the Financial Leasing Company newly established external business.
Operating costs	7,263,967,310.23	7,370,384,661.31	-1.44%	
Selling and distribution expenses	573,734,657.05	551,073,823.71	4.11%	
Administrative expenses	694,013,827.38	654,253,969.26	6.08%	
Finance expenses	968,343,561.61	745,472,279.11	29.90%	Increase in interest expenses on higher borrowings.
Income tax expenses	307,031,422.46	173,411,302.61	77.05%	A year-on-year increase in profitability of the Company.
Investments in research and development	305,617,867.77	278,819,214.56	9.61%	Investments in research and development increased as Zhanjiang Chenming and Meilun Paper were qualified as high and new tech enterprises.
Net cash flows from operating activities	-2,697,509,853.04	-2,222,755,634.73	-21.36%	The Financial Leasing Company's external business growth.
Net cash flows from investing activities	-840,208,267.12	-1,201,478,950.29	30.07%	No payment for external investment of the Company in the year.
Net cash flows from financing activities	5,225,021,178.25	3,152,446,052.60	65.74%	Increase in borrowings of the Company in the year.
Net increase in cash and cash equivalents	1,679,333,857.39	-250,918,819.93	769.27%	

(2) **Development strategy**

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.

(3) **Operating plan for the second half of 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 competiveness 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.

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 competiveness, 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.

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.

4. EVENTS RELATING TO THE FINANCIAL REPORT

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

☐ Applicable √ Not applicable

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

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

☐ Applicable √ Not applicable

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

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

☐ Applicable √ Not applicable

During the reporting period, the Company did not have any change in scope of the consolidated financial statements.

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

☐ Applicable √ Not applicable

5. DIVIDENDS

The Board does not recommend the distribution of cash dividends or bonus shares for the six months ended 30 June 2016.

6. FINANCIAL STATEMENT

Consolidated Income Statement

Unit: RMB

Item		*Notes*	Amounts for the reporting period	Amounts for the prior period
I.	Total revenue	2	10,606,358,733.02	9,718,697,677.76
	Including: Revenue		10,606,358,733.02	9,718,697,677.76
II.	Total operating costs	2	9,622,587,179.13	9,407,786,957.20
	Including: Operating costs		7,263,967,310.23	7,370,384,661.31
	Business taxes and surcharges		85,488,437.29	51,233,976.66
	Sales expenses		573,734,657.05	551,073,823.71
	Administrative expenses		694,013,827.38	654,253,969.26
	Finance expenses		968,343,561.61	745,472,279.11
	Loss on impairment of assets		37,039,385.57	35,368,247.15
	Plus: Gain on change in fair value (“-” denotes loss)		-10,599,543.68	-2,177,906.88
	Investment income (“-” denotes loss)		37,008,429.78	46,632,746.32
	Including: Investment income from associates and joint ventures		-7,203,834.37	-2,145,031.45
	Foreign exchange gains (“-” denotes loss)			
III	Operating profit (“-” denotes loss)		1,010,180,439.99	355,365,560.00
	Plus: Non-operating income		228,908,354.31	75,090,038.49
	Including: Gain on disposal of non-current assets		2,416,628.05	7,042,678.94
	Less: Non-operating expenses		6,002,982.36	3,331,029.84
	Including: Loss on disposal of non-current assets		4,043,314.21	2,683,749.34
IV.	Total profit (“-” denotes total loss)		1,233,085,811.94	427,124,568.65
	Less: Income tax expenses	3	307,031,422.46	173,411,302.61
V.	Net profit (“-” denotes net loss)		926,054,389.48	253,713,266.04
	Net profit attributable to owners of the Company		939,164,870.60	276,388,070.51
	Minority interest		-13,110,481.12	-22,674,804.47
VI.	Other comprehensive income after tax, net		-154,317,270.14	16,017,289.88
	Other comprehensive income after tax attributable to owners of the Company, net		-154,317,270.14	16,017,289.88
	(II) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		-154,317,270.14	16,017,289.88
	5. Translation difference of financial statements denominated in foreign currency		-154,317,270.14	16,017,289.88

Item	*Notes*	Amounts for the reporting period	Amounts for the prior period
VII. Total comprehensive income		771,737,119.34	269,730,555.92
Total comprehensive income attributable to owners of the Company		784,847,600.46	292,405,360.39
Total comprehensive income attributable to minority interest		-13,110,481.12	-22,674,804.47
VIII. Earnings per share:			
(I) Basic earnings per share		0.45	0.14
(II) Diluted earnings per share		0.45	0.14

Consolidated Balance Sheet

Unit: RMB

Item	Notes	Closing balance	Opening balance
CURRENT ASSETS:			
Monetary funds		11,772,868,305.13	8,984,326,016.01
Bills receivable		3,759,908,176.21	3,998,782,845.65
Accounts receivable	4	3,950,271,213.66	3,951,287,979.32
Prepayments		1,569,369,035.86	1,072,990,234.05
Other receivables	5	1,573,176,269.30	1,469,573,364.01
Inventories		5,226,225,533.10	5,210,917,891.42
Non-current assets due within one year		4,525,169,793.00	2,893,133,653.86
Other current assets		10,205,027,704.48	7,582,839,356.54
Total current assets		42,582,016,030.74	35,163,851,340.86
NON-CURRENT ASSETS:			
Available-for-sale financial assets		109,000,000.00	109,000,000.00
Long-term receivables		10,682,888,917.02	9,084,087,143.84
Long-term equity investments		63,288,422.01	70,492,256.38
Investment property		15,127,803.85	15,996,931.87
Fixed assets		24,982,941,210.61	24,169,725,529.18
Construction in progress		5,654,059,733.57	5,829,619,258.48
Construction materials		15,391,351.31	14,662,116.76
Intangible assets		1,456,335,471.06	1,462,706,060.63
Goodwill		20,283,787.17	20,283,787.17
Long-term prepaid expenses		161,448,142.38	165,686,946.61
Deferred income tax assets		537,027,243.99	613,229,310.48
Other non-current assets		348,686,098.88	1,242,358,865.33
Total non-current assets		44,046,478,181.85	42,797,848,206.73
Total assets		86,628,494,212.59	77,961,699,547.5

Item	Notes	Closing balance	Opening balance
CURRENT LIABILITIES:			
Short-term borrowings		28,531,704,325.25	24,755,535,672.86
Bills payable		3,843,491,440.10	3,281,599,412.31
Accounts payable	6	2,672,610,340.38	2,942,337,386.57
Advance receipts		212,382,889.00	180,504,227.01
Staff remuneration payables		163,713,392.98	205,840,694.03
Taxes payable	7	204,353,134.05	194,852,483.80
Interest payable		230,076,253.71	150,075,698.23
Dividend payable		580,921,640.10	—
Other payables	8	1,035,468,204.63	1,158,567,353.38
Non-current liabilities due within one year	9	4,286,339,021.25	5,471,286,735.91
Other current liabilities		11,652,566,715.45	10,293,543,297.00
Total current liabilities		53,413,627,356.90	48,634,142,961.10
NON-CURRENT LIABILITIES:			
Long-term borrowings	10	6,195,047,942.07	5,169,381,063.83
Bonds payable		3,791,215,868.81	3,788,539,249.59
Long-term payables		1,795,435,500.86	344,000,000.00
Special payables		281,039,716.66	176,983,516.66
Deferred income		1,463,624,001.97	1,495,104,889.26
Other non-current liabilities		—	1,094,621,421.67
Total non-current liabilities		13,526,363,030.37	12,068,630,141.01
TOTAL LIABILITIES		66,939,990,387.27	60,702,773,102.11
OWNERS' EQUITY:			
Share capital		1,936,405,467.00	1,936,405,467.00
Other equity instruments		4,821,550,000.00	2,582,800,000.00
Of which: Preference shares		2,238,750,000.00	
Perpetual bonds		2,582,800,000.00	2,582,800,000.00
Capital reserves		6,149,150,177.41	6,149,138,276.81
Other comprehensive income		-499,332,134.40	-345,014,864.26
Surplus reserves		1,132,116,106.40	1,132,116,106.40
Retained profit		5,774,292,829.37	5,416,049,598.87
Total equity attributable to equity holders of the company		19,314,182,445.78	16,871,494,584.82
Minority interest		374,321,379.54	387,431,860.66
Total owners' equity		19,688,503,825.32	17,258,926,445.48
TOTAL LIABILITIES AND OWNERS' EQUITY		86,628,494,212.59	77,961,699,547.59

7. NOTES TO FINANCIAL STATEMENTS

(1) Basis of Preparation of the Financial Statements

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 promulgated by the Ministry of Finance of PRC ((Order of Ministry of Finance No. 33 Issue and Order of Ministry of Finance No. 76 Amendment) and 41 specific accounting standards as promulgated and amended on and after February 15 2006, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2015) 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.

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 30 June 2016 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2016. In addition, the financial statements of the Company also comply with, in all material respects, the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

(2) Revenue and operating costs

(1) Revenue and operating costs

Unit: RMB

	Amount for the period		Amount for the prior period	
Item	**Revenue**	**Costs**	**Revenue**	**Costs**
Principal activities	10,531,214,461.68	7,237,969,046.45	9,538,238,160.04	7,254,560,951.27
Other activities	75,144,271.34	25,998,263.78	180,459,517.72	115,823,710.04
Total	10,606,358,733.02	7,263,967,310.23	9,718,697,677.76	7,370,384,661.31

(2) Principal activities (by industry)

Unit: RMB

	Amount for the period		Amount for the prior period	
Industry name	**Revenue**	**Operating costs**	**Revenue**	**Operating costs**
I. Machine-made paper	8,931,569,299.48	6,831,111,581.63	8,868,460,907.69	6,966,238,393.81
II. Financial leasing	1,202,014,670.10	147,407,276.78	293,153,107.75	11,516,999.48
III. Electricity and steam	146,006,710.07	88,821,316.36	180,357,434.35	123,066,649.13
IV. Construction materials	101,685,213.16	76,416,729.74	49,824,616.83	37,848,419.37
V. Chemical products	61,789,407.17	21,725,612.54	102,073,407.08	83,247,439.35
VI. Hotel	14,060,284.77	3,491,311.42	13,576,184.58	3,305,692.10
VII. Others	74,088,876.93	68,995,217.98	30,792,501.76	29,337,358.03

(3) Principal activities (by products)

Unit: RMB

	Am ount for the period		Am ount for the prior period	
Product name	**Revenue**	**Operating costs**	**Revenue**	**Operating costs**
Light weight coated paper	252,822,667.89	212,689,444.25	326,115,470.96	279,821,845.40
Duplex press paper	2,354,825,630.93	1,814,035,836.95	2,180,961,187.95	1,657,673,349.40
Writing paper	144,936,982.41	122,237,625.46	107,445,824.99	86,557,656.08
Coated paper	2,070,298,934.43	1,548,760,177.34	2,096,633,394.41	1,599,511,246.83
News press paper	444,539,348.00	408,251,436.65	478,061,938.68	373,295,620.43
Paperboard	20,731,825.60	21,273,378.96	134,207,618.47	133,491,068.66
White paper board	1,060,234,119.54	814,282,784.76	874,197,258.30	680,079,684.48
Electrostatic paper	925,975,105.51	642,832,215.68	730,621,568.87	500,585,318.42
Other machine-made paper	1,657,204,685.17	1,246,748,681.58	1,940,216,645.08	1,655,222,604.10
Financial leasing	1,202,014,670.10	147,407,276.78	293,153,107.75	11,516,999.48
Electricity and steam	146,006,710.07	88,821,316.36	180,357,434.35	123,066,649.13
Construction materials	101,685,213.16	76,416,729.74	49,824,616.83	37,848,419.37
Chemical products	61,789,407.17	21,725,612.54	102,073,407.08	83,247,439.35
Hotel	14,060,284.77	3,491,311.42	13,576,184.58	3,305,692.10
Others	74,088,876.93	68,995,217.98	30,792,501.76	29,337,358.03

(4) **Principal activities (by geographical areas)**

Unit: RMB

	Am ount for the period		Am ount for the prior period	
Region	**Revenue**	**Operating costs**	**Revenue**	**Operating costs**
Mainland China	8,974,320,983.03	5,868,057,173.90	7,791,146,285.63	5,690,144,127.24
Other countries and regions	1,556,893,478.65	1,369,911,872.55	1,747,091,874.41	1,564,416,824.03

(3) Income tax expenses

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Income tax expenses for the period	230,829,355.97	191,848,281.24
Deferred income tax expenses	76,202,066.49	-18,436,978.63
Total	307,031,422.46	173,411,302.61

(4) Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	*Amount*	*Percentage*	*Amount*	*Percentage*	*Book value*	*Amount*	*Percentage*	*Amount*	*Percentage*	*Book value*
Accounts receivable that are individually significant and provided for bad debts separately	39,482,565.41	0.92%	39,482,565.41	100.00%		40,000,101.94	0.94%	40,000,101.94	100.00%	
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	4,236,428,580.42	99.08%	286,157,366.76	6.75%	3,950,271,213.66	4,216,225,669.00	99.06%	264,937,689.68	6.28%	3,951,287,979.32
Total	4,275,911,145.83	100.00%	325,639,932.17	7.62%	3,950,271,213.66	4,256,225,770.94	100.00%	304,937,791.62	7.16%	3,951,287,979.32

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

Unit: RMB

Receivable (by entity)	Accounts receivable	Closing balance Bad debt provision	Percentage	Reason for provision
FOSHAN SHUNDE XINGCHEN PAPER CO., LTD.	26,236,528.70	26,236,528.70	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	39,482,565.41	39,482,565.41	—	—

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

Unit: RMB

Ageing	Accounts receivable	Closing balance Bad debt provision	Percentage
Within 1 year	3,727,784,446.51	186,408,152.31	5.00%
1-2 years	135,630,238.21	13,563,023.79	10.00%
2-3 years	43,367,555.07	8,673,511.02	20.00%
Over 3 years	116,995,245.05	116,995,245.05	100.00%
Total	4,023,777,484.84	325,639,932.17	8.09%

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

Unit: RMB

Name of entity	Nature	Am ount due	Percentage (%)	Bad debt provision
Shanxi Printing Materials Company	Payment for goods	101,946,323.41	2.38%	5,097,316.17
Xiamen ITG Group Corp., Ltd	Payment for goods	53,997,695.65	1.26%	2,699,884.78
Beijing Foreign Languages Publishing and Paper Company	Payment for goods	58,307,222.45	1.36%	2,915,361.12
Xinjiang Publishing & Printing Group	Payment for goods	48,118,239.41	1.13%	2,405,911.97
Dongguan Huafa Paper Co., Ltd.	Payment for goods	47,306,777.63	1.11%	2,365,338.88
Total		309,676,258.55	7.24%	15,483,812.93

(5) Other receivables

(1) Disclosure of other receivables according to category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	*Percentage*	*Amount*	*Percentage*	*Book value*	*Amount*	*Percentage*	*Amount*	*Percentage*	*Book value*
Other receivables that are individually significant and are provided for bad debts separately	8,686,748.70	0.52%	8,686,748.70	100.00%		8,686,748.70	0.56%	8,686,748.70	100.00%	0.00
Other receivables that are provided for bad debts on portfolio basis based on credit risk features	1,643,506,163.59	98.74%	70,329,894.29	4.28%	1,573,176,269.30	1,536,522,514.58	98.76%	66,949,150.57	4.36%	1,469,573,364.01
Other receivables that are individually insignificant and are provided for bad debts separately	12,364,520.18	0.74%	12,364,520.18	100.00%		10,514,189.79	0.68%	10,514,189.79	100.00%	0.00
Total	1,664,557,432.47	100.00%	91,381,163.17	5.49%	1,573,176,269.30	1,555,723,453.07	100.00%	86,150,089.06	5.54%	1,469,573,364.01

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

Unit: RMB

Other receivables (by entity)	Other receivables	Closing balance Bad debt provision	Percentage	Reason for provision
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	—	

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

Unit: RMB

Ageing	Other receivables	Closing balance Bad debt provision	Percentage
Within 1 year	167,434,941.71	8,371,747.09	5.00%
1-2 years	42,469,612.10	4,246,961.21	10.00%
2-3 years	26,911,358.01	5,382,271.60	20.00%
Over 3 years	73,380,183.27	73,380,183.27	100.00%
Total	310,196,095.09	91,381,163.17	

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

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivables	Closing balance of bad debt provision
Wuhan Chenming Wan Xing Real Estate Co., Ltd.	Non-equity investment under contract	1,291,492,916.67	Within 1 year, 1-2 years, 2-3 years and 3-4 years	82.09%	
Qingdao Chenming Nonghai Investment Co., Ltd.	Open credit	21,000,000.00	Within 1 year	1.33%	1,050,000.00
Guangdong Zhongtuo Construction Co., Ltd..	Open credit	15,200,000.00	1-2 years	0.97%	1,520,000.00
The Finance Bureau of Zhejiang	Prepayments for construction	13,114,963.35	1-2 years	0.83%	1,311,496.34
Jiangsu Xinhai Port Engineering Co., Ltd.	Investment on prepayments	10,330,966.70	1-2 years	0.66%	1,033,096.67
Total	—	1,351,138,846.72	—	85.59%	4,914,593.01

(6) **Accounts payable**

(1) **Particulars of accounts payable**

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	2,133,183,607.71	2,485,701,891.02
1-2 years	342,018,317.33	308,215,762.61
2-3 years	87,171,510.71	69,577,394.46
Over 3 years	110,236,904.63	78,842,338.48
Total	2,672,610,340.38	2,942,337,386.57

(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	Outstanding
JIANGSU NEW CENTURY PROTECTION LTD. ENVIRONMENTAL	10,247,536.71	Outstanding
SHANGHAI CLEAR SCIENCE & TECHNOLOGY CO.,LTD	8,642,724.19	Outstanding
FUJIAN INDUSTRIAL EQUIPMENT CO. LTD SANMIN BRANCH INSTALLATION	5,525,547.66	Outstanding
SHANDONG LONGTAI STAINLESS STEEL PRODUCTS CO., LTD.	4,165,015.91	Outstanding
Total	56,576,530.23	—

(7) **Taxes payable**

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	84,892,313.31	43,110,126.98
Business tax	246,740.79	5,019,330.14
Enterprise income tax	90,838,803.51	121,532,520.76
Individual income tax	1,417,975.98	953,632.02
Urban maintenance and construction tax	3,329,746.24	3,274,749.38
Land use tax	7,616,716.54	9,620,892.06
Property tax	11,645,547.75	5,856,496.06
Educational surcharges and others	2,985,961.64	3,940,435.85
Stamp duty	1,379,328.29	1,544,300.55
Total	204,353,134.05	194,852,483.80

(8) **Other payables**

(1) **Other payables by nature**

Unit: RMB

Item	**Closing balance**	**Opening balance**
Within 1 year	828,160,812.57	970,782,931.89
1-2 years	119,705,404.04	132,987,693.44
2-3 years	45,669,202.61	16,970,120.00
Over 3 years	41,932,785.41	37,826,608.05
Total	1,035,468,204.63	1,158,567,353.38

(2) **Significant other payables for over 1 year**

Unit: RMB

Item	**Closing balance**	**Reason for being outstanding or not being carried forward**
LIAONING BEIHAI INDUSTRIES GROUP CO., LTD.	40,564,326.32	Debt investments as agreed by shareholders of subsidiaries
SHOUGUANG HENGTAI ENTERPRISE INVESTMENT COMPANY LIMITED	39,486,572.87	Debt investments as agreed by shareholders of subsidiaries
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Temporarily outstanding
Total	88,850,899.19	—

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

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,189,954,132.68	1,975,300,816.32
Bonds payable due within 1 year	2,000,000,000.00	1,997,824,337.74
Privately placed bonds due within 1 year		1,498,161,581.85
Medium-term notes due within 1 year	1,096,384,888.57	
Total	4,286,339,021.25	5,471,286,735.91

(10) **Long-term borrowings**

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	2,477,675,068.89	2,585,378,168.89
Guarantee borrowings	3,768,634,969.92	3,206,495,675.32
Credit borrowings	1,138,692,035.94	1,352,808,035.94
Less: Long-term borrowings due within 1 year	1,189,954,132.68	1,975,300,816.32
Total	6,195,047,942.07	5,169,381,063.83

8. PURCHASE, SALE AND REDEMPTION OF SHARES

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

9. CORPORATE GOVERNANCE CODE

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

(1) The chairman and general manager of the Company is Mr. Chen Hongguo. Mr. Chen Hongguo performs the roles of the chairman and the general manager for the overall management of the Company. This constitutes a deviation from the principles and code provisions of A2 - Directors and Chief Executive Office in Corporate Governance Code and Corporate Governance Report under Appendix 14 to Listing Rules. However, the Directors of the Company believe that Mr. Chen Hongguo acting as the chairman and the general manager will enable the Company to more effectively plan and implement the business strategies so that the Group can effectively and rapidly seize business opportunities. As all major decisions will be made after consultation with other members of the Board, the Company believes that the supervision of the Board and independent non-executive Directors will strike a sufficient balance of power and authority.

(2) Communication with shareholders

During the reporting period, the Company held the annual general meeting on 18 May 2016.

Mr. Chen Hongguo, the chairman of the Company and its strategy committee, Ms. Zhang Hong, the chairman of the audit committee, and Mr. Zhang Zhiyuan, the chairman of the nomination committee, were absent from the annual general meeting due to business commitments. The Company's external auditor also attended the annual general meeting as the scrutineer.

10. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors' securities transactions. The Company had made specific enquiry of all Directors and Supervisors and all Directors and Supervisors confirmed that they had complied with the requirements as set out in the Model Code for the six months ended 30 June 2016.

11. AUDIT COMMITTEE

The audit committee of the Company now comprises two independent non-executive Directors and one non-executive Director. The members of the audit committee are Ms. Pan Ailing, Ms. Wang Fengrong and Ms. Yang Guihua. The audit committee reviewed the accounting standards and practices adopted by the Group with the management of the Company and discussed and reviewed the interim results and interim report for the six months ended 30 June 2016 prepared in accordance with the accounting standards.

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

Shandong, the PRC
24 August 2016

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng and Mr. Geng Guanglin; the non-executive Directors are Ms. Yang Guihua and Ms. Zhang Hong and the independent non-executive Directors are Ms. Pan Ailing, Ms. Wang Fengrong, Mr. Huang Lei and Ms. Liang Fu.

** For identification purposes only*